Steel In The News

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

CONTENTS

A Weekly News Report by Joint Plant Committee

August 06-12, 2016

HIGHLIGHTS OF THE WEEK

1. MIP extended on 66 steel products till October 4
2. Steel items not under MIP may attract dumping duty
3. The proposed R5,000-crore investment plan of ArcelorMittal and SAIL for an automotive steel plant in India, will be finalised during the Honòble Minister of Steel Chaudhary Birender Singhòs four-day visit to London and Luxembourg later in the month
4. The steel product e-sale platform being developed by state-owned MSTC Limited will go live in September this year.
5. Chinaòs iron ore imports surged to the second highest on record in July as a stronger steel market drove demand for the raw material.

COMPANY NEWS

MSTC 'Metal Mandi' to go live next month

The steel product e-sale platform being developed by state-owned MSTC Limited will go live in September this year, Union steel minister Chaudhary Birender Singh said. When contacted, MSTC officials said the company was currently holding road shows for the e-trading platform. The platform would be ñlike the Flipkart for sale of finished and semi-finished steel productsò, the official added. We held a road show in Ludhiana last month. It will now be held in Bhubaneswar, Gurgaon and Delhi. The effort is to educate as many sellers and buyers we can.ò He said the platform would a transparent and virtual market place with real price realisation. The Metal Mandi initiative was launched jointly by the steel ministry and MSTC as part of the óDigital Indiaô and óMake in Indiaô initiatives of the central government.

Source: Business Standard 11th August, 2016

MSTC JV deal with Mahindra Inter Trade

A JV agreement was signed between Mahindra Inter Trade Ltd and MSTC Limited for setting up a company, for the first auto shredding plant in India, at Udyog Bhawan.Chaudhary Birender Singh, minister of steel; Aruna Sharma, secretary of steel, GoI and S Barthwal, joint secretary of steel, were present. Zhooben Bhiwandiwala, member of group executive board of Mahindra & Mahindra ; Sumit Issar, MD, Mahindra Inter Trade and BB Singh, CMD, MSTC Limited and other dignitaries were present. The plant will reduce Indiaĝs dependence on annual import of shredded scrap of 5-6 MT and consequently reduce the foreign exchange outgo.

Source: The Economic Times 11th August, 2016

PROJECTS

Arcelor Mittal, SAIL to finalise Rs 5k-cr venture soon

The proposed R5,000-crore investment plan of ArcelorMittal and SAIL for an automotive steel plant in India, agreed on by the firms more than a year ago, will be finalised during steel minister Chaudhary Birender Singhĝs four-day visit to London and Luxembourg later in the month. Though the details of the tour were not known, sources said the two companies may sign the joint venture agreement for setting up the automotive steel manufacturing facility during the ministerĝs visit. Meanwhile, talking to reporters, the minister on Thursday said though there were some issues relating to production, these would be sorted out in a month or so and the joint venture would be ñoperationalò by the year-end. The worldĝs largest steelmaker ArcelorMittal and Indiaĝs largest steel PSU SAIL had on May 22 last year signed a memorandum of understanding (MoU) for setting up the facility. The aim was to cater to the growing need of the automotive sector. Although the companies have not announced the size of the plant or the location of the proposed JV entity so far, sources had earlier said it could be a 1.2-million-tonne unit, entailing an investment of around R5,000 crore.SAIL was supposed to supply steel to the joint venture entity while Arcelor Mittal, the required technology.

Source: The Financial Express 12th August, 2016

FINANCIAL

JSPL to recast Rs 7,500-cr loan

Company in talks with lenders to take the debt out of its steel portfolio under the Reserve Bank's 5X25 scheme Naveen Jindal-controlled Jindal Steel & Power Limited (JSPL) is likely to shortly finalise an agreement with its lenders for bringing Rs 7,200-7,500 crore loan out of its steel portfolio under the 5x 25 scheme of the Reserve Bank of India. The company with Rs 44,140 crore consolidated debt on its books as on March 31, 2016 had last year brought around Rs 3,000 crore loan from its power portfolio under the scheme. The scheme allows banks to recast long-term loan for infrastructure and core industries through periodic release of funding along with initial moratorium on debt repayment. Steel constituted a little less than 80 per cent of the companyŷs turnover of Rs 20,517 crore in 2015-16. The group has a finished steel capacity of 8.05 million tonnes per annum.

When contacted, a JSPL spokesperson did not confirm the development but said the company was working on various initiatives including re-financing, debt reduction and appropriate monetisation plans to further strengthen its balancesheet.The company has been trying to resolve its liquidity issues, as part of which it also agreed in May to sell its Chhattisgarh thermal power plant to brother Sajjan Jindal-controlled JSW group for Rs 6,500 crore. JSPL would get an advance of Rs 500 crore after shareholders of the two companies approved the deal last month.

Source: Business Standard 9th August, 2016

Banks may invoke JSPL guarantees

Lenders to Jindal Steel and Powerŷs (JSPL) Mauritius subsidiary are weighing their options after the company missed an interest payment of close to $5 million due early August. According to senior bankers, lenders may choose to invoke corporate guarantees. The subsidiary has borrowed close to $550 million from a consortium of 18 foreign lenders, including Standard Chartered, Barclays and Deutsche Bank. Senior bankers told FE JSPL had already indicated to them in July its subsidiary might skip interest payments on the loan for the April-June quarter due to stressed cash flows. Responding to an emailed query from FE on the missed interest payment, a spokesperson for JSPL wrote: ñAs already advised JSPL continues to work on various initiatives including re-scheduling payments, re-financing, debt reduction and appropriate monetisation plans to further strengthen our balance sheets. We are working towards efficient capacity utilisation and enhancing operational efficiencies of our world class productive assets and are confident of emerging financially stronger in FY17. It is pertinent to note that JSPL Financials were adversely impacted due to enhanced finance cost incurred due to additional borrowings, to pay the additional coal levy of over R3,300 crore, arising out of the cancellation of coal blocks by the Honôble Supreme Court of India.ò FE had reported on the negotiations between JSPL and its foreign lenders on July 21 to restructure the debt. The banks are understood to have sought additional guarantees ð in particular they had asked that shares of JSPLôs Oman subsidiary Shadeed Iron and Steel be pledged with them. However, JSPL is understood to have told lenders at the time this would not be possible due to some legal complications. Banks told FE they learnt later from Avista Advisory ð an independent investment banking advisory company ð that these shares had been pledged elsewhere, in lieu of a loan. JSPL is understood to have assured lenders there was no intent to deprive lenders of their rights and that the pledge which had been created was an ñimperfectò one with no legal binding. The $550 million worth of loans had been disbursed in two tranches in 2011 and 2012, lenders said.

In April lenders had appointed Avista Advisory to evaluate a recast of the loans that included a revised pricing and an extended tenure. ñThe promoters had then indicated to lenders they were willing to provide additional security in the form of shares in some overseas arms,ò a senior banker who did not wish to be named told FE. JSPLôs consolidated gross debt stood at R46,816 crore at the end of March 2016. The firm reported a loss of R1,902 crore in 2015-16 on top of a loss of R1,278 crore in 2014-15. Revenues in 2015-16 fell 8% to R18,104.9 crore while interest expenses were R3,280 crore

Source: The Financial Express 11th August, 2016

POLICY

MIP extended on 66 steel products till October 4

In a move that brought cheer among the steel industry, the Directorate General of Foreign

Trade has extended the minimum import price (MIP) on 66 steel products till October 4. The MIP ranges between $ 341 and $ 752 per tonne and will protect the domestic industry against cheaper imports. MIP was first levied on 173 steel products in February this year. With the notification set to expire on Friday, the DGFT waited till the last minute to issue the notification for extension of the MIP. The industry has been pushing for extension of the MIP. Two days before the MIP was to expire, Sajjan Jindal, Chairman and Managing Director, JSW Steel, took to social media and tweeted, ñMIP is essential for fair competition in the Indian steel industry. Close monitoring of imports is a must.ò The Indian Steel Association had asked the government to extend the MIP on steel products saying that its imposition since February has helped marginally improve the industryôs viability. During April-July 2016, total steel imports have dropped 34 per cent to 2.393 million tonnes.

Source: Business Line 6th August, 2016

Steel items not under MIP may attract dumping duty

The government is working on bringing steel products that have been excluded from the minimum import price net, under other safeguard measures such as anti-dumping duty, steel minister Chaudhary Birender Singh said on Friday. The minister said that this time minimum import price (MIP) has been placed for 60 days, during which the ministry will do a ñcomprehensiveò analysis on the situation on safeguards and explore measures that can be undertaken under anti-dumping duty. The government on Thursday extended the MIP on 66 steel products for a period of two months as against 173 items earlier. The measure ranges between $ 341 ï 752 per tonne. Though its procedure is long, but then it can be a better alternative and at the same time will keep in view the country from where cheap imports are coming, the minister said.

ñNow we would also see whether there is a necessity to put some more items under the MIP such as wires, rods and rest are the offshoots of these two items. Also if some item is to be taken out (of MIP) as some industries are demanding to allow imports of raw materials/products whose availability is not there in the country,ò he explained.

Source: The Financial Express 6th August, 2016

STEEL PERFORMANCE

Steel consumption declines for 2nd consecutive month in July

Indiaôs steel consumption declined for the second-straight month in July falling over 7 per cent to 6.3 million tonnes (MT) as compared to June. According to the latest data from the Joint Plant Committee (JPC), part of the Steel Ministry, ñConsumption in July 2016 (6.289 MT) was up by 1.1 per cent over July 2015 but was down (by 7.4 per cent) over June 2016.ò Similarly in June this year, the demand for the metal, stood at 6.8 MT, down by 4.3 per cent over June 2015 as well as down by 8 per cent over May 2016, the JPC said. However, on the brighter side, consumption of total finished steel in India ï worldôs third largest steel maker, grew albeit marginally by 0.5 per cent in April-July 2016-17 to 26.2 MT over same period of last year.

Source: The Financial Express 9th August, 2016

GLOBAL STEEL

Low steel prices hit ThyssenKrupp

Germanyôs largest steel maker ThyssenKrupp said on Thursday that low prices for steel and other raw materials had weakened results in its third quarter, but confirmed its forecast for the year. Revenues at the group, which also makes lifts, submarines and car parts, fell to ú9.9 billion, 12 per cent lower than in April-June 2015. Operating profits as measured by EBIT fell 25 per cent to ú 372 million, while net profits were down around a third at ú 130 million.

Source: The Business Line 12th August, 2016

China's iron ore imports rise to near record in July

Chinaôs iron ore imports surged to the second highest on record in July as a stronger steel market drove demand for the raw material, but a drop in copper and crude oil purchases reflected slower demand in the worldôs top commodities buyer. Low steel inventories had spurred a 31% rally since late May in Chinese steel prices, pushing many mills to lift output and increasing the need for iron ore. Firm demand has helped iron ore rally 42%

this year, far outpacing price gains in copper and oil. Shipments of iron ore to China climbed 2.7% from a year ago and by 8.3% from June to hit 88.4 million tonne in July, data from the General Administration of Customs showed on Monday. It was the second-highest monthly volume, only trumping the record 96.27 million tonne reached in December 2015.

Source: The Financial Express 9th August, 2016

MISCELLANEOUS

NITI Aayog identifies SAIL units for strategic sale

NITI Aayog has identified some of the subsidiaries of the countryôs largest steel maker, SAIL, for strategic sale, Parliament was informed on Thursday. ñNITI Aayog has provisionally identified some units of SAIL for strategic sale,ò minister of state for steel Vishnu Deo Sai said in a written reply in the Rajya Sabha. The minister added that the government has decided to appoint an external consultant to study the overall working of SAIL with a view to improve its performance. ñMECON has been appointed as consultant for finalising a management consultant,: Sai said.

Source: The Financial Express 12th August, 2016

Protective steps for steel firms can't be perpetual

Safeguard measures like MIP and anti-dumping duty have been levied to protect domestic steel firms from cheap imports, but they cannot be ñperpetualò, steel minister Chaudhary Birender Singh said on Thursday. ñWhen I talk to industry people, I said okay for the time being we can have these protection measures, but not for long. It cannot be perpetual. So there are these protective measures, but side-by-side you work on increasing

your efficiency, competitiveness,ò he told reporters in New Delhi. Last week, government extended the minimum import price (MIP) on steel products by two months, but pruned the list from 173 products to 66.

Source: The Financial Express 12th August, 2016

Steel Makers Won't Gain Much from Extension of MIP: ICRA

Extension of Minimum Import Price (MIP) for the next two months is unlikely to provide much relief to the Indian steel players, ratings agency ICRA has said. This is particularly true for companies which have with a large presence in the flat products category. Share of the 173 steel products under MIP in India's total steel imports were significantly higher at 95 per cent in FY16 than that for 66 products covered under extended MIP at 29 per cent in FY16.
On expiry of the six months validity of the minimum import price (MIP) levied on steel imports, government extended the MIP further by a period of two months on August 4, 2016. As against 173 products covered by MIP imposed in February 2016 (MIP I), the recent notification (MIP II) covers only 66 steel products under the extended MIP scheme. Notable exclusions in the list are hot rolled (HR) and cold rolled (CR) flat products with width of more than 600 mm and other alloy steel products such as boiler quality and high pressure steel.

ICRA estimates that for HR flat products not covered under the MIP II scheme, domestic prices are currently trading at a discount of around US $70/tonne or roughly around 14 per cent of domestic HRC price as compared to the landed cost of imported HRC offers from China Given the low steel demand growth of 0.4 per cent in Q1 FY17, down from 4.6 per cent in FY16, any increase in imports would pose further challenges for the domestic steel players. The outcome of recent anti-dumping investigations initiated by the Directorate General of Anti-Dumping and Allied Duties would thus remain a key factor determining financial health of domestic steel industry, the agency said.

Source: The Economic Times, 9th August, 2016