

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

May 28 – June 3, 2016

HIGHLIGHTS OF THE WEEK

1. The steel ministry and state-run MSTC have jointly launched an e-platform for sale of finished and semi-finished steel products.
2. Tata Steel has sold its long products division in the UK to London-based private equity firm Greybull Capital LLP on Wednesday.
3. Leaders of the Group of Seven (G7) pledged to tackle a global glut in steel.

COMPANY NEWS

ArcelorMittal-SAIL automotive steel JV stuck in ‘negotiations’

The proposed Rs 5,000-crore joint venture between ArcelorMittal and SAIL, agreed on by the firms more than a year ago for producing automotive steel in India, is yet to make any headway with both the parties still stuck at the ‘negotiation’ stage, a senior steel ministry official said. Another source said the matter was listed for discussion at the meeting of the inter-ministerial group (IMG), but since the parties involved could not reach a conclusion on the pattern of shareholding and other issues, there would be a separate meeting on the proposed joint venture next week. The world’s largest steelmaker ArcelorMittal and India’s largest steel PSU SAIL had on May 22 last year signed a memorandum of understanding (MoU) to set up an automotive steel manufacturing facility. The aim was to cater to the growing need of the automotive sector. SAIL was supposed to supply steel to the joint venture entity while ArcelorMittal, the required technology. ArcelorMittal supplies around 17% of the global auto steel demand. The combination of significant demand growth and limitations in India’s existing domestic automotive steel production capabilities provides ample opportunity for both ArcelorMittal and SAIL. A senior SAIL official said the feasibility study report for the proposed JV is yet to be finalised.

Source: The Financial Express, 2nd June, 2016

SAIL posts Rs 1,230-crore net loss in fourth quarter

Steel Authority of India Ltd (SAIL) swung to a net loss of Rs 1,230 crore in the fourth quarter of 2015-16 due to lower steel prices. The company had a net profit of Rs 334 crore in the same quarter last year. During the quarter, the company’s net sales remained almost flat at Rs 11,371 crore against Rs 11,590 crore in the same quarter last year. Net sales realisation is the average price received by the company for every tonne of steel sold. For the full 2015-16, SAIL had a net loss of Rs 4,137.28 crore against a net profit of

Rs 2,092 crore in the previous fiscal. The net sales during the fiscal fell 14.5 per cent to Rs 39,086 crore against Rs 45,730 crore in the previous fiscal.

Source: Business Line, 1st June, 2016

FINANCIAL

NMDC to consider share buyback next week

Mining giant, NMDC today said its Board of Directors will meet next week to consider a proposal of buyback of company's shares. The state-run firm, however did not elaborate upon the number of shares that it is planning to buyback. The development comes amidst the government proposing to put up about 39.64 crore shares through Offer for Sale(OFS) which can fetch an estimated Rs 3,600 crore at the current market price. Last month, five merchant bankers, including ICICI Securities, Citibank and SBI Capital, were shortlisted for assisting disinvestment of government's 10 per cent stake in the blue-chip NMDC.

Source: The Financial Express, 3rd June, 2016

Electrosteel Seeks More Leeway from Lenders

Promoters of Electrosteel Steels, at risk of losing the company to banks after defaulting on Rs 10,000 crore in loans, have asked lenders to reschedule the loans and halt the process of taking control as higher steel prices in the last few months has helped them report net profit in the fourth quarter for the first time in five years. Lenders have proposed a forensic audit and are likely to reject the proposal, which includes converting part of the loan into 20 year bonds, since the promoters are not investing equity and expect banks along to take a hit in restructuring the loans. Company brass were in talks with a consortium of lenders led by SBI on Wednesday evening, said two senior bank officials who did not want to be named. Electrosteel did not respond to an email from ET. Bankers were also disappointed because the promoter, Umang Kejriwal missed the meeting. "It shows a lack of seriousness," said a banker. Lenders have asked the company to respond by June 24 on how much of a haircut it would be willing to take. Electrosteel Steel has proposed four year moratorium, conversion of Rs 2000 crore term and funded interest term loans into Optionally Convertible Redeemable Preference Shares to be converted after 20 years. The company has said that it will generate cash if their loan is restructured.

Source: The Economic Times, 3rd June, 2016

PROJECT

Steel Ministry, MSTC Join Hands to Float Metal Portal

The steel ministry and state-run MSTC have jointly launched an e-platform for sale of finished and semi-finished steel products. The portal, "MSTC Metal Mandi", is aimed at improving the marketing potential of medium-and small-scale steel producers. Steel product buyers across the country can make purchases on the portal and use e-payment or letter of credit for payment. Stakeholder meetings have already been conducted in Ranchi, Raipur and New Delhi. The project is being touted as the first just-in-time marketing initiative in the country and is proposed to provide competition against imported steel products which have been flooding the market. Additionally, to provide impetus to the government's initiative for eco friendly activities, MSTC is setting up an auto shredding plant to take care of the growing vehicle population and end-of life vehicles (ELV). This is slated to eliminate shortfall in availability of good-quality, auto-grade scrap and produce high-quality shredded scrap for making steel. MSTC's shredding plant will be the first of its kind in the country. The joint venture is coming up as a public-private partnership (PPP) between MSTC and Mahindra Intertrade. A leading standalone e-commerce player, MSTC is a service provider to various central and state government departments and other entities and ensures transparent and fair sale and purchase decisions. MSTC had successfully conducted coal block auctions, following which short-term power purchase contracts will now be decided through reverse e-auctions and the successful bidder will sign power purchase agreements with the utility that wants to buy power.

Source: The Economic Times, 30th May, 2016

Tata Steel completes sale of long products unit to Greybull Capital

After intense negotiations for the last six months, Tata Steel has managed to complete the sale of its long products division in the UK to London-based private equity firm Greybull Capital LLP on Wednesday. Apart from paying a nominal consideration, Greybull will take over liabilities associated with the asset. The Long Products Europe business which includes the Scunthorpe steelworks, two mills in Teesside, an engineering workshop in Workington, a design consultancy in York, and associated distribution facilities, besides a rail mill in northern France, will trade under the name of British Steel. The sale of asset to Greybull follows an accelerated process of negotiations between Tata Steel UK and Greybull Capital, said Tata Steel, which is still in the market to find a suitor for its other units in the UK, including the one at Port Talbot in Wales as the workers' pension liability remains the major stumbling block. Tata Steel has production capacity of 13 million

tonnes in Europe and has already made provision of Rs 7,000 crore for the struggling assets which have been making losses for the last few years. Bimlendra Jha, Executive Chairman of the Long Products Europe business and CEO of Tata Steel UK, said as a responsible seller, Tata Steel is delighted to have secured a buyer for this business and hopes that under Greybull ownership, the business will continue the momentum of the improvement program that has been initiated in the last 12 months.

Source: Business Line, 2nd June, 2016

GLOBAL STEEL

US panel starts trade secret theft probe into China steel

US regulators launched an investigation on Thursday into complaints by United States Steel Corp. that Chinese competitors stole its secrets and fixed prices, in the latest trade spat between the two countries. The International Trade Commission said in a statement that it has not made any decisions on the merits of the case. US Steel, in its complaint under section 337 of the main US tariff law, is seeking to halt nearly all imports from China's largest steel producers and trading houses. The commission identified 40 Chinese steelmakers and distribution subsidiaries as respondents, including Baosteel Group, Hebei Iron and Steel Group, Wuhan Iron and Steel Co. Ltd., Maanshan Iron and Steel Group, Anshan Iron and Steel Group and Jiangsu Shagang Group. The probe comes amid a barrage of efforts by the US Commerce Department to clamp down on a glut of Chinese steel imports, including steep anti-dumping duties on corrosion-resistant steel announced on Wednesday. US Steel filed its original complaint a month ago, alleging that it was a victim of a 2011 computer hacking incident that also prompted US federal cyber espionage indictments against five Chinese military officials in 2014. Chinese steelmakers and officials rejected the need for the probe, and said steelmakers said they would contest any findings.

Source: The Financial Express, 28th May, 2016

G7 leaders pledge to tackle steel glut but doubts over its impact

Leaders of the Group of Seven (G7) pledged to tackle a global glut in steel, though their statement did not single out China, which produces half of the world's steel and is blamed by many countries for flooding markets with cheap steel. While not included in the text, China was brought up in the discussions among leaders of the G7 industrial powers, a senior Japanese government spokesman told reporters. China insists that its steel exports

do not violate trade rules nor are its policies designed to encourage mills to sell overseas. It also says it has sought to reduce tax rebates on exported steel. But with steel mills from Australia to Britain under threat of closure, pressure is mounting on Beijing to cut capacity after output hit a record high earlier this year. Leaders of the G7 - which comprises Britain, Canada, France, Germany, Italy, Japan and the United States - met this week near Nagoya, a Japanese car production and steel manufacturing centre. But Yusuke Miura, senior economist at Mizuho Research Institute, saw little direct impact from the G7 call. China has cut 90 million tonnes of steel capacity and plans to cut another 100-150 million tonnes through 2020. EU lawmakers rejected this month any loosening of trade defences against China, whose eligibility for market economy status is being debated by the European Union. Meanwhile, the United States slapped Chinese steelmakers with import duties of 522 percent on cold-rolled flat steel used for car body panels and construction. The G7 should acknowledge that government subsidies and China's state-owned steel mills are the major contributors to the global excess capacity, Philip Bell, president of the U.S. Steel Manufacturers Association, said in an email.

Source: The Financial Express, 28th May, 2016