

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 Material	2
Company News	4
Financial	4
Steel Performance	5
Global Steel	6

A Weekly Report by Joint Plant Committee

June 4- 10, 2016

HIGHLIGHTS OF THE WEEK

1. ArcelorMittal has asked Italy's state lender Cassa Depositi e Prestiti (CDP) to back its bid for the troubled Ilva steel plant as it fights competition from two other bidders.
2. Within days of government bringing out a detailed buyback policy for PSUs, NMDC and MOIL announced plans to buy back shares from the market that could fetch the government about `6,500 crore in disinvestment revenue.
3. Lenders to Essar Steel have asked the company to prepare a new debt repayment plan.
4. Visa Steel said it will seek shareholder approval for the merger of its joint venture company Visa Bao (VBL) to rationalize costs and secure raw material for its ferrochrome business.

RAW MATERIALS

NMDC, MOIL to buy back 25% shares

Within days of government bringing out a detailed buyback policy for PSUs, NMDC and MOIL on Tuesday announced plans to buy back shares from the market that could fetch the government about `6,500 crore in disinvestment revenue. The government owns 80% each in both the mining companies. At March-end 2016, NMDC's cash and bank balances stood at `14,809 crore while it was `2,850 crore for MOIL. The NMDC buyback is expected to fetch about `5,700 crore to the government while it could get about `800 crore from MOIL buyback. Both the companies on Tuesday informed the stock exchanges that they will seek their respective board's approval for the buybacks on June 7. The dates of buyback, in which public shareholders can also sell back their shares to the company, will be announced after the board meeting. NMDC stock closed 1.66% up at 91.65 while MOIL's closed 1.42% higher at `243.1 on the BSE on Tuesday. Nearly two dozen central PSUs, including Coal India, NMDC and Nalco, will have to initiate steps to buy back a portion of their shares from the government in FY17, after the Department of Investment and Public Asset Management issued comprehensive

guidelines on May 31 on capital restructuring of the CPSEs by way of buyback, dividends, issue of bonus shares and splitting of shares.

Source: The Financial Express, 8th June, 2016

COMPANY NEWS

Tata Steel close to deal to keep UK biz: reports

Tata Steel is believed to be close to striking a deal with the UK government to keep its British steelworks rather than sell it off, which would secure the future of 11,000 workers, UK media reports said today. The Indian conglomerate is in talks to clinch a loan worth nearly 1 billion pounds and a restructuring of the British Pension Scheme after no potential bidder could guarantee keeping the plants running for more than three years. UK business secretary Sajid Javid, who is leading UK government efforts to rescue thousands of steel jobs in the country, has previously said the government is willing to offer hundreds of millions of pounds to a buyer of Tata Steel UK and restructure the pension scheme, which has liabilities of almost 15 billion pounds and costs more than 100 million pounds a year to support. However, it is not clear at this stage whether Tata will take up the government's offer of taking a 25 per cent stake in the business. Indian-origin businessman Sanjeev Gupta's Liberty House and London-based investment firm Greybull Capital were among those in the running.

Source: Business Line, 4th June, 2016

Essar Steel Gets 2 Weeks to Make New Repayment Plan

Lenders to Essar Steel have asked the company to prepare a new debt repayment plan. Bank officials will meet later this month to examine the company's proposal to repay loans of around Rs 40,000 crore. While two senior bankers said the need to come up with a fresh repayment plan was conveyed to the company after a core committee of bankers met on May 30 at the offices of the State Bank of India BSE 2.79 % (SBI), an Essar Steel

spokesperson said the company was unaware of any such meeting. Essar Steel had borrowed Rs 40,000 crore from 30 banks. The loan account has been classified as a non-performing asset after the steelmaker failed to repay on due dates. Essar Steel owns India's most modern steel production complex with a capacity of 10 million tonnes. The total investment in the steel plant, located in Hazira, Gujarat, is around Rs 55,000 crore. In March, the company had presented a 'deep restructuring' plan to borrowers, which involved reduction in interest rates and a longer repayment schedule. "The consortium of lenders did not agree to this. Now, they want Essar Steel to stick to a deadline in preparing an acceptable repayment plan," said a senior bank official. Some lenders are unhappy that the company is seeking deep restructuring despite being offered an easy repayment package under the so-called 5:25 scheme. The company's total debt of Rs 40,000 crore consists of three terms loans of Rs 14,500 crore, Rs 15,000 crore and Rs 10,000 crore.

Source: The Economic Times, 7th June, 2016

Visa Steel to Seek Nod from Shareholders for Merging JV Arm

Visa Steel said it will seek shareholder approval for the merger of its joint venture company Visa Bao (VBL) to rationalize costs and secure raw material for its ferrochrome business.

Source: The Economic Times, 10th June, 2016

FINANCIAL

ArcelorMittal seeks Italy state bank's backing for Ilva steel plant bid

ArcelorMittal has asked Italy's state lender Cassa Depositi e Prestiti (CDP) to back its bid for the troubled Ilva steel plant as it fights competition from two other bidders, according to an interview published in *Il Sole 24* on Friday. On Tuesday the Italian government extended to June 30 the deadline for presentation of binding offers for Europe's largest steel plant by output capacity and said it would take four months to assess environmental aspects of the bids. The government took over administration of the loss-making business

last year to try to save some 16,000 jobs and clean up its polluting factories in the southern Italian city of Taranto. The head of mergers and acquisitions at ArcelorMittal, the world's top steel producer, described the acquisition of Ilva as "strategic" in the interview. However, ArcelorMittal will have to beat off competition from unlisted Italian steelmaker Arvedi and Turkish rival Erdemir. CDP declined to comment on that meeting. Ilva has set up favourable conditions to attract bidders, laying off 4,000 staff, and obtaining a 1.1 billion euro (\$1.23 billion) bridge loan to finance an environmental clean-up. The plant was put under court administration in 2013 after magistrates seized 8.1 billion euros of assets belonging to the former owners, the Riva family, amid allegations that toxic emissions were causing abnormally high rates of cancer.

Source: Business Line, 4th June, 2016

STEEL PERFORMANCE

May steel imports lowest in at least 14 months

India's steel imports fell in May to their lowest level in at least 14 months, provisional government data showed, thanks to the country's efforts to cut cheap overseas purchases. India, the world's third-largest steel producer, imported 546,000 tonnes of finished steel last month, nearly 41 per cent lower than the same month a year earlier, data from the Joint Plant Committee (JPC) of the steel ministry showed. The JPC website shows monthly steel import data since April 2015. In February, the government imposed a floor price on the import of 173 steel products and in March extended import taxes on some products until 2018. Last month, New Delhi imposed a provisional anti-dumping duty on seamless tubes, pipes imported from China. India has also begun looking into the possible dumping of cheap steel from China, as well as Japan and South Korea. Domestic steel makers including JSW Steel, Tata Steel and Kalyani Steels have been lobbying the government for more protectionist measures. Consumption of steel in India, the only major market where steel demand is growing, rose 3.8 per cent in May while steel exports by Asia's third-largest economy rose 6.1 per cent.

Source: Business Standard, 7th June, 2016

GLOBAL STEEL

Steel, Iron Ore Extend Gains on Output Curbs

Shanghai steel futures extended gains to hit a three-week high on Tuesday amid more production curbs in a key Chinese city while iron ore prices rallied further as mills built stocks ahead of holidays this week. Tangshan has ordered mills to cut output from June 14-21 to ease air pollution.

Source: The Economic Times, 8th June, 2016