

Steel In The News

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

CONTENTS	Page
Highlight of the Week	2
Raw Material	2
Company News	3
Policy	4
Global Steel	5
Steel Performance	5
Miscellaneous	6

A Weekly News Report by Joint Plant
Committee

September 17 – 23, 2016

HIGHLIGHTS OF THE WEEK

1. Steel demand is expected to grow 5.3 per cent this fiscal to 85.8 million tonnes (mt) against 81.5 mt recorded in the same period last year. The overall steel demand next fiscal is expected to grow 5.6 per cent to 90.6 mt, according to a statement issued by the Indian Steel Association.
2. The steel ministry is not in favour of slashing export duty of 30% on high-grade iron ore, a key ingredient in steel making, a top government official said.
3. Pellet makers are grappling with a double blow, rise in the cost of key inputs like iron ore finer and furnace oil, and falling realisations in exports to China.
4. Steel Authority of India (SAIL) is targeting a 20% increase in production and sales this year with new mills in its five steel plants adding to overall capacity,

RAW MATERIAL

Pellet makers a worried lot as ore prices surge

Pellet makers are grappling with a double blow, rise in the cost of key inputs like iron ore finer and furnace oil, and falling realisations in exports to China. With most pellet makers operating at depleted capacities and some even shutting operations, the latest increase in iron ore finer rate in Odisha is said to have stifled manufacturers. Most miners in the state have announced a price rise of Rs 100-200 per tonne for high grade finer (with iron content of 62 per cent and above) and others are expected to follow. The margins of pellet manufacturers are already under stress because of the rise in prices of furnace oil as a fall out of increase in global crude oil prices. Besides, falling export prices of pellets, especially of shipments to China, have added to their woes. Increase in furnace oil prices has triggered a Rs 50 per tonne

increase in production cost. Price of pellets exported to China have dipped \$6-7 a tonne. Manish Kharbanda, executive director and group head (mines&minerals)at JindalSteel&Power(JSPL). He suggested that the Odisha government enforce iron ore production as per approved EC (environment clearance) limits to ensure greater supply in the market. JSPL runs a pellet unit at Barbil (Odisha) with a rated capacity of 10 mtpa. It is one of the largest buyers of ore. With input costs heading north, the average cost of production of pellets would now be in the range of Rs 2,900-3,200 per tonne. Most pellet makers are bleeding cash because of steep increase raw material prices. Revival in Chinese in the past two months have enabled exporters to find some comfort but exports were still unprofitable, especially after the recent crash in export prices.

Source: The Business Standard 22nd September, 2016

COMPANY NEWS

SAIL Eyes 20% increase in production sales this year

Steel Authority of India (SAIL) is targeting a 20% increase in production and sales this year with new mills in its five steel plants adding to overall capacity, even as the company's variable cost of production has come down by 10%. SAIL is also adding a fresh capacity of three million at Rourkela Steel Plant by 2018 to produce the key material for its proposed automotive steel joint venture with the world's top steel producer, ArcelorMittal. The company is also taking up new projects to enhance its product mix and profitability, besides the modernization programme which is nearing completion, This includes installation of a new three million tonne capacity hot strip mill at Rourkela which will make plates of 2250 mm width. The latter is scheduled to be commissioned in 2018 and will help SAIL product high quality hot rolled coils including high strength grades to cater to the domestic automotive industry, he said, addressing the company's 44th annual general meeting. Industry watchers pointed out this upcoming mill is slated to provide the key material hot rolled coils for SAIL's proposed joint

venture with ArcelorMittal for automotive steels. The SAIL chief justified the higher production volumes in a otherwise lacklustre steel market by adding that India is expected to see a more than 5% demand growth in both 2016 and 2017, according to a World Steel Association forecast. To beat the challenges of an indifferent steel market, SAIL is taking "conscious steps to improve customer centric processes for better sales and performance," Singh said. In particular the company is focusing on marketing in regions where it has natural freight advantage, increasing retail sales and leveraging SAIL's brand image. On an internal level, the company is reaching out to every employee, sensitizing and informing them about these new initiatives and strategies for adopting a customeroriented culture.

Source: The Economics Times 22nd September, 2016

POLICY

Steel ministry not in favour of lowering iron ore export duty

The steel ministry is not in favour of slashing export duty of 30% on high-grade iron ore, a key ingredient in steel making, a top government official said. "We are not in favour of reducing the export duty on higher grade of iron ore from 30%," steel secretary Aruna Sharma told reporters on the sidelines of an event organised by the Indian Chamber of Commerce in New Delhi. The mining industry has been pushing for a reduction in export of iron ore with Fecontent of over 58%, saying there is already a huge stock of unsold ore lying in Odisha and Chhattisgarh with no domestic buyers. Reducing the export duty will make iron ore viable to sell in the international market. Industry estimates that around 85 million tonne (mt) of the ore is lying unsold. On the other hand, domestic steel producers are pitching against the reduction in export duty, calling for preserving the natural resource for domestic use.

Source: Financial express 22nd September, 2016

GLOBAL STEEL

Thyssenkrupp keen to bid for P75i to build submarines

German conglomerate Thyssenkrupp is keen to build its Type 214 submarines for the Navy under the Project 75i or P75i, which seeks to build six new-generation diesel electric submarines as and when the Defence Ministry calls in the bids. Thyssenkrupp Group's marine systems division will be bidding for the USD8-billion project. "We will be bidding for the P75i, having already delivered four non-nuclear submarines to the Navy in the late 1980s and early 1990s," Thyssenkrupp India managing director and chief executive Ravi Kirpalani.

Source: The Business Standard 19th September, 2016

STEEL PERFORMANCE

Steel demand likely to grow 5.3% this fiscal

The steel demand is expected to grow 5.3 per cent this fiscal to 85.8 million tonnes (mt) against 81.5 mt recorded in the same period last year. The overall steel demand next fiscal is expected to grow 5.6 per cent to 90.6 mt, according to a statement issued by the Indian Steel Association. Releasing the short-term domestic steel demand outlook after the second annual general meeting of the association, Sajjan Jindal, President of the association, said the demand has increased consistently in the last eight quarters and expected to strengthen further in the coming days with almost all the sub-sectors. The Construction and capital goods sectors are likely to see an upward trend in growth, supported by higher infrastructure spending. In addition, a pick-up in rural income due to good monsoon and government's initiatives to boost rural income are expected to help in creating sustainable rural demand. Railways and intermediates sectors are also slated to recover from low output in the previous years and gain momentum from 2017 onwards, the association said.

Source: The Business Line 22nd September, 2016

MISCELLANEOUS

Mahindra, MSTC to generate wealth from waste

It was a little over four months ago when Mahindra Intertrade and the government-owned MSTC(formerly Metal Scrap Trading Corporation) signed an MoU to set up the country's first auto shredding facility. At present, auto shredding here is an unorganised activity where decades-old vehicles are dismantled in a way which is hardly conducive to the cause of a clean air. Mahindra Intertrade began research on this subject nearly two years ago and it was a happy coincidence that teams at MSTC were working on something similar too. It, therefore, made sense for the two to come together and jointly pool their strengths to take the story to the next level. "We have a big reach in the country and can handle manufacturing business effectively. They have a reach in terms of auction. The most important message is transparency to the customer," Clearly, here was a business waiting to be tapped and Mahindra Intertrade and MSTC now plan to set up a state-of-the-art plant which can effectively meet the needs of vehicle recycling. At present, the two are looking at either Maharashtra or Gujarat to kick off their operations but this is only the beginning of a much larger story.

Source: The Business Line 23rd September, 2016