

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
Company News	2
Financial	6
Miscellaneous	8

A Weekly News Report by Joint Plant
Committee

May 12-18, 2018

HIGHLIGHTS OF THE WEEK

1. SAIL expects to turn profitable in FY19
2. RINL, also known as Vizag Steel, is expecting to garner Rs. 180 billion turnover in the current fiscal.
3. Tata Steel reports Q4 net profit at Rs. 14,688 crore
4. JSW Steel reported an almost three times jump in its consolidated net profit (y-o-y) at Rs. 2,879 crore during the January-March quarter.
5. Tata Steel's India operations are on a strong footing, but debt levels a concern
6. JSW Steel has reported six percent growth in crude steel production at 13.61 lakh tonne during April 2018.
7. ArcelorMittal Q1 net up 19%; debt down to \$11 billion
8. Bhushan Steel case: Promoter moves NCLAT against Tata Steel.

COMPANY NEWS

SAIL expects to turn profitable in FY19

Steel Authority of India (SAIL) has seen its stock price fall 28 per cent to Rs. 729, since its peak at the start of this calendar year. While the Street's sentiment has remained upbeat, the government-owned entity's much delayed capacity expansion, concerns on a global tariff war impacting this sector and overall market decline led to the muted return. The good news is that domestic steel realisations continue to inch up, on the back of robust demand and higher Chinese prices. These have helped offset measures such as the US tariff hikes. If SAIL can continue to inch up, on the back of robust demand and higher Chinese prices. These have helped offset measures such as the US tariff hikes. If SAIL can continue to improve its operational performance, as in the December quarter, when it had reported a profit after 10 quarters, sentiment on the Street could turn favourable. Realisation rose about \$60 a tonne in the December quarter (Rs. 4,000 a tonne) sequentially. And, by \$10-15 (Rs. 600-1,000) a tonne in the ongoing quarter. The rise has been led by price improvement in long products. This bodes well for SAIL, as these comprise a large share of its portfolio. Rising infrastructure and housing demand will drive demand for these products. While rebar and wire rod prices were up 28 per cent, those for flat products rose 15 per cent in the December quarter. With SAIL commissioning five facilities, ramping up production and

stabilising its operations, volume and profitability are expected to go up. Analysts at Elara Capital believe higher production and strong demand in the domestic market will help SAIL post 11 per cent annual volume rise over FY17-10 to 18 mt. Operating profit per tonne improved to Rs 3,946 in the December quarter, from a loss of Rs767 a tonne in the March quarter of FY17.

Source: Business Standard 15th May'18

Vizag Steel aims Rs.180 billion turnover in FY19

RINL, also known as Vizag Steel, is expecting to garner Rs. 180 billion turnovers in the current fiscal, a top company official has said. Rashtriya Ispat Nigam Ltd (RINL) is the second largest steel-making company in the public sector. The company's turnover in 2017-18 fiscal stood at Rs. 166 billion. Explaining further, the CMD said the company is targeting saleable steel output of 5.7 million tonnes (MT) in the ongoing fiscal. In 2017-18, the company's saleable steel output was at 4.5 MT. The company posted an EBIDTA of over Rs. 2 billion (provisional) during 2017-18, the CMD said. RINL, he said, is targeting hot metal production of 6.4 MT and liquid steel output of 6.3 MT this fiscal.

Source: Business Standard, May 14, 2018

Tata Steel reports Q4 net profit at Rs. 14,688 crore

Domestic steel giant Tata Steel reported consolidated net profit of Rs. 14,688.02 crore for the fourth quarter ended March 31, 2018. The company had clocked a net loss of Rs. 1,168.02 crore in the corresponding quarter of the previous fiscal, it said in a BSE filing. The total consolidated income of the company increased to Rs. 36,407.19 crore in January-March 2018, from Rs. 35,457.06 crore in the same quarter of FY17. The total expenses of the company stood at Rs. 32,626.42 crore during the quarter under review as against Rs. 31,132.02 crore in the year-ago period. T V Narendran, CEO & MD of the company, said: "Tata Steel performance has been robust in FY18 driven by our strong execution strategy and supported by favourable global demand-supply balance. During the year, our Indian operations delivered volume growth better than the market on the back of the ramp-up at our Kalinganagar plant and the strength of our marketing network and brand equity". He said growth was broad-based across marketing segments and added that Tata Steel Europe had a good quarter despite currency headwinds.

Source: Financial Express, May 17, 2018

JSW Steel Q4 net increases threefold to Rs. 2,879 crore

JSW Steel reported an almost three times jump in its consolidated net profit (y-o-y) at Rs. 2,879 crore during the January-March quarter on the back of rise in steel demand as well as prices, beating analyst estimates of Rs. 1,834 crore. A better geographical and product mix aided the company to improve its top line. The revenue from operations on a consolidated basis were up a good 16% y-o-y to Rs. 20,817 crore, beating Bloomberg analyst estimates of Rs. 19,378.3 crore. In the coated products, the company registered a production volume of 0.48 million tonne and sales volume of 0.47 million tonne. The company's Ebitda (earnings before interest, tax, depreciation and amortisation) margins increased sharply by 575 basis points y-o-y to 25.4%, while the consolidated Ebitda grew 67% to Rs. 5,290 crore. Speaking to news persons at an earnings conference, Seshagiri Rao, joint managing director and group CFO, said robust performance has been because of a combination of rise in domestic sales due to increase in demand. The company also achieved its highest ever quarterly sales volume of 4.22 million tonnes, which grew by 7% y-o-y. Domestic sales volume surged 41% y-o-y to 3.55 million tonnes. The current quarter was also marked by a strong growth in demand across regions, which in turn led to higher commodity prices and spreads.

Source: Financial Express May 17, 2018

Tata Steel's India operations are on a strong footing, but debt levels a concern

The market's subdued reaction to Tata Steel's fourth quarter numbers may have been due to concerns over the increase in the debt levels after the acquisition of Bhushan Steel is completed. Tata Steel reported a robust set of numbers for the quarter. It reported a consolidated net profit of Rs.14,688 crore for the period, against a net loss of Rs.1,168 crore logged during the Q4 last year. The profit was boosted by a one-time gain of Rs.14,077 crore. Consolidated revenues from operations increased by 8 per cent YoY to Rs.36,132 crore. Despite an unscheduled plant shutdown, the company managed to deliver healthy numbers from both its domestic and European operations. With capacity expansion plans in India and restructuring activities in Europe, the company is well positioned to build a strong earnings profile that could bring down the debt to reasonable levels by boosting operating profits.

Source: Business Line, May 18, 2018

JSW Steel output up 6 pc to 14 LT in April

Domestic steel giant JSW Steel reported six percent growth in crude steel production at 13.61 lakh tonne during April 2018. The Sajjan Jindal-led firm had produced 12.88 lakh tonne (LT) crude steel during April 2017, JSW Steel said in a statement. The company registered four percent rise in production of flat rolled products at 9.67 LT as against 9.32 LT in April last year. The output of long rolled products during the month under review grew nine percent to 3.24 LT from 2.96 LT in April 2017. While flat products are used in automotive and consumer durables sectors, long products are mostly used in construction industry.

Source: Financial Express, May 12, 2018

Jindal Stainless firmly on the growth track

A shift from steel to stainless coaches will boost revenues for the Rs.18,000-crore Jindal Stainless, which has a dominant position in this sector. “We expect 10-12 per cent growth in revenue as volumes will go up significantly,” said Vijay Sharma, Senior Vice-President, Jindal Stainless Ltd. Integral Coach Factory (ICF) and other production units of the Indian Railways have shifted to manufacturing coaches using stainless steel for body, floor, side panels and roof. Jindal supplies directly to them and to the vendors who make interiors such as handles, seats, side panels and battery box. Jindal Stainless supplies nearly 10,000 tonnes a month to various coach manufacturers. Its share in this sector is over 70 per cent, he said. By 2020, nearly 8,000 stainless coaches are to be produced, with each coach having 11-12 tonnes of stainless steel, he said.

Source: Business Line, May 18, 2018

ArcelorMittal Q1 net up 19%; debt down to \$11 billion

The world's largest steelmaker ArcelorMittal reported a 19 per cent jump in its net income to USD 1.19 billion for the quarter ended March 31, 2018. The firm, led by billionaire Lakshmi N Mittal, also saw its net debt decrease to USD 11.1 billion. The company had posted a net income of USD 1 billion in the year-ago period. Sales of the steel giant rose 19.27 per cent to USD 19.18 billion in January-March period from USD 16.08 billion in the corresponding period last year. ArcelorMittal follows the January-December fiscal year. The Luxembourg-based firm reported a lower net debt of USD 11.1 billion as compared to USD 12.1 billion in the year-ago quarter. The net debt included working capital investment of USD 1.9 billion, share buyback USD 0.2 billion and forex USD 0.2 billion. On March 2, 2018,

ArcelorMittal signed a joint venture formation agreement with Nippon Steel and Sumitomo Metal Corporation (NSSMC) in relation to its offer to acquire Essar Steel, it said.

Source: Business Line, May 12, 2018

FINANCIAL

Tata Steel arm raises Rs. 5,000 crore to pay Bhushan's lenders

Bamnipal Steel, a Tata Steel unit at the vanguard of the parent company's current acquisition drive for insolvent mills, has raised about Rs. 5,000 crore by selling commercial paper (CP), seeking to use the proceeds for immediate debt repayment. The special-purpose vehicle, created to help acquire Bhushan Steel as part of the broader insolvency resolution process, will be the financing conduit for Tata Steel's Rs. 35,200-crore acquisition of the debt-laden alloy maker from lenders. CPs are short term debt instruments issued by companies.

Source: The Economic Times, May 18, 2018

Now, Numetal bats for 2nd round of bids

Numetal, a prominent bidder for the bankrupt Essar Steel, has done a U-turn on its stance on the need for a second bid by asking the National Company Law Appellate Tribunal (NCLAT) to consider the second round where it would have an advantage over rivals, two people familiar with the development said. The Russian bank VTB-backed Numetal wants the first round of bids to be scrapped and the lenders to consider bids submitted in second round. It is appealing against lenders' decision to demand that both the bidders in the first round – Numetal and ArcelorMittal – pay up dues to be eligible for bidding in bankruptcy process under the Insolvency and Bankruptcy Code. "At the same time, Numetal has also pleaded that the tribunal could order lenders to consider applications received in the second round of bidding which would establish their eligibility," said one of the persons cited above who did not want to be identified.

Source: The Economic Times. May15, 2018

Bhushan Steel case: Promoter moves NCLAT against Tata Steel

A day after the National Company Law Tribunal (NCLT) accorded approval to Tata Steel's resolution plan for taking over Bhushan Steel, one of the promoters of the bankrupt firm moved the appellate tribunal challenging the NCLT order. The National Company Law Appellate Tribunal (NCLAT) has listed the matter for hearing on Thursday. Bhushan Steel has 5.6 million tonnes per annum steel-making capacity. Neeraj Singal, the aggrieved promoter, had 22% stake in the company, as on March, 2018. Along with Neeraj, the Singal family had a cumulative 43.9% shareholding while the remaining was with the public. Bhushan Steel owed Rs. 56,080 crore to the financial creditors and Rs. 1,332 crore to the operational creditors. Tata Steel has offered to pay Rs. 35,200 crore to the financial creditors and Rs. 1,200 crore to the operational creditors. Tata Steel will also offer 12.27% equity to the financial creditors. This can go up to 13.43% in the event of Sebi not allowing the erstwhile existing promoter group shareholding to be counted towards public shareholding. Tata Steel has also offered to pay Rs. 0.56 crore towards employees' dues. It will retain all employees on-roll. The overall plan retrieves 67% of the NPAs. As much as 99.8% of the lenders approved Tata Steel's resolution plan. The Competition Commission has already approved the proposed acquisition.

Source: Financial Express, May 17, 2018

Numetal reveals Rs. 370 bn new offer for Essar Steel

VTB-backed Numetal on Thursday disclosed in the National Company Law Appellate Tribunal (NCLAT) that its bid value in the second round of bidding for Essar Steel is Rs. 370 billion, short of double its first offer of Rs. 190 billion, and about Rs. 65 billion higher than ArcelorMittal's bid in the first round. If the bid values of the two companies are compared, Numetal's bid value in the second round at Rs. 430 billion (including capital infusion) is higher than ArcelorMittal's first offer by Rs. 45 billion. ArcelorMittal's bid in the second round, however, is not known. Counsel representing Numetal, Mukul Rohatgi, said in the NCLAT on Thursday that Numetal had offered Rs. 370 billion in the second round of bidding.

Source: Business Standard, May 18, 2018

Electrosteel Steels: NCLAT admits Renaissance Steel's petition against Vedanta

The National Company Law Appellate Tribunal (NCLAT) on Thursday admitted Renaissance Steel's petition challenging Vedanta's eligibility to take over bankrupt firm Electrosteel Steels. A NCLAT bench, headed by its chairman Justice SJ Mukhopadhaya, has scheduled the matter for hearing on May 28. Challenging the National Company Law Tribunal's order that quashed its objections on Vedanta's eligibility under section 29 A of the Insolvency and Bankruptcy Code (IBC) and approved Vedanta's offer, Renaissance Steel moved the appellate tribunal. It was also a contender for Electrosteel Steels.

Source: Financial Express, May 18, 2018

Numetal, Arcelor continue to scrap

The fight for Essar Steel continued in the courts on Thursday with the two contenders, ArcelorMittal and Numetal, arguing over which bids should be valid — those in the first round or those in the second. Russia's VTB Bank-led Numetal argued the resolution plans submitted in the second round of bidding should be considered and the highest bid be selected. ArcelorMittal, on the other hand, opposed the petition to allow the second round of bids to be opened, and said only the first round of bids should be considered. ArcelorMittal is understood to have made an upfront offer of Rs. 30,500 crore and pledged another Rs. 8,000 crore in the form of capital infusion into Essar Steel.

Source: Financial Express, May 18, 2018

MISCELLANEOUS**Working 'very closely' on Arcelor's strategy: Aditya**

Steel tycoon Lakshmi N Mittal's son Aditya Mittal has said he is working "very closely" with his father to shape up the future direction of ArcelorMittal and looking for strategic global opportunities rather than just expanding for the sake of expansion. The world's largest steelmaker ArcelorMittal barely two months back elevated Aditya to the key position of Group President in addition to his role as Group CFO and CEO, Europe. Right on his radar at present for expanding global

footprint are India, Mexico and Italy, to name a few geographies. Keen to gain a firm foothold in India after failing to take off any of the announced projects, ArcelorMittal is in the race to acquire debt-laden Essar Steel which is undergoing insolvency proceedings.

Source: Business Standard, May 14, 2018