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

January 30 – February 5, 2016

RAW MATERIALS

Mines Ministry urges States to consider sharing royalty with exploration companies

The Ministry of Mines has asked the State governments to consider sharing the mining royalty with companies undertaking exploration activities. "The Ministry considered three options – sharing of royalty over 50 years, reimbursement of exploration cost with a 25-30 per cent return, and joint venture with a PSU for developing the block after exploration, with the explorer having first right of refusal to be partner. Meanwhile, mineral block auctions for limestone in various States have not seen enough bids leading to the annulment of tenders. However, the Mines Ministry is confident that iron ore mining leases will be among the first that will be given to new developers under the auction route.

Source: Business Line, 4th February, 2016

Coal linkages for non-power sectors only through e-auctions

Coal linkages, or long-term supply of fuel to sectors such as steel, cement, and aluminium, will now be granted only through electronic auctions. A decision to this effect was taken by the Cabinet Committee on Economic Affairs. The auction route will be followed for all future contracts, once the existing fuel supply agreements (FSAs) lapse. For public sector units, the existing FSAs will be renewed, but if the requirement is beyond FSA quantity, linkages will happen through the auction route. For urea units, the FSA route will continue. The Coal Ministry had been drawing up a plan for auctioning linkages to the non-power sector over 2015. An Inter-Ministerial Committee was constituted in January 2015 to vet various structures and models for competitive bidding. Till now, granting of coal linkages was governed by the New Coal Distribution Policy of October 2007.

Source: Business Line, 4th February, 2016

Iron ore prices seen under more pressure as China cuts steel capacity

Iron ore prices that have been battered by global oversupply may face additional pressure as China's central government steps up efforts to cut back steel capacity in the world's top producer, according to Goldman Sachs Group Inc. The State

Council's plan to reduce the industry's capacity by 100 million to 150 million tonnes (mt) may result in actual steel output dropping by 55 mt to 95 mt, the bank said in an e-mailed report. That lost output represents 90-150 mt of iron ore, as much as 15 per cent of the seaborne marker, the bank estimated. Iron ore has been in retreat for the past three years as rising low-cost production from the world's largest miners coincided with shrinking demand for steel in China, spurring a global glut. Goldman reduced its price forecasts in December, raising the possibility that the iron ore industry faces a long period of hibernation. In China, steel mills have reported mounting losses as prices dropped and opposition to record exports climbed. The projected loss of steel output from the capacity cuts will likely put further downward pressure on an iron ore market already in oversupply. Steel capacity in China, which accounts for half of world supply, was estimated at about 1.2 billion tonnes at the end of last year, according to the China Iron & Steel Association. The country's crude-steel production shrank 2.3 per cent to about 80.4 million tonnes in 2015, according to official data. China's steel output will extend declines this year as the top leadership has endorsed the push to cut oversupply, Cliffs Natural Resources Inc. Chief Executive Officer Lourenco Goncalves told Bloomberg.

Source: Business Line, 4th February, 2016

COMPANY NEWS

ArcelorMittal seeks change of land use in Karnataka

Global steel major ArcelorMittal has sought change of land use — from setting up steel mill to solar park. Chief Minister Siddaramaiah along with RV Deshpande, Minister for Large and Medium Industries and Tourism, told reporters ArcelorMittal planned to set up a six-million-tonne per annum (MTPA) steel mill at Ballari district in Karnataka. The State government had acquired 2,500 acres for the company, but due to sluggish global steel sector it has approached the State government for change in land use. Acknowledging the development. ArcelorMittal proposal to set up six million tonnes per annum (mtpa) steel mill had come when BJP was in power in the state and a MoU for the steel mill was signed at the previous global investors meet held in June 2010. The three-day global investors meet titled Invest Karnataka 2016, is to see over 100 global and Indian leaders.

Source: Business Line, 2nd February, 2016

Welspun Corp Q3 net profit soars 5-fold at Rs 86.94 cr

Pipe maker, Welspun Corp reported a nearly five-fold jump in consolidated net profit at Rs 86.94 crore for the quarter ended December 31, 2015. The firm had clocked a net profit of Rs 17.49 crore in the year-ago period, it said in a BSE filing. Total income, however, fell by 11 per cent to Rs 2,032.17 crore in the October-December quarter this fiscal from Rs 2,269.83 crore during the same period a year ago. Its sale of pipes declined by 17.7 per cent to 2.51 lakh tonnes in the December quarter from 3.05 lakh tonnes during the same period of 2014-15, while the production fell by 12.8 per cent to 2.59 lakh tonnes from 2.97 lakh tonnes.

Source: The Financial Express, 3rd February, 2016

Cheap imports, coal mine cancellation hit Monnet Ispat

Debt-laden Monnet Ispat & Energy, which is treading the strategic debt restructuring (SDR) route, will eventually see new promoters as lenders to the company looking to put the steel producer in the recovery mode. In November last year, lenders decided to take control after Monnet Ispat failed to service its liabilities. Its consolidated net debt stood at a massive Rs 12,000 crore as on March 31, 2015 with 21 per cent of the loans taken for its power business and the rest for steel. Monnet manufactures sponge iron and other steel products at Raipur and Raigarh in Chhattisgarh. Things were not so bad for Monnet until October 2014, when the company was being rated 'adequately safe' by ratings agencies. However, with steel prices tumbling 45-50 per cent in the past one-and-a-half years, cheap imports eating into incremental domestic demand, and government policies changing gears, the company landed in the situation where it is now. Meanwhile, steel prices were trending downward, making business more difficult for Monnet Ispat which had already raised debt relying on the strong demand outlook. Now both Monnet Ispat and the company's lenders are looking to make their businesses come back on feet via the SDR route. This, however, would compel both to lose out on something. While Monnet's promoters might lose control of the company, lenders would have to settle down with a hair-cut.

Source: Business Standard, 3rd February, 201

Tube Investments profit up 28% in third quarter

Tube Investments of India saw a 28 per cent growth in net profit for the third quarter on cost control and optimal product mix, despite a slow market environment that contributed to a drop in revenue. On a consolidated basis, the

Murugappa Group company reported a net profit of Rs 111.50 crore (Rs 87.14 crore) on an income of Rs 1,508.73 crore (Rs 2,469.29 crore) for the quarter ended December 31, 2015. The company has announced an interim dividend of Rs 1.50 (75 per cent). On a standalone basis, the company has reported a net profit of Rs 15.89 crore (net loss: Rs 44 lakh) on an income of Rs 902.33 crore (Rs 941.80 crore) during the quarter. Slow market conditions contributed to a drop in revenue in the bicycle division.

Source: Business Line, 3rd February, 2016

Dumping pushes Tata Steel into Rs 2,127-cr loss

Tata Steel has reported a consolidated loss of Rs 2,127 crore in the December quarter, against a profit of Rs 157 crore in the same period last year, largely due to lower realisations in India and abroad. Net sales were down 17 per cent at Rs 27,819 crore (Rs 33,328 crore in the same quarter last fiscal). The company has made a provision of Rs 615 crore for restructuring its European operations. On a standalone basis, Tata Steel net profit almost halved to Rs 453 crore (Rs 881 crore). Net sales dipped 8 per cent to Rs 8,991 crore as against Rs 9,824 crore registered in the same period last year. The company blamed subdued demand following a poor monsoon for the lacklustre financial performance. This apart, imports surged due to excess supply in the global steel markets, a company statement said. Net imports from Japan, Korea and China into the country were up 67 per cent in the December quarter. This pulled down domestic steel prices sharply in line with international prices, it added.

Source: Business Line, 5th February, 2016

PROJECTS

KIOCL signs MoU for ore beneficiation plant

KIOCL Limited, a central public sector undertaking, has signed an MoU with the Karnataka government for setting up iron ore beneficiation plant. The company (formerly Kudremukh Iron Ore Company Limited) is planning to set up an iron ore beneficiation plant with a capacity of 4 mtpa and a pelletisation plant of capacity 2 mtpa in the Ballari district in the state. The MoU was signed by Gaurav Gupta, Karnataka Commissioner - Industrial Development and Malay Chatterjee, Chair- man- cum- Managing Director, KIOCL, in the presence of the R V Deshpande, Minister for Large and Medium Scale Industries. Chatterjee said. The Karnataka government will provide all the requisite support for implementation of the project .

Source: Business Line, 5th February, 2016

FINANCIAL

JSW Steel posts Rs 923-cr loss on Rs 2,122-cr impairment charges

JSW Steel has reported consolidated net loss of Rs 923 crore in the December quarter against net profit of Rs 329 crore in the same period last year largely due to impairment charge of Rs 2,122 crore on its overseas investments and lower production in India. JSW has iron ore mining in Chile, besides a Plate and Pipe Mill and coking coal mines in the US. Consolidated net sales were down at Rs 8,621 crore (Rs 12,927 crore) on lower realisations and production. Apart from production loss, the company also incurred a fixed cost of Rs 300 crore due to shut down of three furnaces during the quarter. Crude steel production was down 15 per cent at 2.70 million tonnes (mt), while saleable steel output was down 16 per cent at 2.55 mt. Speaking to media, Seshagiri Rao MVS, Joint Managing Director, said saddled with excess production capacity, China is continuing to dump steel even as it incurs loss of $102 on every tonne of steel exported. On a standalone basis, the company registered net loss of Rs 4,142 crore in the December quarter against net profit of Rs 415 crore in the same period last year. This provisioning on standalone books was higher at Rs 5,597 crore as it also includes diminution in value of investments in subsidiaries, besides guarantees and loan extended to them.

Source: Business Line, 30th January, 2016

Jindal Stainless (Hisar) posts Q3 loss

Newly listed Jindal Stainless (Hisar) Ltd on Monday announced its maiden earnings scorecard with a net loss. For the third quarter of fiscal 2015-16, it reported a net loss of Rs 1.27 crore. Net revenues stood at Rs 1,484.23 crore. The stainless steel manufacturer got listed after a restructuring of the Ratan Jindal promoted Jindal Stainless Ltd. For the nine-months ended December 2015, its net profit stood at Rs 2.27 crore while net revenue was Rs 4,930 crore.

Source: Business Line, 2nd February, 2016

Jindal Saw Q3 net declines 37% to Rs 39.24 crore

Steel pipe maker Jindal Saw today reported 37% decline in net profit at Rs 39.24 crore for the quarter ended December 31, 2015.The firm, part of the USD 18 billion OP Jindal Group, had a net profit of Rs 61.92 crore in the year-ago period. Total income of the firm fell by 39% to Rs 1,076.98 crore in the quarter under review this fiscal from Rs 1,777.43 crore during the same period in 2014-15. The firm, however, managed to reduce its total expenses by 40% to Rs 957.21 crore from Rs 1,600.98 crore during the third quarter.

Source: The Financial Express, 3rd February, 2016

STEEL PERFORMANCE

China vows to tackle steel overcapacity with ’20 cut targets

China will trim the size of its loss-making steel industry by the end of the decade in reforms directed by President Xi Jinping that seek to cut overcapacity and may threaten hundreds of thousands of jobs. The world’s biggest producer will close between 100 million and 150 million metric tons of annual crude steel capacity by 2020, according to an outline published on the website The steel shake-up is a part of supply-side reforms flagged by top leaders including Xi to address overcapacity as the economy moves away from reliance on infrastructure and investment. A slowdown in steel demand has exposed “contradictions and problems” in the industry, the State Council said. Capacity cuts aim to raise profitability and ease oversupply by shutting loss-making plants and give more market share to the biggest companies.

Source: The Financial Express, 5th February, 2016