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 Report by Joint Plant Committee

March 12- 18, 2016

RAW MATERIALS

NMDC raises iron ore prices

NMDC, Indiaĝs largest iron ore miner, has raised iron ore prices by Rs 70-150 a tonne for this month, effective last Friday. Lump & fines prices are up Rs 150 a tonne; for other varieties, by Rs 70-140 a tonne. Last month, it had kept prices unchanged. The surge in global iron ore prices has impacted the domestic market. Prices in ore auctions over recent weeks were being quoted at a premium, indicating higher demand and rising global prices. The latter have risen in a month by $12 a tonne to $50-60, due to the rising import by Chinese steel mills. China steel prices have also increased by seven per cent in a month.
Source: Business Standard, 14th March, 2016

Tata Steel Lines up Rs 2,000 Cr for Odisha Mine Development

Tata Steel will spend Rs 2,000 crore to develop the Khondbond mine in Odisha, even as it gears up for an integrated commissioning of its new plant at Kalingangar. Investment in the mine, linked to the company's raw material needs of its greenfield steel plant, will be over and above the Rs 25,000 crore it has spent on the plant, Rajiv Kumar, vice-president (operations-KPO) Kalinganagar Operations, told reporters recently. The mine, located in Keonjhar, is expected to produce up to 5 million tonnes of iron ore, and is tipped to emerge as one of the three mines that will meet Tata Steel's iron ore needs. The latter has been operating mines in the state's ore-rich Barbil areas like Joda and Noamundi for several decades. It is also perhaps the first major investment in developing a large iron ore mine in the state in recent years, as the country's mining sector stirs backs to life after the Supreme Court ban on illegal mining. "We have a dedicated iron ore block at Khonbond, about 200 km from the plant. Tata Steel's new plant will specialise in a portfolio of high-grade flat products for defence equipment, ship-building, automotive, aviation, energy and infrastructure sectors. When fully operational, it will complement the Jamshedpur plant, particularly the latter's cold-rolling unit, enriching Tata Steel's flat products portfolio both in volume and range.

Source: The Economic Times, 14th March, 2016

14 K'taka iron ore blocks among 22 to be auctioned in April, May

The government on Monday said it will auction 22 mineral blocks in April and May, including 14 iron ore blocks in Karnataka. It further said that for the second phase, during the next fiscal, 42 blocks have been identified by seven state governments for auction. They include 6 blocks (5 limestone and 1 Gold) in Chhattisgarh, 8 blocks ï 4 limestone and 4 bauxite ï in Gujarat, and 15 iron ore mines in Karnataka. In the first phase, 8 states like Andhra Pradesh, Karnataka and Chhattisgarh have notified 43 major mineral blocks for auctions, it added. So far, auction of two blocks of limestone in Jharkhand, two blocks of limestone and one block of gold in Chhattisgarh and one block of iron ore in Orissa has been held.

Source: The Financial Express, 15th March, 2016

Iron Ore Slides 7% as Bearish Bets Return

Spot iron ore tumbled nearly 7% on Tuesday in its steepest decline in eight months as steel prices faltered, reflecting renewed pessimism towards the oversupplied market. The losses followed iron ore futures in China sliding almost 5% t o pull away from a 14-month high.

Source: The Economic Times, 16th March, 2016

Bearish on iron ore price, though still profitable: BHP chief

BHP Billiton Chief Executive Andrew Mackenzie on Wednesday said the world's biggest miner sees iron ore prices falling, with oversupply set to keep them "lower for longer". New supply would continue to be added as cost-cutting meant miners were still profitable, but supply would outpace demand growth as the Chinese economy shifts away from heavy industry, he said. Iron ore prices have jumped 30 percent this year from a low of $39.30, defying most forecasts for weakening prices in 2016 due to low-cost supply from Australia and Brazil and weaker steel demand from China.

Source: Business Line, 17th March, 2016

NMDC Zooms on Talk of Second Interim Dividend

NMDC's announcement that it will consider giving a second interim dividend surprised the Street, lifting its stock 4.7% intraday on Thursday, but cooled off later to close 3% higher. The state-owned iron ore miner, which is the largest in the country, had announced the first interim dividend of Rs 9.5 per share in February, higher than Rs 8.55 in FY15 despite lower earnings over the previous year. NMDC is yet to decide the amount of the second interim dividend. Analysts expect it to be similar to that of the first interim dividend. After paying the first interim dividend, NMDC has cash of close to Rs 40 per share. At the current market price of Rs 96, and assuming Rs 9.5 per share as the second interim dividend, dividend yield works out to be 10%. NMDC's stock has lost 27% in the past one year due to weak earnings in the first nine months of FY16. Net profit fell 28% due to lower volume and pricing pressure from lower international iron ore prices. China iron ore prices were down 16% in that period. But since January 1, they are up by 21%. This has given NMDC some room to take modest price hike on iron ore lumps and fines. But analysts maintain their neutral to negative outlook on the company.

Source: The Economic Times, 18th March, 2016

STEEL PERFORMANCE

Steel market improving after MIP imposition: RINL chief

There is distinct improvement in the steel market after the imposition of the minimum import price on steel products, and the market is on the recovery path, according to P Madhusudan, Chairman and Managing Director of the Rashtriya Ispat Nigam Limited, the corporate entity of Visakhapatnam Steel Plant. He was speaking here on Tuesday after inaugurating a solar lighting system in a private home for the aged, installed with CSR funds from the steel plant. He said the off-take improved right after the imposition of MIP and ñthe demand has picked up. The RINL did very well in February.òMadhusudan said the worst may be over for the steel sector, but he added, ñStill we have to wait and watch as to how long MIP will continue. For RINL, the prospects are certainly brighter as the construction and housing activity in the vicinity of the new capital of the state, Amaravati, is bound to gain momentum. Madhusudan said the RINL was also making attempts to get iron ore mines in Kukunuru of West Godavari district in the state. He said the water supply position in the plant had improved and the State government had also taken steps to provide more water.

Source: Business Line, 17th March, 2016

PROJECTS

Tata Steel to go slow on Odisha plant

Tata Steel is in no hurry to start work on the second phase of its six million tonne steel plant at Kalinganagar in Odisha, its Managing Director, TV Narendran, said here, on Thursday. According to him, the company will look at future cash flow and demand for flat products before taking a call on expansion plans. The first phase of the Kalinganagar plant will have a capacity of three million tonnes and the second phase will have a similar capacity. According to Narendran, the steel major expects to commission the proposed ferro-alloy plant at the Gopalpur special economic zone in Odisha in the first quarter (April to June period) of next fiscal.

Source: Business Line, 18th March, 2016

FINANCIALS

Visa Steel to turn NPA in banks' books

Lenders to loss-making Visa Steel are planning to classify the exposure a non-performing asset (npa) since a strategic debt restructuring (SDR) plan for the firm has been held up. The scheme has been stopped by the Orissa High Court following an objection by non-consortium lender HUDCO, sources told. Moreover, the promoters of Visa Steel have not yet agreed to bankers converting loans, to some subsidiaries, into equity shares. In FY15, Visa reported a loss of R273 crore on the back of R1,260 crore in net revenues. The finance costs more than doubled to R229 crore and according to Bloomberg data, the gross debt stood at R3,094 crore, up 10.5% over FY14. Promoters of Visa Steel were present at Tuesdayôs joint lendersô forum (JLF) meeting held at State Bank of India (SBI). At the meeting, banks are understood to have expressed their displeasure with the companyôs performance and asked the promoters to rope in an external investor. FE had earlier reported that the consortium of lenders to Visa Steel, led by SBI, is looking to de-merge and sell its stake in the companyôs special steels unit. However, HUDCO has objected to the move in the Orissa High Court, fearing dilution of its collateral. Of the `3,000 crore that Visa Steel owes lenders, HUDCOôs exposure is just `80 crore. Visaôs borrowings of around `3,000 crore was restructured under the corporate debt restructuring (CDR) mechanism in FY13. In September last year, lenders decided to convert a large portion of debt into equity using the SDR scheme.

Source: The Financial Express, 16th March, 2016

PRICES

ArcelorMittal South Africa to hike steel prices

ArcelorMittal South Africa will increase the prices of its steel products from April as it tries to stabilize the business amid rising input costs and after heavy losses due to competition from cheap imports, it said. "The global economic developments and the sustainability of the steel industry are among the factors which led the company to increase prices following its monthly price review," the steelmaker said in a statement. The company, majority-owned by ArcelorMittal, said it would increase the prices of hot rolled coil by 8 percent on average and plate by 11 percent, among other products. South Africa last year slapped a 10 percent tariff on imported steel and ArcelorMittal, which had been hurt by cheap steel from China, said in January the government was increasing duties further.

Source: Business Line, 17th March, 2016

POLICY

EU to Hasten Move on Steel Import Tariffs

The EU plans to accelerate decisions on steel import tariffs amid concern that Chinese and other competitors pose a threat to European producers. The European Commission intends to reduce time taken to carry out inquiries into alleged below-cost-or dumped-imports of steel.

Source: The Economic Times, 16th March, 2016

Safeguard Duty on Some Steel Items May be Extended for 2 Yrs

Director General Safeguards (DGS) ï an arm of the union finance ministry ï has recommended extending safeguard duty on some steel products for two years till March 2018 to óprotectô the domestic industry. This followed a detailed investigation buy the DGS on imports of hot-rolled (HR) flat products that are used in consumer durables and automobiles. DGS had earlier imposed a provisional safeguard duty of 20% on some categories of steel for 200 days on September 2015. The notification put out on Wednesday is the final finding for a safeguard duty on these products. The period of two and half years will be calculated from the date on which the provisional duty was levied. Apart from safeguard duty and other measures, the government also imposed a minimum import price on steel last month. According to latest data from the union steel ministryôs Joint Plant Committee, steel imports have come down 7.3% in February. Reacting to the development, Indian Steel Association, a grouping of major domestic steel producers like JSW Steel, Tata Steel, Steel Authority of India Limited and RINL said the final findings on safeguard investigation recognises the serious injury caused to domestic producers due to cheap imports.

Source: The Economic Times, 18th March, 2016

COMPANY NEWS

China Steel Mills Face Losses, Overcapacity

China's steel mills, which supply half of global output, churned out less steel in the first two months of the year, extending a decline amid government efforts to reduce reliance on manufacturing for growth. Crude-steel production for the January-to-February period dropped 5.7% from a year earlier to 121.07 million metric tonnes, data published by the country's statistics bureau on Saturday showed. Steel products output fell 2.1% to 162.28

million tonnes. Steel mills in China are battling losses and overcapacity as the nation transitions its economy to one fuelled by consumption and services, from growth driven by manufacturing, and have seen their output fall off record highs in 2014. Steel output tends to drop before and during the weeklong Lunar New Year holiday, which began on February 8 this year, before climbing after the break when manufacturing activity picks up. Annual steel output shrank 2.3% to 804 million tonnes in 2015, the first contraction since 1981. Steel consumption in China, which fell 5.4% last year, will drop further 3% in 2016, according to estimates from the China Iron & Steel Association.

Source: The Economic Times, 14th March, 2016

Essar Steel expects turnaround soon

Operating its lone 10 MT steel plant here at double the rate of 35% a year back, Ruias-promoted Essar Steel hopes to achieve a turnaround helped by lower gas price, higher demand and better prices of the alloy. The Reserve Bank of Indiaǿs nod to lendersǿ move to refinance Rs 15,000 crore of the steel makerǿs rupee debt under the 5/25 scheme came in handy for the firm. The company has also Rs 8,000 crore working capital debt. Like all its peers, Essar Steel had been in trouble until recently as the domestic steel market was hit by imports from China at predatory prices. Input costs for the company was so high that production became unremunerative, according to its managing director and CEO Dilip Oommen. The company is also trying to reduce its dependence on the imported gas by using the gas from coke oven plant.

Source: The Financial Express, 17th March, 2016

Sajjan Jindal's JSW Energy to Buy Brother Naveen's Plant

JSW Energy, the flagship power generating company of Sajjan Jindal, is set to acquire a 1,000 MW Jindal Power plant for about Rs 6,000 crore, two persons familiar with the matter told ET. Jindal Power Ltd (JPL) is owned by Jindal Steel & Power Ltd (JSPL), the flagship company of Sajjan's younger brother Naveen Jindal. Cash-crunch due to the downturn in steel prices and burgeoning debt have forced JSPL to shed assets. JPL, the first domestic private sector player to commission an independent power plant (IPP) in 2007, has a total installed capacity of 3,400 MW set up at coal pitheads. This includes a 1,000 MW plant (250 MWx4), located at Raigarh district of Chhattisgarh, and another plant of 2,400 MW (600 MWx4) capacity, located at Tamnar in the same state. The proposed transaction involved only the Raigarh unit.

Source: The Economic Times, 18th March, 2016