

# Steel In The News

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

CONTENTS	Page
Highlight	2
Raw Materials	2
Projects	2
Global Steel	3
Financials	3
Steel Performance	4
Company News	4

## HIGHLIGHT OF THE WEEK

1. India Ratings and Research has downgraded Steel Authority of India's rating
2. Indian steel producers are considering raising prices by Rs 1,500-2,000 a tonne for May, to cover a part of the sudden spike in the cost of inputs.
3. The world's biggest steel producer pushed output to a record in March as mills in China fired up plants to take advantage of a price surge since the start of the year that's rescued profit margins.
4. The British government announced on Thursday that it is willing to acquire a 25 per cent minority equity stake in Tata Steel's UK operations as well as offer "hundreds of millions of pounds" in debt relief to rescue the troubled Indian steel giant by helping potential buyers.

## RAW MATERIAL

### **Odisha to put 12 mines on auction in September**

After the successful auction of iron ore mines, the Odisha government has lined up another 12 mines for next round of auction in September, 2016. State steel and mines minister Prafulla Mallick said the 12 mines that are going to be auctioned include six iron ore mines. Stating that the 12 mines, which are G3 level, are being upgraded to G2 level to make them eligible for the auction, he said the Geological Survey of India (GSI) and the Mineral Exploration Corporation Ltd (MECL), besides the state directorate of mines & geology, are engaged for the exploration of the mines.

*Source: The Financial Express, 21<sup>st</sup> April, 2016*

## PROJECTS

### **UK offers to buy 25% in Tata Steel plants**

The British government announced on Thursday that it is willing to acquire a 25 per cent minority equity stake in Tata Steel's UK operations as well as offer "hundreds of millions of pounds" in debt relief to rescue the troubled Indian steel giant by helping potential buyers. UK Business Secretary Sajid Javid said the financial package would be jointly fashioned by UK and Welsh authorities; the government, he added, was "working closely with Tata Steel UK on its process to find a credible buyer". "We will work alongside a

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potential buyer to make sure that the government is doing what it can to support a viable sale,” British Prime Minister David Cameron’s spokesperson said. “If we were to take an extra stake, it would be a minority one with the aim of supporting the purchaser in delivering a long-term future for the business; we are certainly not seeking to be controlling the company,” said the spokesperson.

*Source: Business Line, 22<sup>nd</sup> April, 2016*

## GLOBAL STEEL

### **China’s Steel Industry Made Record Supply**

The world’s biggest steel producer pushed output to a record in March as mills in China fired up plants to take advantage of a price surge since the start of the year that’s rescued profit margins. Output rose 2.9% to 70.65 million tonnes from a year earlier, the National Bureau of Statistics said. That’s the highest ever, according to data from Beijing Antaike Information Development. Still, for the first quarter, supply fell 3.2% to 192 million tonnes. The country’s steelmakers are ramping up output after cuts at the end of 2015 fueled a major price surge that has rippled out to world markets.

*Source: The Economic Times, 18<sup>th</sup> April, 2016*

## FINANCIALS

### **Tata Steel reaches out to 190 parties for UK assets**

Tata Steel appointed advisors have reached out to around 190 potential buyers for its UK assets. In a statement to the stock exchanges on Monday, the Tata Group informed that the process to sell the UK plants has entered a definitive stage with the appointment of Bimlendra Jha, executive committee member of Tata Steel Europe as the chief executive officer of Tata Steel UK. Meanwhile, Tata Steel has also roped in Standard Chartered Bank as additional advisory to the sale process along with global consulting firm KPMG to look for potential buyers and manage the sale process once a suitable buyer is identified. Although Tata Steel did not disclose the names of the potential buyers it has approached but company sources say that the list includes top global names in steel industry especially from countries like Japan and China. Tata Steel meanwhile, has also set an internal deadline of 8 weeks to identify interested buyers for the entire asset, failing which it will look to sell individual assets in separate deals.

*Source: The Financial Express, 19<sup>th</sup> April, 2016*

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## STEEL PERFORMANCE

### **Steel firms continue to be under stress as prices remain depressed**

Domestic steel producers could be staring at grim profit and loss statements for the fourth quarter of 2015-16 as they have been unable to raise prices despite government support. The government levied a safeguard duty of 20 per cent on flat steel products in September 2015 to counter cheap imports. This was extended on March 31 and in addition, a Minimum Import Price was levied on 173 varieties of flat steel products. Despite this, Steel Authority of India Ltd, Tata Steel, JSW Steel, Essar Steel and others have been unable to raise domestic prices due to tepid demand growth.

*Source: Business Line, 16<sup>th</sup> April, 2016*

### **Steel makers to again raise prices**

Indian steel producers are considering raising prices by Rs 1,500-2,000 a tonne for May, to cover a part of the sudden spike in the cost of inputs. After the imposition in February of a minimum import price (MIP) to protect them from cheaper import, producers had raised prices by four per cent. The trade says raw materials have since continued to move up. Since mills had cut prices over the past two years to match cheaper import, they are not in a position to absorb the rising input prices. "The industry is already under financial stress," said H Shivramkrishnan, chief commercial officer, Essar Steel.

*Source: Business Standard, 22<sup>nd</sup> April, 2016*

## COMPANY NEWS

### **Tata Steel's UK staff to bid for Welsh business**

Tata Steel's UK's senior staff are believed to be finalising plans to bid for a management buyout of the Indian group's troubled Welsh steelworks. Stuart Wilkie, managing director of Tata Strip Products UK, is heading the buyout team which is on the hunt for private investors and government support for an official bid for the Port Talbot plant, according to UK media reports, Wilkie's bid is based on a 'turnaround plan' presented to and rejected by the Tata board earlier.

*Source: The Financial Express, 21<sup>st</sup> April, 2016*

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### **IndRa downgrades SAIL**

India Ratings and Research has downgraded Steel Authority of India's rating to 'IND-AA' from 'IND-AAA' with negative outlook. The downgrade reflects the company's credit metrics being lower than the rating agency's expectation for the first nine months of last fiscal. The steep fall in steel prices since January 2015 led to SAIL registering Ebita losses in first three quarters of last year and the consequent worsening of its credit metrics. The state-owned company is undertaking capital expenditure of Rs 61,870 crore. This apart, it will spend an additional Rs 10,260 crore to augment raw-material availability. As of last December, it has spent Rs 69,080 crore on various projects, including regular maintenance work. The benefits of the capex may be visible from this fiscal. Till the benefits of increased capex begin to reflect by way of significantly higher volumes and improved efficiency, the leverage is likely to remain high, said IndRa.

*Source: Business Line, 20<sup>th</sup> April, 2016*

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