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

April 9- 15, 2016

HIGHLIGHTS OF THE WEEK

- Good news is *World Steel Association* expects India's steel demand growth to be the highest among major steel-producing nations at 5.4% to 83.8 MT in 2016 in the midst of a probable slide in demand in other nations.
- Steel exports from China rebounded in March to the highest level this year, underscoring the competitive threat facing global producers still reeling from last year's record surge in shipments and slump in prices.
- China faces global pressure owing to steel glut which will, according to experts, take years to resolve.
- Tata Steel and Germany's Thyssenkrupp are in talks about a joint venture among the options being considered for their European steel operations.

RAW MATERIAL

NMDC's production, sales drop

Iron-ore major NMDC Ltd has managed to produce 28.32 million tonnes of ore and registered total sales of 28.87 mt during 2015-2016, which was lower when compared with previous year's. The mining major produced 16.60 mt and sold 16.40 mt in Chhattisgarh. In Karnataka mines, it produced 11.72 mt and sold 12.47 mt, according to a statement filed with the BSE. Given the tough times steel makers and iron-ore miners are faced with both globally and in India, production and sales numbers have been impacted. NMDC had produced 30.02 mt in 2013-14 and a record 30.44 mt during 2014-15. The mining company had been planning to increase the production to 35 mt and to 100 MT by 2024-2025.

Source: Business Line, 9th April, 2016

Iron ore surges towards $60/tonne as steel 'exuberance' bolsters buying

Iron ore surged toward $60 a metric ton, climbing to the highest level in a month, as purchases from steel mills in China picked up amid improving profitability in the world's largest user. Ore with 62 percent content delivered to Qingdao in China advanced 4.6 percent to $59.22 a dry tonne on Tuesday after jumping 4.8 percent the previous day, according to Metal Bulletin Ltd. So far in 2016, prices have risen 36 percent. The surge this year has surprised many analysts, who'd expected a fourth year of losses driven by rising low-cost supply from the top miners and weaker steel demand in China. The raw material has rallied as Chinese policy makers signalled they'd support economic growth, and data this week showed the producer-price index snapping a two-year streak of decreases. Demand from mills is rebounding as their profitability improves, with steel prices rising, according to Australia & New Zealand Banking Group Ltd.

Source: Business Line, 13th April, 2016

Iron ore output may touch 180 mt in FY17

Iron ore production is on upswing as many mines have started operating after a few years of suspension, following Supreme Court orders. According to provisional figures, India's iron ore production is estimated to go up nearly 20 per cent to 155 million tonnes in 2015-16. Imports plummeted 62.9 per cent to 5.6 mt in 2015-16, compared with 15.1 mt in the year-ago period. These are slated to weaken further in 2016-17, amid higher domestic production forecast. An industry source has pegged ore production in FY17 at 180 mt. " Presently, China imports around 80 per cent of its iron ore requirement, compared with 70 per cent two years earlier. It imported 935 mt of iron ore in 2015. China's demand revived recently after a lull of over a year.

Source: Business Standard, 14th April, 2016

PROJECTS

JSW zeroes in on Jindal Power unit

Sajjan Jindal-owned JSW Energy has decided to acquire 1,000 MW unit of Jindal Power in a deal that involves the former taking over debt of Rs 4,000 crore along with the asset. The complicated deal that involves JSW Group company investments is expected by the third week of this month, sources said. JSW Energy spokesperson said: "As part of our growth strategy, the company looks to evaluate various opportunities, both organically and inorganically. However, as a policy we would not like to comment on speculation since it would be premature to do so till any of the deals being evaluated gets fructified."The acquisition will help JSW Energy, which currently has 3,140 MW of thermal and 1,391 MW of hydel capacity, to increase its overall production to 5,531 MW and inch closer the third largest power producer Reliance Power (6,000 MW).

Source: Business Line, 11th April, 2016

Mjunction Signs Up a Host of Steel Biggies, Beats Global Trend with 44% Growth in Net

Mjunction, one of the largest online exchanges and a joint venture between Tata Steel and SAIL, has roped in steel players like JSW Steel, JSPL and Jindal Stainless on its platform in the midst of the downturn in domestic steel sector even as it managed to achieve a 44% growth in bottomline during FY16. In the last 18 months we have acquired major clients in the steel sector like JSW Steel, JSPL and Jindal Stainless and Uttam Galva. This is part of our plan to reach out to potential customers in all sectors. There is a good opportunity for us to grow since we are focused on generating savings for our customers and it is particularly useful in a difficult economic situation," Viresh Oberoi, managing director, mjunction services said. Mjunction's saw its topline grow by 33% during the year even as its bottomline went up by 44%, he said. Mjunction, a key player in the B2B (or business to business) area, is also looking at the entry of Alibaba in the Indian e-commerce space and hopes to work alongside the Chines internet giant, Oberoi said.

Source: The Economic Times, 12th April, 2016

Posco says its project in Odisha is over

Korean steel major Posco told the National Green Tribunal (NGT) on Friday that it would not pursue any more its Rs 50,000-crore integrated steel plant project in Odisha. In a case where Posco was defending the revised environmental clearance it had received in 2014, the court recorded the Korean giant as stating the "environmental clearance is valid only up to July 19, 2017, and they would not be able to do any work because the land has not been handed over to them and therefore the project cannot proceed any further".

Source: Business Standard, 9th April, 2016

GLOBAL STEEL

Tata Steel Europe Move Gets a Mixed Response

Brokerages have mixed views on Tata Steel's move to sell its long products Europe business to Greybull Capital. While many broking houses maintained their buy ratings, a few like Edelweiss and Jefferies have downgraded the stock to sell or underperform. Analysts believe the transaction — even though the deal amount has not been disclosed yet — is largely value-accretive for the steelmaker and will help the company report better operating profit going ahead. Tata Steel shares declined 2.1% to Rs 324.15 on Tuesday. CLSA though maintained its sell rating, raising the target price for the stock to Rs 220 from Rs 170 earlier.

Source: The Economic Times, 13th April, 2016

No cheer for world's steelmakers as China exports rise 30%

Steel exports from China rebounded in March to the highest level this year, underscoring the competitive threat facing global producers still reeling from last year's record surge in shipments and slump in prices. Shipments expanded to 9.98 million metric tons, up 30 per cent on-year and higher than the 8.11 million tons in February, according to data from the customs administration on Wednesday. The March figure takes exports for the quarter to 27.83 million tons, about 8 percent more than a year earlier. Facing a glut of metal at home, Chinese mills have boosted exports to unprecedented levels, triggering a crisis for steelmakers outside the largest producer.

Source: The Financial Express, 14th April, 2016

European Union threatens more action against cheap Chinese steel

The European Union is ready to take further action if necessary to counter steel dumping by China, European Commission President Jean-Claude Juncker said on Wednesday, as 10,000 jobs hung in the balance in the sector in Britain. "The steel industry has problems," Juncker told a sitting of the European Parliament in Strasbourg, pledging support for an industry whose plight some Britons have blamed on EU policies as they campaign for Britain to quit the bloc in a June referendum. Juncker, a long-time premier of major steel producer Luxembourg, described the sector that employs some 360,000 workers across the European Union as a high-technology industry that needed investment and protection.

Source: The Financial Express, 14th April, 2016

China to scrap export subsidies to steel, other sectors, says US

China has agreed to scrap controversial export subsidies on a range of products from steel and aluminium to agriculture and textiles, the US Trade Representative said on Thursday.
In a deal coinciding with global economic meetings in Washington, the trade representative office said in a statement that China has agreed to end a programme known as its "demonstration bases-common service platform" in which it provides export subsidies to Chinese companies in seven economic sectors. The agreement is a step by Beijing to reduce trade frictions with the United States that range from steel and agricultural products to technology and banking. It comes about a year after the United States filed a complaint with the World Trade Organisation about the programme, alleging "unfair, prohibited export subsidies to a large range of Chinese manufacturers and producers."

Source: The Financial Express, 15th April, 2016

FINANCIALS

Tata Steel reports best ever sales in FY16

Tata Steel on Friday said it has reported best ever total sales in FY16, up 9% from a year ago to 9.54 million tonne. The company recorded 4.8% increase in hot metal production in FY16, compared to a year ago to 10.65 MT. Crude steel production in FY16 was up 6.7% from a year ago to 9.96 MT, while saleable steel production in FY16 was up 6.9% from a year ago to 9.70 MT, the company said in a statement. In January-March quarter the company's total sales were up 12.87% from a year ago to 2.71 million tonne. In the fourth quarter ending March the company's crude steel production was up 4.8% from a year ago to 2.56 MT. Hot Metal production in the quarter was up 1.4% from a year ago to 2.71 MT. Saleable steel in the quarter was up 6.5% from a year ago to 2.71 MT. With continuous and consistent efforts in a challenging environment, Kalinganagar team has taken the project from "Construction Phase" to "Testing & Commissioning Phase" during May'15 to Mar'16, the company said in a statement.

Source: The Financial Express, 9th April, 2016

Tata Steel keeps banks posted on asset sale

Following the sale of its long products business at Scunthorpe in the UK to Greybull Capital earlier in the week, Tata Steel on Thursday informed lenders it has set itself a deadline of eight weeks to sell the remaining steel assets in the UK, reports Shayan Ghosh in Mumbai. Should the company not be able to close out a deal with a single buyer, it would look to dispose of assets in piecemeal fashion, the company is reported to have indicated to lenders.

Source: The Financial Express, 15th April, 2016

Here's How JSPL Managed to Pay Back Rs 300 crore

Jindal Steel and Power (JSPL) has managed to pay back its bond holders, including ICICI Prudential MF and Reliance MF, Rs 300 crore. But the debt-ridden company may have made this possible through a "switch" as Jindal Power, its subsidiary, has raised Rs 210 crore via bond sales around the same time last week, offering 11% with 18-month maturity, paying a higher refinancing cost. More than a week ago, the company honoured repayments of its bonds issued about three years ago. It has repaid Rs 215 crore to ICICI Prudential Mutual Fund, Rs 50 crore to Reliance Mutual Fund, and Rs 15 crore each to L&T Infrastructure and Oriental Insurance each making a total of Rs 300 crore. Those matured bonds had offered investors 9.63% with three-year maturity. So, the cost of part refinancing is higher by 137 basis points, especially after JSPL bonds were downgraded to junk category.. The company is in discussions with financial institutions not only about the 5/25 scheme, a way for long-term bank lending, but also exploring various options with its lenders to reschedule payments considering likely short-term cash flow mismatches.

Source: The Economic Times, 15th April, 2016

PRICES

Deutsche Bank Raises Price Targets for Steel Makers

Deutsche Bank raised its price target on Tata Steel and JSW Steel by 38% and 21%, respectively, as it expects the sector to benefit from the government's focus on building infrastructure and reviving rural demand. The brokerage house expects domestic steel demand to grow 8-10% in FY18. Sales had remained subdued over the past couple of years, in part due to weak monsoons that hurt the rural economy. Cheap supplies from countries such as China was another factor weighing on domestic steel companies. There has been a strong recovery in domestic steel prices post imposition of a minimum import price (MIP) in February this year. However, the 18-20% rise in local steel prices since MIP has been significantly lower than the 34-49% rebound in Chinese/CIS steel prices over a similar period. "We remain confident of an improving profitability trajectory for Indian steel players over the next two quarters," Deutsche Bank's head of research, Abhay Laijawala, wrote in a note to clients. "We believe the discount of domestic prices to landed costs should narrow as visibility on domestic steel demand acceleration improves. We also remain optimistic on the domestic steel demand outlook supported by government's thrust on infrastructure building." JSW Steel remains the brokerage's 'preferred pick' in the sector. It raised the stock's price target to `1,575 from `1,301 as the company is likely to benefit from volume ramp-up through its recently commissioned 4 MT capacity.

Source: The Economic Times, 12th April, 2016

STEEL PERFORMANCE

China to cut steel capacity to 1.13 bn tonne by 2020

China's plans to shut steel mills over the next five years would cut total capacity to an estimated 1.13 billion tonnes by 2020, still far in excess of the country's needs, a government official said. In February China announced plans to shut 100 million to 150 million tonnes of crude steel capacity in the next five years, as it tackles a price-sapping glut that has caused turmoil in the industry. But more would need to close to achieve significant improvements, Luo Tiejun, the vice head of the raw materials department at the Ministry of Industry and Information Technology (MIIT), told a conference. Luo said domestic steel consumption was forecast to stay between 630 million and 700 million tonnes in the coming five years, and if exports remained at 100 million tonnes, production levels would stay at around 800 million tonnes.

Source: Business Standard, 10th April, 2016

China's steel glut will take years to resolve; faces global pressure

China is facing increasing international pressure to tackle a steel supply glut that has flooded global markets and left beleaguered overseas producers at risk of closure. China produces half the world's steel but those hoping it will tackle its surplus capacity quickly will be disappointed, despite rhetoric from Beijing. A steel production glut that has taken years in the making, will equally take years to resolve. The economy is growing at its slowest pace in 25 years and labour unrest is on the rise, a worry for the ruling Communist Party that fears the social unrest that millions of laid off steel workers could bring.

Source: Business Line, 14th April, 2016

India's Steel demand to grow 5.4% in 2016: WSA

The World Steel Association (WSA) expects India's steel demand growth to be the highest among major steel-producing nations at 5.4% to 83.8 MT in 2016, even as demand will fall globally by 0.8% to 1,488 MT after shrinking 3% in 2015. In its short-range outlook released on Wednesday, the global industry association forecasts that India's steel demand would further grow by 5.4% in 2017. India's steel demand grew by 4.5% to 79.5 MT in 2015. Russia and Brazil would see the sharpest fall in demand in 2016 by 8.8%, it said, adding that the Chinese demand would further squeeze by 4% to 645 MT after falling 5.4% in 2015. Japan will also enter into the positive territory by clocking 2.3% growth in consumption in the current year. Steel demand in Japan fell by 7% in 2015. While Germany's steel demand would grow by 1.2% in the current year Turkey's demand growth will fall to 3.3% in the current year after a spectacular 11.7% growth in the last year. The WSA, expects the world's steel demand to grow by 0.4% in the next year.

Source: The Financial Express, 14th April, 2016

No steel demand recovery this year

A recovery in steel demand is unlikely before next year, an industry group said today, owing to a slowdown in the Chinese economy and weakness in manufacturing. The forecast comes as the industry is roiled by a collapse in prices, the fear of cheap Chinese steel flooding markets, and the social impact of cutbacks to production.“The economenvironment facing the steel industry continues to be challenging with China’s slowdown impacting globally...” said TV Narendran, who heads the economics committee of the World Steel Association (worldsteel). After dropping by three per cent last year, global steel demand will decrease by another 0.8 per cent this year to 1,488 million tonnes, world steel predicts.

Source: Busnesss Line, 15th April, 2016

POLICY

Govt begins probe into steel dumping by six nations

In a move to provide further protection for the steel industry, the government has started investigation of dumping by six countries – China, Japan, Russia, Korea, Brazil and Indonesia. The Directorate General of Anti-Dumping and Allied Duties has initiated anti-dumping investigation on the basis of the application made by Steel Authority of India, JSW Steel and Essar Steel. The plea is supported by Tata Steel and Jindal Steel and Power. The applicants have requested for retrospective imposition of the anti-dumping duty due to the history of dumping by the six exporting countries, said the investigative body in a statement. All the interested parties have been asked to express their views within 40 days starting from Monday. The products covered under investigations are hot rolled coils of width up to 2100mm and thickness up to 25mm, hot rolled sheet and plates of a width up to 4950 mm and thickness upto150 mm. The period of investigation is July-December 2015. In September last year, the government imposed a provisional safeguard import duty on some steel products for 200 days and extended it till March 2018 to protect domestic manufacturers from cheap Chinese imports. Additional protection of Minimum Import Price was imposed by the government in February for six months, even while retaining the safeguard duty. The five steel companies have claimed that they have suffered material injury as due to the alleged dumping by the six countries and have furnished evidence of it. The investigative authority has found sufficient prima facie evidence of injury being suffered by the applicants caused by the dumped imports from the subject countries to justify initiation of an anti-dumping investigation, it said.

Source: Business Line, 5th April, 2016

COMPANY NEWS

Tata Steel sells long products units to Greybull

Following four months of intense negotiations, Tata Steel UK has finalised a deal with London-based Greybull Capital to sell its struggling long products division for a "nominal consideration". The sale covers several UK-based assets, including the Scunthorpe steelworks, two mills in Teesside, an engineering workshop in Workington, a design consultancy in York, associated distribution facilities, as well as a mill in northern France. The Indian steel major, which is exiting its loss-making European businesses, has appointed KPMG as the adviser to sell its entire investment in the UK. Slaughter and May will be the legal advisers. Tata Steel has a production capacity of 13 million tonnes in Europe and has made a provision of Rs 7,000 crore for the struggling assets. As of

September 30 last year, Tata Steel's consolidated debt was Rs 71,798 crore, including long-term debt of €3 billion in its European business. Last month, the Tata Steel board dismissed an expensive revival plan for its European operations and advised its subsidiary to find a suitor as the company is said to be losing £1 million a day. Incidentally, KPMG and Slaughter and May also advised Tata Steel UK on the divestment of its long products division in the UK to Greybull Capital. Besides paying a nominal consideration, Greybull Capital will take the liabilities associated with the asset and secure an appropriate funding package. Bimlendra Jha, Executive Chairman of the standalone long products Europe business, said the sale is the best possible outcome for employees, who have worked to ensure the business survival and helped to make it attractive to a potential buyer.

Source: Business Line, 12th April, 2016

Even at 9-year-low, SAIL could have to borrow for capital expenditure needs

Set to report a net loss for the first time in 13 years for FY16, state-run Steel Authority of India will cut its capex for the current year to a nine-year low of Rs 4,000 crore and may need to borrow even for this reduced investment. Although PSU sources said that the lower capex was primarily because its ongoing Rs 72,000-crore modernisation and expansion programme is slated to be completed soon and a new capex phase was yet to be finalised, analysts said sluggish market conditions and dismal financial performance in the past fiscal also could have been the reasons for the low capex programme. "The capex for the current fiscal would be funded through a mix of loan and equity. We have to assess the internal accruals in 2016-17 and if these are not sufficient, we will indeed have to borrow (to fund the capex)," SAIL's finance director Anil Chaudhary told FE. Already significantly leveraged, SAIL's interest outgo in the third quarter of the last fiscal was Rs 524 crore, up 43% from the corresponding quarter in the previous year. SAIL's net sales realisation plummeted by 34% to Rs 24,403 per tonne between August 2014 and December 2015 mainly because of subdued steel prices in the face of imports at predatory prices from China, Japan and South Korea. With protective measures like a safeguard duty and minimum import price (MIP) in place and the recent increase in global steel prices, domestic primary steel makers like SAIL are poised to look up in the coming months.

Source: The Financial Express, 12th April, 2016

Tata, Thyssen in talks for Europe steel joint venture: Report

Tata Steel and Germany's Thyssenkrupp are in talks about a joint venture among the options being considered for their European steel operations, Germany's Rheinische Post said on Wednesday. Under the model being discussed, Tata and Thyssenkrupp would each own shares in the venture proportional to the value of the businesses they were contributing.

Source: Business Line, 14th April, 2016

MISCELLANEOUS

Liberty House expects May-end deadline for Tata Steel's UK assets' bids

Liberty House Group expects Tata Steel Ltd to set an end of May bid deadline for the sale of its UK steel assets and said his firm wouldn't need financial backers to make an offer. Liberty House has a balance sheet of more than $1 billion and has no long-term leverage, founder Sanjeev Gupta said at the FT Commodities Global Summit in Lausanne, Switzerland on Wednesday. The private company has been approached by potential financial backers, but doesn't necessarily need to borrow to fund an acquisition, he said. Tata Steel said in March that it plans to sell all its unprofitable UK operations, putting thousands of jobs at risk, and is still trying to negotiate the sale of its Port Talbot plant in South Wales. European steelmakers have been hit by prices that have tumbled more than 50 per cent since 2008 amid a global glut and flood of cheap Chinese exports.

Source: Business Standard, 14th April, 2016