Steel In The News

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

CONTENTS	Page

A Weekly Report by Joint Plant Committee

February 13-19, 2016

RAW MATERIALS

Mines' e-auction: States told to find out reasons for poor response

The much-hyped e-auction of non-coal minerals has not yielded the desired response. While mines in the eastern states have received only lukewarm response, miners have not evinced any interest in 12 mines, mainly of limestone, that have recently gone under the hammer in Rajasthan, Gujarat and Maharashtra mainly due to the subdued commodity market scenario. Taken aback by the poor response of the miners in the e-auction of non-coal mines like bauxite, iron ore and limestone among others, the Union mines ministry has asked the states to find out the reasons why they have stayed away. "A total of 43 mines have been put on the auction mode. In two states — Chhattisgarh and Jharkhand — they have got good response. They have got a minimum of three bids for each. But in states like Rajasthan, Gujarat and Maharashtra, there have been no response. So we have asked these states to have further consultation with the prospective bidders and find out why they have not come forward," mines secretary Balvinder Kumar told FE. Eight states, including Chhattisgarh, Odisha and Jharkhand, have so far issued notice inviting tenders (NITs) to auction 43 mines containing raw materials like iron ore, limestone, bauxite and manganese ore among others. The cement sector is also under stress with all-India cement production registering a marginal growth of 2.1% Year-on-Year during April-November 2015 period of the last year compared with the corresponding period a year later.

Source: The Financial Express, 15th February, 2016

Steelmin demands abolition of 2.5% import duty on coking coal

Paying heed to the industry's demand, the steel ministry has recommended to the finance ministry abolition of 2.5% import duty on coking coal, which is scarce commodity in the country. In sync with the increase in steel production, the imports of coking coal in the country was also on the rise for the last few years. While India imported 19.5 MT of coking coal in the 2010-11 fiscal, the imports went up to 43.7 MT in the last fiscal, registering a growth of over 124%. "The country depends significantly on imported coking coal (about 80%) due to the poor quality of domestic coal and lack of adequate local production/supply constraints. Globally, no major steel producing nation retains an import duty on coking coal.

Hence, it is being proposed that the import duty on coking coal may be waived completely," the steel ministry wrote in its recommendations to the finance ministry. Coking coal is an import raw-material in steel-making. It generally requires 0.9 tonne of coking coal to produce one tonne of steel. India imports coking coal from various countries including Australia, South Africa and others. "In view of the rising imports of coking coal, we have requested the finance ministry to abolish the duty. The industry has been demanding the withdrawal of the duty since it was imposed in 2014," a senior steel ministry official said. Though there had been no duty on coking coal imports for several years in the past, the government had in 2014 imposed 2.5% duty, mainly to rationalise the duty structure on all varieties of non-agglomerated coal. Thermal coal also attracts 2.5% import duty. Indian steelmakers mostly depend upon the imports of coking coal. There is also a demand from the industry to remove the R200 per tonne clean energy cess on coking coal on the grounds that cooking coal is used to produce metallurgical coke and during the process no carbon is burnt. The steel ministry, however, is yet to recommend on anything to its finance counterpart.

Source: The Financial Express, 16th February, 2016

Mines Ministry Kicks Off GSI Mineral Exploration Mission

Union Steel and Mines Minister Narendra Singh Tomar launched Geological Survey of India's (GSI) 'Operation Khanij Khoj' on Tuesday to set up mineral exploration activity across the country. As port of the overall initiatives, efforts also underway to put some 6000 geological reports in digital format in the public domain soon, a mines ministry official said. Earlier, the minister received GSI report of 100 mineral blocks for regional exploration during the 55th Central Geological Programming Board meeting in New Delhi. The 100 blocks identified by the GSI may be taken up by private explorers for regional exploration. The identified blocks include a total area of about 12,000 square km with prospects for base metals, gold, iron, tin/tungsten, strategies minerals, etc.

Source: The Economic Times, 18th February, 2016

PROJECTS

Tata Steel SEZ to invest Rs2k cr in developing infra

Tata Steel SEZ today said it plans to invest about Rs 2,000-2,500 crore for development of infrastructure Gopalpur in Odisha the near term. "We have already spent Rs 1,000 crore to set up a 55,000 TPA high carbon ferro chrome plant and development of infrastructure. Going forward we will invest Rs 2,000 -2,500 crore for the development of further infrastructure in the SEZ," Tata Steel Managing director T V Narendran told reporters on the sidelines of Make in India conference. The SEZ, which is a 100% subsidiary of Tata Steel, has received clearance from Odisha government for setting up an industrial park. This is the first time that the Tata group is coming up with a Special Economic Zone (SEZ). UK-based Meggitt recently decided to produce defence vehicles at Gopalpur, Odisha. Defence equipment makers will also be a big focus for the SEZ, Arun Misra, Managing Director, Tata Steel Special Economic Zone, said adding that more companies defence sector are expected to come following the government initiative to encourage manufacturing as part Make in India campaign.
Source: The Financial Express, 15th February, 2016

JSW Steel’s Jharkhand Plan on Hold

JSW Steel’s plan to build a 10-million-tonne steel plant in Jharkhand remains uncertain as excess domestic capacity, coupled with unabated influx of cheap imports from China, Japan and South Korea in the past year, have been dampeners for future mega steel projects. Sajjan Jindal-led JSW Steel’s Rs 35,000-crore Jharkhand project is stuck at the drawing board since 2005 due to lack of direct supply of raw material, iron ore mines and land acquisitions issues. And now, high imports from China have compounded the problems. “Jharkhand is a long-term plan for JSW Steel. We are waiting for the right time. At present, there’s overcapacity in the steel industry and China is dumping steel in India,” said jayant Acharya, Director for commercial & marketing at JSW Steel, on the sidelines of Jharkhand seminar at the ‘Make in India’ week on Wednesday. He said the company was also awaiting clarity on the iron ore linkages in the state. JSW Steel reported a consolidated net loss of Rs 923.34 crore for the quarter ended December 2015 against a profit of Rs 328.94 crore in the same quarter the previous fiscal year, affected by impairment charges and higher competition from Chinese imports.
Source: The Economic Times, 18th February, 2016

FINANCIAL

Crisil lowers, JSPL to below investment grade

RISIL Ratings has downgraded Jindal Steel & Power Ltd. (JSPL) to below investment grade after the company reported a consolidated net loss of INR 573 crore for the quarter ended December 2015. Crisil has cut the long-term credit rating for Rs 3,212 crore worth of long-term loans by two notches to 'BB+' from 'BBB'+', citing the possibility of further deterioration in the liquidity of the JSPL group. The agency also reduced the rating for Rs 415 crore of short-term loans of JSPL to 'A4+' from 'A3+' putting both the ratings on "watch with negative implications". Based on its discussion with the debenture trustees, Crisil also observed that while the debenture holders have not exercised their option to ask for accelerated repayment, it added that if the debenture holders choose to exercise the option for accelerated repayment, JSPL's liquidity position could come under further pressure. According to Crisil, JSPL Group's liquidity will fall significantly as the sale of the stake in the rolling mill and the settlement in Bolivia may take longer than earlier anticipated. Crisil had earlier expected these to be completed before March 2016.

Source: The Financial Express, 17th February, 2016

NTPC-SAIL venture pays dividend

NTPC-SAIL Power Company Pvt. Ltd. (NSPCL), a joint venture between the two public sector enterprises, has paid an interim dividend of Rs 100 crore for the 2015-16 fiscal of which NTPC's share is Rs 50 crore, the company said in a statement on Tuesday. "The interim dividend and dividend distribution tax for the current year 2015-16, works out to 91.39 per cent of net profit achieved during the nine-month period of April-December 2015," the statement added. NSPCL recorded a total income of Rs 1,737.86 crore during the April-December 2015 period and had a net profit of Rs 131.69 crore.

Source: Business Line, 17th February, 2016

JSPL set for debt recast under 5/25

Lenders to Jindal Steel and Power (JSPL) are likely to refinance project loans to the steel maker's loss-making subsidiaries Wollongong Coal mine (Australia) and Angul steel plant, sources told FE. They added the refinancing would be done in line with the 5/25 scheme outlined by Reserve Bank of India (RBI), which essentially eases the repayment schedule for the borrower. How much debt will be refinanced is not clear but JSPL's gross debt stood at Rs 45,500 crore at the end of March 2015, up 25% over March 2014. Crisil Ratings downgraded (JSPL) to below investment grade after the firm reported a consolidated net loss of Rs 573 crore for the three months to December. According to two people familiar with the development, lenders have already approved a refinancing for Jindal Power's (JPL) loans of Rs 3,319 crore as per the 5/25 guidelines. Further, they are looking to reschedule repayments for two JSPL's subsidiaries. In doing so banks must ensure the net present value of the asset is protected. JSPL, promoted by Naveen Jindal, owns an 82.04% stake in Wollongong Coal that runs two underground coking coal mines with estimated reserves of 125 million tonnes (mt) and 652 mt under Joint Ore Reserves Committee classifications.

Source: The Financial Express, 18th February, 2016

JSPL in Talks with Banks for Re-financing of Its Projects

Jindal Steel and Power Limited (JSPL), is in talks with banks for re financing of its projects under the Reserve Bank of India's 5/25 scheme. The scheme allows companies a longer repayment period for term loans to projects which require elongates servicing period. JSPL said it has also "implemented a project which will quality for 5/25 scheme and is in discussion with banks for various financing options including 5/25 scheme." A top company source said, "while JPL has already under RBI's 5/25 scheme, JSPL is now looking at it." JSPL's announcement assumes significance since the Naveen Jindal-led steel to power business group is \saddled with huge debt, a problem that most steel companies have been facing. In FY15, JSPL's consolidated net debt stood at Rs 42,929 crore against a net debt of Rs 35,419 crore in FY14. For the third quarter ended December 31, 2015, JSPL lowered its consolidated net loss to Rs 573.48 crore against a net loss of Rs 1,618.78 crore in the previous corresponding period. JSPL's total income fell to Rs 4,366.89 crore from Rs 5,078.93 crore during the same period.

Source: The Economic Times, 19th February, 2016

POLICY

Exemptions under minimum import price still a worry for steel companies

The exemptions provided on steel imports under the minimum import price (MIP) still a pose significant threat to steel companies. Of the 9.04 million tonnes of steel imported in the first nine months of this fiscal, the MIP does not cover about 6.5 million tonnes. This leaves scope for importers to circumvent MIP fixed between $341 and $752 a tonne on 173 steel products. The measure excludes import of API (American Petroleum Institute) grade Hot Rolled Coil used for making pipes in oil and gas sector. Importers have to provide end-use certificate when they ship in API grade steel. Seshagiri Rao MVS, Joint Managing Director, JSW Steel, said when the Centre specifies application of imported steel, the Customs department has to ensure that it is adhered to and going by past trends there could be import of half-a-million tonne of API grade steel this fiscal. Incidentally, import of API grade steel was exempted under the purview of 20 per cent safeguard duty imposed in September. This led to 160 per cent increase in API grade steel imports over the last three months. Other items such as tin plate, spring steel, scrap, direct-reduced iron, hot briquetted iron are also excluded from MIP. The country has imported about 2 million tonnes of these items in first three quarter of this fiscal. Similarly, there is exemption for imports under advance licence signed before MIP was imposed. In the last nine months there was import of 3 million tonnes under advance licence and on an annualised basis it could be 4 million tonnes. Technically, 6.5 million tonnes of steel can still be imported without triggering MIP, said another steel company executive. This apart, line of credits (LoC) signed before implementation of MIP have been exempted, if the importer does not change the quantity, value and validity.

Source: Business Line, 19th February, 2016

STEEL PERFORMANCE

Steel industry seeks special package from Centre, banks

The Indian Steel Association has sought a special financial package from the

Centre and the Indian Banks' Association, similar to the support provided to the textile and sugar industries. As part of the package, the body – which includes Tata Steel, JSW Steel, and Steel Authority of India Ltd – has sought a moratorium period on payments of interest and principal amount. The industry has also called for splitting its total debt into sustainable debt and balance debt. It wants long-term debt, working capital and a pre-determined debt service coverage ratio to form part of the sustainable debt component while the remaining can be part of the balance debt. As on December 25, 2015, the total exposure of Indian banks to the steel sector was around Rs 2,98,500 crore. Most companies are overleveraged with half of this debt with companies having a debt to EBIDTA ratio of greater than 12. Between December 2014 and December 2015, Rs 8,891 crore of debt to the steel sector entered corporate debt restructuring (CDR). As on December 2015, the sector accounted for the highest amount of loans under CDR – Rs 54,051 crore. "There is an urgent need for comprehensive support system involving participation of all stakeholders to ensure the survival of this core sector. The survival of the sector is crucial for the economy considering the large investments gone into create capacities," said Sanak Mishra, Secretary General and Executive Head of the ISA.

Source: Business Line, 17th February, 2016

JP Morgan: Steel industry hit new low in Oct-Dec

The domestic steel industry, which has been reeling under the burden of cheap imports and lower realisation, hit a new low during the October-December quarter, according to an analysis by brokerage firm JP Morgan of the listed firms. During the period, only 4 of the 26 listed players reported net profit while only half of them were Ebitda (earnings before interest tax depreciation and amortization) positive. Also the interest coverage capability of these firms weakened further as only four of the listed players made operating profit to cover their "P&L interest", JP Morgan analysts said in a strategy note. They argued that unless the companies manage to carry out double digit price hikes for several quarters from current levels and simultaneously see a demand pick up, the industry many not be able to pull though from the current degree of leverage. According to their estimates, cumulative gross debt of 28 most leveraged companies, including two unlisted players – Essar Steel and Bhushan Power & Steel- stood at Rs 3.6 lakh crore.

Source: The Financial Express, 19th February, 2016

COMPANY NEWS

NMDC Q3 net down to Rs 655 cr as demand, prices take a hit

NMDC Limited has posted a huge drop in its net profit at Rs 655.04 crore for the quarter ended December 31, 2015 as against Rs 1593.01 crore it logged for the corresponding quarter last year on a standalone basis. Total Income has decreased from Rs 2946.05 crore achieved during the quarter ended December 2014 to Rs 1517.19 crore for the quarter ended December 2015. The performance of the iron ore mining major has been impacted by several key developments which include low prices ruling in the global market, poor demand from steel makers and cheaper imports. Last fiscal ended March 31, 2015, the iron ore mining company had closed with a turnover of Rs 12,356.46 crore and a net profit of Rs 6421.86 crore.

Source: Business Line, 13th February, 2016

Tata Steel, Hero MotoCorp bag TIME awards

Time Inc on Sunday announced the winners of the inaugural TIME India awards. Tata Steel won the award for best in class for manufacturing while Hero MotoCorp was named the manufacturing innovator of the year.

Source: Business Line, 15th February, 20

GLOBAL STEEL

ThyssenKrupp in expansion mode

ThyssenKrupp’s components division is expanding to a new administrative site in Germany to accommodate new orders for shock absorbers from the automotive industry, it said on Monday. The steel-to-elevators group said it would move about 200 administrative staff from its shock absorber unit Bilstein’s headquarters in the town of Ennepetal, North Rhine-Westphalia, to a new site in Bochum, about 30 km away. “Our order books are very healthy at the moment,” said Peter-Klaus Kirner, chief executive of ThyssenKrupp’s shock-absorber business, declining to give details of the new orders. ThyssenKrupp said it was not immediately hiring new staff but needed room to grow.

Source: Business Line, 16th Financial Express, 2016

MISCELLANEOUS

Car makers may hike prices over rising steel cost

The margins of automobile manufacturers are likely to come under strain because steel prices are expected to increase 10-12 per cent with the imposition of the minimum import price by the Centre. Analysts feel a 10-per cent increase in domestic steel prices will push up car prices by 0.6-1.6 per cent. Some automobile manufacturers like Maruti Suzuki say they have long-term contracts and the rising steel prices will not have an immediate impact on their car prices. According to a recent report by Kotak Institutional Securities, steel accounts for seven per cent of the cost for two-wheelers, 10 per cent for passenger for commercial vehicles. To ensure no impact on margins, a 10-per cent increase in domestic steel prices will require a price increase of 0.6 per cent in two-wheelers, one per cent in passenger vehicles, and 1.6 per cent in commercial vehicles, it adds. An automobile industry executive said while commodity prices had remained low in the past few months, the discounts offered by car makers were also high. “This resulted in thin margins. With steel prices going up, manufacturers will definitely pass on the cost increase to consumers,” the executive said. As this was likely to be a concerted move by the industry, there should not be any impact on demand, he added.

Source: Business Standard, 14th February, 2016

Vizag port to run on solar power from next month

Vizag port in Andhra Pradesh is set to run its entire operations on solar power from next month, its chairman M I Krishna Babu has said. Visakhapatnam Port Trust has already commissioned 2 MW of solar capacity and will add another 8 MW by March 20, he said. “We will be the first major port in the country to run entire port operations on solar energy,” he said, adding VPT has spent Rs 60 crore to set up the plants.

Source: The Financial Express, 17th February, 2016