Steel In The News

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

A Weekly Report by Joint Plant Committee

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COMPANY NEWS

Tata Steel sales up 10.3% in Q3

Tata Steel on Monday reported 10.3% increase in sales to 2.35 million tonnes in Q3FY16, compared to a year ago. This includes best ever Tata Tiscon sales of 0.31 million tonnes in Q3 beating previous best 0.29 million tonnes in Q3 FY15. During the same quarter Tata Astrum also reported improved sales of 0.26 million tonnes over previous best of 0.24 million tonnes in Q3 FY15, the company said in a statement. Saleable steel production in Q3FY16 was up 13.1% from a year ago to 2.51 million tonnes. Hot metal output was up 13.1% from a year ago in Q3FY16 with crude steel production at 2.55 million tonne, up by 11.3% y-o-y. The pellet plant has achieved best ever Q3 production of 1.43 million tonnes beating its previous best 1.03 million tonnes in Q3 FY15. Tata Steel's Hot Strip Mill also notched up a best ever Q3 production of 1.01 million tonnes against its previous best of 0.99 million tonnes in Q3 FY13, the company statement said. The company's steel melting shops achieved best ever Q3 production of 2.55 million tonnes compared to 2.29 million tonnes in Q3 FY15. New Bar Mill achieved its best ever Q3 production of 0.25 million tonnes compared to previous best of 0.23 million tonnes in Q3 FY15, the statement said.

Source: The Financial Express, 12th January, 2016

Tata Steel in talks with Greybull over Scottish assets

As Tata Steel continues discussions with British private equity firm Greybull Capital, over the sale of its long products division, another steel company has expressed interest in the Scottish assets that come under the Greybull-Tata Steel deal. Liberty House, a steel and metals group founded by Sanjeev Gupta, which is also acquiring assets from Lord Swraj Paul's Caparo Group, is interested in Dalzell and Clydebridge, two steel plants in Scotland, within Tata Steel's long products division. In October, Tata Steel had announced that the plate making facilities at these two plants would be mothballed, as part of a restructuring of the long products division, including Scunthorpe in England. How and whether any deal could be struck with Liberty House remains to be seen. A spokesperson for Tata Steel confirmed that the exclusive talks with Greybull involved all plate assets, including Dalzell and Clydebridge, and that there had been no plans to alter the restructuring programme. "However, we have been working closely with the Scottish government and we are fully engaged in the task force process of finding an alternative solution for the Dalzell and Clydebridge mills."

Source: Business Line, 15th January, 2015

PROJECTS

RINL plans expansion, Rs 38,500 cr investment

Rashtriya Ispat Nigam Ltd, the Visakhapatnam steel plant, has signed an MoU with the Andhra Pradesh Government for an investment of around Rs 38,500 crore in various projects, according to a press release. The MoU was signed at the three-day partnership summit, which is being jointly organised by the state government and the Confederation of Indian Industry (CII). P C Mohapatra, Director (Projects) of RINL, and Kartikeya Misra, Director of Industries, Andhra Pradesh, exchanged the MoU copies for expansion of RINL's capacity to 7.3 mtpa and modernisation with an investment of Rs 3,600 crore. Further, RINL will invest Rs 25,000 crore to expand its plant to 11.5-12 mtpa and construct a coke oven battery and other projects for Rs 3,400 crore. It will establish a slurry pipeline and pellet plant project in a joint venture with NMDC and others for Rs 6,100 crore, and a transmission line tower project with PowerGrid for Rs 330 crore.

Source: Business Line, 12th January, 2016

STEEL PERFORMANCE

Steel imports fall for second month in Dec

Indian steel imports fell for a second month after the government imposed taxes and anti-dumping duties on some products to protect local mills from cheaper overseas supplies. Inbound shipments dropped 1.4 per cent to 941,000 tonnes in December from a year ago, according to provisional data from the steel ministry. For the nine months through December, imports climbed 29 per cent to 8.39 million tonnes. India plans to step up safeguards for its debt-laden steelmakers by imposing a minimum price on imports and studying loan restructuring, steel secretary Aruna Sundararajan said last month. China, world's biggest producer, is facing the slowest growth in a quarter century and its surfeit of steel is driving a surge in exports, forcing governments from India to the US to impose curbs to protect domestic mills. Steel output declined 1.4 per cent to 7.62 million tonnes in December from a year earlier, while consumption climbed 1.2 per cent to 6.93 million tonnes, according to the ministry. For the April-December period, production fell 1.4 percent to 68.04 million tonnes, while demand rose 4.7 per cent to 59.08 million tonnes.

Source: Business Standard, 13th January, 2016

POLICY

Ministry to propose increasing peak customs duty on steel to 25%

Going ahead with industry's persisting demand for reining in the rising imports at predatory prices, the steel ministry will propose for hiking the peak customs duty on the alloy to 25% in the Budget for next fiscal from 15% now. If implemented, this would be two successive increases in the limit in as many years, though will remain within the upper ceiling of 40% allowed by WTO. The finance ministry had raised the peak custom duty for steel to 15% from 10% earlier in the last Budget for the same purpose. But, far from restricting the burgeoning imports, it failed to make much impact. Galloping imports from China, Japan, South Korea and Russia among others is hurting domestic steel industry. The EBITDA of the domestic firms have declined by over 40% in a year. Being sympathetic to the steel industry's current tough time, steel ministry had suggested a gamut of trade actions since the last Budget and the finance ministry has, in fact, obliged to a lot of them including raising the import duty twice in June and in August by 2.5% each, imposing safeguard duty on select products and even levying anti-dumping duty on certain grade of stainless steel imports between $180 and $316 per tonne.

Source: The Financial Express, 12th January, 2016

Govt may set up funding agency for steel sector

With banks reluctant to lend additionally to the highly-leveraged steel sector, the government is evaluating the setting up of a funding agency exclusively for the sector much on the lines of Power Finance Corporation and the Rural Electrification Corporation for the electricity sector. The proposed entity could have an initial capital of Rs 2,500 crore and entail participation from all major domestic producers, sources said. A committee has already been formed by the steel ministry headed by the chairman and managing director of state-run steel firm Rashtriya Ispat Nigam, P Madhusudan, in this regard and it met for the third time on December 31. The committee is likely to submit its recommendations in a month. The agency, if formed, would mainly fund capacity expansion projects of the domestic steel firms. The corpus of the agency would proposed to be gradually enhanced keeping in pace with the fund requirement of the steel firms. Paucity of funds is partly coming in the way for raising capacity of the domestic firms. Apart from Tata Steel's recently-commissioned Kalingangar project and NMDC's upcoming 3 MTPA project, which is likely to go on stream by June-July next year, steel sector's capacity expansion plans has nearly been halted. Barring brownfield capacity expansion plans are also muted barring those by SAIL and RINL, mainly because the current plight of the industry caused by cheaper imports, lower demand and price. Though global steel giants like ArcelorMittal and Posco had earlier evinced massive investment interests, which could have raised India’s steel-making capacity in a big way, FDI in the sector is still lagging behind.

Source: The Financial Express, 14th January, 2016

FINANCIAL

S&P cuts Tata Steel’s credit rating

Amid a continuous deterioration in the credit profile of Indian metal producers, rating agency Standard & Poor’s on Wednesday lowered its long-term corporate credit rating of Tata Steel to BB- from BB even as it maintained the rating outlook as stable. Earlier on Monday, Fitch lowered long-term credit rating of Vedanta to AA from ‘AA+’. “We downgraded Tata Steel because we expect the company’s weak cash flows and compressed profitability to keep its leverage high over the next 12-18 months,” said Standard & Poor’s credit analyst Vishal Kulkarni in a press release. S&P now considers the financial risk profile of the Tata group company to be highly leveraged from aggressive amid weaker cash flow and leverage ratios. Subsequently, the international rating provider also reduced the long-term rating of company’s UK arm, Tata Steel UK Holdings (TSUKH) to B+ from BB-. “We lowered the rating on TSUKH following the downgrade of the company’s parent Tata Steel. We assessed that TSUKH is a highly strategic subsidiary of Tata Steel and expect the parent to continue to support TSUKH,” added S&P.

Source: The Financial Express, 14th January, 2016

MISCELLANEOUS

Automakers See Steel Import Curbs as Body Blow

Some of the top players in India’s automotive industry are worried about the government’s decision to ban production, storage and sale of steel without Bureau of Indian Standards (BIS) certification, a step that they fear would hurt, even halt, their manufacturing operations. The ban, which will take effect on March, 15, though is seen by the steel industry as the most effective move so far to curb steel imports, which have been on the rise at the cost of local producers. While the compulsory BIS certification is good news for the steel industry, it is not so for auto makers. Car makers currently import high-tensile automotive steel from Japan and Korea for production of critical components, top sources in the auto industry said. If the steel ministry's order to make BIS certification compulsory production will come to a stop across the passenger vehicle industry, they claimed. Though no official numbers are available on the import of automotive steel, industry estimates suggest at least 20% of steel used by passenger vehicle manufacturers come in from Japan and Korea. Some industry experts say steel similar to what these companies import is available locally, and the auto makers are trying to protect their long-term contracts with foreign steelmakers. Vishnu Mathur, director general of the Society of Indian Automobile Manufacturers, however, said even if the technology is available, the volume of imported auto grade steel is low and does not justify local production. Vinnie Mehta, director general of the Automotive Component Manufacturers' Association echoed. "Over 70% of the cost of a component is raw material, which is largely steel. Even if we were to take BIS certification for imported steel, which is of higher quality, it is a time consuming process. It cannot be completed within three months (the government issued the order in December)," said Mehta BIS certification involves a visit of Indian government officials to steel mills overseas to certify their products and processes. This usually takes 6-12 months, Mehta said. While the automobile industry alleges that local steel manufacturers had put their force behind the current order to block imports, which could hurt their business, industry experts say the situation may not be as dire as they project. The steel products under mandatory BIS specifications include cold rolled (CR) steel strips, hot rolled (HR) steel flat products and HR steel strips for cold rolling purposes. Some of these are used in manufacturing automobiles.

Source: The Economic Times, 13th January, 2016