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

January 16 – 22, 2016

RAW MATERIALS

Tata Steel scales down iron ore mining at Canadian facility

Tata Steel has suspended operations at its Canadian iron ore mining and processing project. Though the steel major has not disclosed the reason for suspension, its junior partner in Canada, New Millennium Iron Corp (NML) announced that the project execution firm Tata Steel Minerals Canada (TSMC) “temporarily” scaled down winter operations, including stabilisation activities of the all-season ore processing plant at its direst shipping ore (DSO) project. According to market analysts, though this Canadian asset is being developed as a captive source for feeding its European steel making operations of Tata Steel, the current availability of iron ore at lower market prices in Europe is likely to have prompted the company to soft paddle the project for the time being. The project, located in the sub-arctic zone of eastern Canada, comprises mining, crushing, washing, screening and drying to produce 4.2 million tonnes per year of sinter fines and pellet feed. The processing facility is housed in a temperature-controlled structure to enable year-round operations. In the past couple of years. Tata Steel made a few trial shipments to Europe.

Source: Business Line, 22nd January, 2016

PROJECTS

RSP innovation to save Rs 27 crore per month

Rourkela Steel Plant (RSP) is now able to save Rs 27 crore per month because of the innovative effort b y the employees of its Steel Melting Shop-II (SMS-II). A plant spokesperson said that the employees of SMS-II have developed a Motorised Sample Trolley which would enable the sampling screen to facilitate hassle free charging of scrap and metal, collection of samples and recording of temperature, besides ensuring no delays in starting of maintenance activities like tap hole changing and cleaning of the platform area. This would alone result in a cost saving of around Rs 27 crore per month.

Source: The Financial Express, 21st January, 2016

POLICY

Govt yet to decide on MIP for steel

The government hasn't yet decided on whether to fix a minimum import price (MIP) for steel, as it is in the process of assessing arguments of various stakeholders, commerce secretary Rita Teaotia said on Monday. While steel producers seek such a curb, especially to guard against "dumping" from countries such as China, consuming industries want the continuation of cheaper imports. "Despite the increase in steel imports, 85% of demand is still being met domestically," she said. Most of the steel producers are also running at 80% of their capacity, she added. The government has already imposed a 20% safeguard duty on steel imports until March 2016, and has raised the peak customs duty to 15% this financial year from 10%. However, the steel ministry is reported to have sought even a further hike in the customs duty to 25%, arguing that the measures already taken haven't succeeded in containing massive imports. The country's steel imports have surged by 29% during the April-December period, primarily due to "predatory pricing" by countries like China.

Source: The Financial Express, 19th January, 2016

COMPANY NEWS

JSW Energy net profit at Rs 321 crore

JSW Energy on Wednesday reported a consolidated net profit at Rs 320.7 crore for the quarter ended December 31, 2015. The company's consolidated net profit in the year-ago period stood at Rs 380.2 crore, JSW Energy said. "During the current quarter, the total income from operations is Rs 2,649 crore as against Rs 2,381 crore in the corresponding quarter of the previous year, an increase of 11 per cent driven largely by generation from hydro assets," the statement said. The figures for the current and previous periods are not comparable.

Source: Business Standard, 21st January, 2016

FINANCIALS

Bankers finalise new owners for Electrosteel

Lenders are close to finalising a new owner for Kolkata-based Electrosteel Steels, the first company where the strategic debt restructuring mechanism was applied last year, after the Reserve Bank of India allowed banks to take management control of defaulting companies. "A lenders' meet is slated for later this month to confirm the deal," a source close to the development said. The new owner - a company with steel background with partners based in London and China - will take over Electrosteel Steels completely. The existing promoters, the Umang Kejriwal family with a 45 per cent stake in Electrosteel Steels, will focus on Electrosteel Castings and Sri Kalahasthi Pipes (formerly Lanco Industries). In December, lenders had approved converting a part of the company's debt into equity following which the Electrosteel Steels' board approved conversion of debt aggregating to Rs 2,507 crore into 2,507.5 million equity shares of Rs 10 each. The board also approved the increase in authorised share capital of the company. An extraordinary general meeting for shareholders' approval was held earlier this month. Industry sources, however, indicated the deal could be transacted at a price lower than the current book value.

Source: Business Standard, 22nd January, 2016

STEEL PERFORMANCE

China's power, steel output drop for first time in decades

China's output of electric power and steel fell for the first time in decades in 2015, while coal production dropped for a second year in row, illustrating how a slowing economy and shift to consumer-led growth is hurting industrial consumers. China's economy grew at its weakest pace in a quarter of a century in 2015 and efforts to restructure have not only slashed demand but also exposed massive overcapacity in industrial sectors such as coal, steel and power. "Because steel mills are cutting production, it cuts demand for coal and power, and coal is also hit by falling power and cement demand. It is going to be really bad for the next five years," said Xu Zhongbo, a steel industry consultant. China generated 5.618 trillion kilowatt-hours (kWh) of power in 2015, down 0.2 percent from the previous year, the data showed, the first annual decline since 1968, when the country's economy was rocked by the turmoil of the Cultural Revolution. "China's economic growth has decoupled from coal-fired power generation, and the increase in the service industry as a share of China's GDP has also slowed demand," said Yang Fuqiang, a senior researcher at the Natural Resources Defense Council. Crude steel production dropped 2.3 percent to 803.8 million tonnes, the first yearly fall since 1981, with the entire sector sapped by weak demand and a colossal supply glut. Around half of China's steel mills are making losses and many are struggling to exit from a sector with a capacity surplus of around 400 million tonnes a year, half of total production. A slowdown in construction also hurt the energy intensive cement industry, slashing output by 4.9 percent in 2015 and creating further knock-on effects for coal and power.

Source: The Financial Express, 20th January, 2016

Steel Firms to Take Some Time to Get Shine Back

Indian steel manufacturers, which were under pressure due to overcapacity in the Chinese market, may find some relief. China, which is the largest steel producer and consumer in the world, has laid out a reform plan to improve the high supply issue by shutting down the junk companies. In addition, major Chinese steel players have increased prices of finished steel. Slowdown in the Indian steel industry began after demand in China peaked out in 2011 resulting in excess supply. China accounts for around 50% of the total global steel consumption and production as well. Several companies in China now are highly indebted and selling steel at huge losses just to recover the fixed costs. According to media reports, the Chinese government has announced a special fund to support capacity cuts by providing shut down incentives, employee compensation and covering other related expenses. Analysts with Morgan Stanley expect a capacity cut of 6-9% in 2016. In 2015, around 4% of the Chinese steel capacity was shut down. This may help in restoring the balance between demand and supply. Industry leader, Bao Steel raised prices in January for the first time in two years. What this means for Indian steel players? Excess supply in China was finding its way to Indian market, creating pricing pressure on local steel players. The reduction in Chinese capacity would reduce it to some extent thereby, benefiting Indian steel producers such as JSW Steel, Tata Steel and SAIL. Also the much-awaited minimum import price for steel landed in India, if implemented, would further help.

Source: The Economic Times, 22nd January, 2016