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 News Report by Joint Plant Committee

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COMPANY NEWS

Tata Steel BSL raises Rs.12, 000 cr to refinance its bridge loan

Tata Steel BSL, formerly known as Bhushan Steel, has raised Rs 12,000 crore to refinance a bridge loan, or stop-gap credit facility, availed to fund Tata Steel's acquisition of the Delhi-based company in the insolvency resolution process. Axis Bank, HDFC Bank and Kotak Mahindra Bank are among the five lenders that loaned the refinancing funds. The move would bring down interest costs and lower the overall cost of debt capital. Axis Bank lent about Rs 7,000 crore, which the bank could sell down to other lenders. HDFC Bank extended about Rs 3,000 crore of credit, while Kotak Mahindra loaned Rs 1,000 crore. Two Kerala-based banks were also parts of the consortium, advancing Rs 500 crore each. Emails sent to individual banks remained unanswered until the publication of this report. More than Rs 10,000 crore has been drawn from this facility already to retire the bulk of the bridge financing and termed out. The loan is likely to have come at a 9.30% rate, with a 12-year maturity period, market sources said. At the beginning of the year, Tata Steel emerged as the successful bidder for stressed alloy maker Bhushan Steel in the bankruptcy process. The company took a bridge loan from a group of six-seven private and foreign lenders. Such loans were priced at 8.70%, with one-year maturity. Going by comparable rates, the latest loan looks cheaper.

Source: Economic Times, December 7, 2018

JSW, Tata Steel may rebound as China Steel prices recover

Shares of JSW Steel and Tata Steel which have fallen steeply over the past few days, could rebound as prices of Chinese steel begin to harden from recent lows, decreasing the spread between overseas and local rack rates for the alloy and cutting the incentive for imports. Chinese steel prices fell by a fifth from October until November, making imports cheaper than domestic steel prices by nearly Rs 3,000 a tonne. But a pullback in the Chinese steel prices by 5 per cent over the past one week should restore the gap, offering some respite to domestic steel producers in the short term. Furthermore, domestic iron-ore producers, such as NMDC, Serajuddin and Essel Mining, have taken price cuts and that would also help maintain steel margins. Earlier in the week, NMDC took the first price cut of the current fiscal, while the other two major ore producers have already taken two price cuts because of the global iron ore price correction of 15 per cent in the last two months. JSW Steel, which sources iron ore from NMDC and through imports, will be in a more advantageous position. Although Tata Steel has its own captive mines, its earnings have been historically very volatile given its exposure to the European markets through Corus. Despite sharp corrections in the broader markets stocks of the two steel companies held firm. While JSW Steel’s stock closed at 305, 0.3 per cent higher than previous day’s close, Tata Steel’s stock was down by 0.8 per cent, and closed at Rs 511 apiece.

Source: Economic Times, December 7, 2018

JSW’s Aferpi Mill to be merged with Indian Steel Units

JSW Steel would integrate the recently acquired Aferpi mill with its Indian facilities, including the newly purchased Monnet Ispat and Energy, as part of the Italian steelmaker’s phased turnaround plans. Besides Italy, its plant at Acero Junction in the US will commission its electric arc furnace and meltshop in December and the improvement in earnings should start reflecting in the next quarter. To gain foothold in the Italian and European markets, JSW Steel had bought Italy’s second largest steelmaker in May for € 55 million (Rs 441 crore) after it lost Ilva to ArcelorMittal. The 2 MT consists of a 1.3 MT rail mill and wire rods and bar making facilities. The company has longterm plans to set up an electric arc furnace there but in the first phase, it would source 2 lakh tonnes of steel billets from its plant at Salem and the rest from Monnet Ispat once it gets commissioned. Apart from Aferpi, JSW Steel had also invested a billion dollars in the US to modernise its existing plate and pipe mill in Baytown, and to acquire the steel plant at Acero Junction, which consists of a 1.5 MT electric arc furnace and 3 MT hot strip mill.
Source: The Economic Times, December 1, 2018

JSW Steel to NCLT 'Tata can't raise questions over Bhushan Power Offer'

JSW Steel on Monday told the National Company Law Appellate Tribunal (NCLAT) that Tata Steel does not have any right to raise questions over its revising the offer for bankrupt Bhushan Power and Steel after being given the opportunity by the committee of creditors (CoC). Senior advocate Kapil Sibal, appearing on behalf of JSW Steel, said: "Tatas can't ask why I (JSW Steel) was given the opportunity. It's a financial bid and I can improve it. Until voting on bids happens, the door is not closed. The two-member NCLAT bench, headed by chairperson Justice SJ Mukhopadhaya, has scheduled the matter for further hearing on December 20. In the past hearing on the matter in the appellate tribunal, Tata Steel alleged that the lenders had given JSW Steel undue chance to revise its bid after initially declaring Tata Steel as the highest bidder. It also expressed doubt "with the quality of the process" followed to identify the most preferred bidder subsequently.

Source: Financial Express, December 4, 2018

FINANCIAL

Tata Steel plans to sell Refractories, Electrical Units' stake to cut debt

Tata Steel's strategy of portfolio restructuring to bring down debt will also include restructuring its refractories business, TRL Krosaki, as well as its electrical steel making business Cogent Power, the company said in a note to investors. The assets will add to its plans of forming a joint venture with Thyssenkrupp in Europe, divesting its South-East Asian business Nat Steel as well as selling off a South African iron ore mine. Portfolio restructuring could involve adjusting its current stake or selling off the asset altogether. Tata Steel holds 26.62% in TRL Krosaki, earlier called Tata Refractories located in Belpahar, Odisha, while 51% is held by Krosaki Harima Corporation, a unit of Nippon Steel. Cogent Power, on the other hand is spread over UK, Sweden and Canada. According to a report, Tata Steel Europe has put Cogent on the block to satisfy the European Commission's concerns about the Tata Steel-thyssenkrupp JV's competition level. The company that became In- dia's largest steelmaker after acquiring the 5.6 MT Bhushan Steel under the insolvency law had a gross debt of ₹ 1.04 lakh crore at the end of the September quarter and is pursuing a strategy of actively divesting itself from non-core businesses to unburden the balance sheet. This has been in line with Tata Sons chairman N Chandrasekaran's strategy to make the group leaner by selling or merging small or loss making businesses of group companies. In the past seven years, Tata Steel has raised ₹ 19,400 crore through divestment and the latest on this front has been selling the Sedibeng iron ore mine in South Africa to a Swiss-based metals and mining group IMR Metallurgical Resources AG in October for ₹ 188 crore.

Source: The Economic Times, December 1, 2018

POLICY

WTO to set up dispute panel in India-US case

The dispute settlement body of World Trade Organisation (WTO) has agreed to set up a panel to assess if high customs duties imposed by the US on certain steel and aluminium products infringes global trade norms, an official said. India had approached Geneva-based WTO for setting up of the dispute panel as both the countries failed to resolve the issue in a bilateral consultation process under the dispute settlement mechanism of the WTO. India had approached Geneva-based WTO for setting up of the dispute panel as both the countries failed to resolve the issue in a bilateral consultation process under the dispute settlement mechanism of the WTO. Consultation is the first step of the dispute settlement process at the WTO. If the two countries are not able to reach a mutually agreed solution through consultation, a country can request for a WTO dispute settlement panel to review the matter. Imposition of high import duties on these items by the US has impacted exports of these products by Indian businesses. India has alleged that the US move is also not in compliance with global trade norms. Besides India, Russia, Norway Canada, Mexico, Switzerland, and European Union have also dragged the US in the WTO on Washington's move to impose 25 per cent and 10 per cent import duties on certain steel and aluminium products, respectively, which triggered global trade tensions.

Source: Financial Express, December 5, 2018

EU asks India to drop mandatory quality testing for steel imports

The European Union has raised fresh objections to India’s decision to extend the Bureau of Indian Standards’ (BIS’) mandatory quality certification system to various steel imports, including stainless steel plates, sheets and strips. It has demanded that New Delhi must accept the tests carried out in foreign accredited laboratories attesting compliance with Indian standards. The EU’s fresh complaint follows the Indian Steel Ministry’s decision in June to bring 16 more steel products under the ambit of its quality control. The order, first passed in 2016, now covers 50 carbon steel and three stainless steel products. India had argued in a previous meeting that the BIS standards were necessary in order to take into account the manufacturing practices of India, and therefore international standards are insufficient.

Source: Business Line, December 6, 2018

STEEL PERFORMANCE

Cheap imports may hit prices of flat steel:Icra

Domestic flat steel manufactures may have to brace for a downward revision in prices, as threat of cheap imports into India in near-term has increased, according to rating agency Icra. It said domestic flat steel prices are likely to face temporary pressures from cheaper imports. The rating agency also said that expectations of lenient production curbs in China during winter months and rising steel output amid a seasonal moderation in demand have led to a steep correction in Chinese steel prices in November. The growth in China's steel consumption sequentially eased in the July-September period due to weakened demand from the auto sector, and some moderation in the property segment. On the other hand, steel production growth remained high at 5.8 per cent and in anticipation of stricter environmental curbs during the winter months, production recorded an all-time high of 82.5 million tonne (MT) in October. Jayanta Roy, senior vice-president and group head, corporate sector ratings, Icra, said Chinese hot rolled coil export offers have declined from USD 560 per MT in the first week of October to USD 477/MT at November-end. A major reason for the sharp correction in prices, he said, is the ongoing oversupply concerns in China during winter, leading "us to believe that seaborne steel prices would remain soft in the coming months. However, a typical pick-up in Chinese demand post the winter months is likely to lead to a recovery in international steel prices in the next fiscal". Even after a sharp fall in international steel prices, the anti-dumping duties in India on flat products do not kick in at the current price levels. As a result, steel imports, especially from free-trade countries such as Japan and South Korea, are likely to remain high in the coming months, which would keep domestic steel production growth under check, Roy added.

Source: Financial Express, December 5, 2018

MISCELLANEOUS

PPMAI urges govt to ban non-standard stainless steel for consumer ware

Capital goods industry body PPMAI has urged the government to ban all non-standard stainless steel being used for consumer ware in the country. "PPMAI has requested the steel ministry to modify the stainless steel products quality control order to stop influx of seconds, and defective and non-standard products in all grades of stainless steel from foreign and domestic sources," PPMAI Chairman Yatinder Pal Singh Suri said Tuesday. These products are mostly being used for consumer utensils and low end industrial application, he said. "It accounts for more than 60 per cent of the Indian market and surprisingly is not included in the quality control order," Suri said. The non-standard grades of stainless steel are currently being used for consumer ware, including utensils in the country, he said.

Source: Financial Express, December 5, 2018