

# Steel In The News

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

CONTENTS	Page
Highlights of the Week	2
Raw Material	2
Company News	4
Steel Performance	6
Metals	8
Miscellaneous	9

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## HIGHLIGHTS OF THE WEEK

1. Steel companies hike prices for the sixth time in a row
2. JSW Steel's \$2.7-billion steel mill purchase faces fresh legal test
3. India plans to raise coal imports from US
4. JSW Steel preferred bidder for Jajang ore block
5. Domestic steel prices come under pressure as imports from China resume.
6. No PSIC for scrap import at Kattupalli from safe nations
7. JSW Steel takeover of Bhushan to be delayed as promoter moves SC
8. Aluminium, Copper prices drop as demand from China weakens
9. Electrosteel plans new unit in Karnataka, capacity addition
10. JSW Steel's long-term IDR outlook gets 'negative' rating

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## RAW MATERIAL

### India plans to raise coal imports from US

In what could deepen Indo-US bilateral energy partnership, New Delhi is planning to increase import of coal from the US. India has a shortage of coking coal, used for steel production. "We are having business and policy-level interactions for long-term engagement with the US for sourcing coking coal," steel and petroleum minister Dharmendra Pradhan said here on Tuesday. Given India's plan to raise domestic steel output from the current level of 140 million tonne (MT) to 300 MT by 2030, the requirement of coking coal is seen to rise 190% to 175 MT. American oil supplies to India have jumped ten-fold to 2,50,000 The rating agency pointed out that JSW Steel's total gross debt/Ebitda leverage, including acceptances, a long-term customer advance and potential outflows for acquisition of assets under insolvency proceedings in India, will increase to above 5.0x in the financial year ending March 2020 (FY20), which is above the 4.0x threshold where it would consider negative rating action. The steelmaker's profits had plunged 88% to Rs 187 crore in the quarter ended December 2019, led by lower realisation. Crude steel production during the December quarter dropped 5% on year to 4.02 million tonne due to extended monsoon, which impacted the operations at Dolvi and Vijayanagar plants, the company had said barrels per day (bpd) in the last two-three years. Speaking at a business meeting alongside US President

Donald Trump, US energy secretary Dan Brouillette said India imported just 25,000 barrels a day of crude oil from the United States in 2017.

*Source: Financial Express, February 26, 2020*

### **JSW Steel preferred bidder for Jajang ore block**

JSW said it has been declared as a preferred bidder for Jajang iron ore block in Odisha. The Sajjan Jindal-led firm has bagged the iron ore mine in the auction of blocks in Odisha. The block holds estimated reserves of 39 million tonne. "The company (JSW Steel) has been declared as a preferred bidder vide communication dated February 22, 2020 received from the Director of Mines, Odisha for an iron ore mine (Jajang iron ore block) in the auctions held by the government of Odisha on February 6, 2020," JSW Steel said

*Source: Financial Express, February 25, 2020*

### **No PSIC for scrap import at Kattupalli from safe nations**

The government has included Kattupalli Port in the list of sea ports where pre-shipment inspection certificate (PSIC) will not be required for importing metallic scrap from safe countries. According to a public notice of the directorate general of foreign trade (DGFT), "import of metallic scrap from safe countries/ regions without PSIC can now be facilitated through Kattupalli Port (in Chennai) as well". DGFT is an arm of the commerce ministry which deals with export and import related matters. The safe countries include the US, the UK, Canada, New Zealand, and Australia, besides the European Union. It said import consignments of metallic waste and scrap shall be subject to PSIC from the country of origin.

*Source: Economic Times, February 25, 2020*

### **Coal India's non-power supply up 4.4% till Jan**

India's dry fuel supply to the nonpower sector had expanded by 4.4% till January of the current fiscal in contrast to a decline of 6.8% to the power sector for the same period. The muted demand from power plants and sufficient stock of coal had resulted in lower demand. To combat the slowdown in sale, CIL was channelising more coal to the non-power sector. "CIL's supplies to non-power sector registered a growth of 4.4% at 95.45

million tonne in the April- January period of FY20,” a senior Coal India official said on Thursday. CIL’s coal supply to the power sector registered a decline of 6.8 per cent to 377.86 million tonnes in the April-January period of the ongoing fiscal. CIL has allocated more rakes to supply to non-power consumers and liquidated over 82 per cent of its “arrear rakes” during the ongoing fiscal, the official said. These backlog rakes for CIL pertains to 2017-18 and 2018-19. The combined coal stock, at CIL’s own pitheads and at coal linkage based thermal power plants of the country, stands at a comfortable 78.25 million tonnes.

*Source: Economic Times, February 28, 2020*

## COMPANY NEWS

### **JSW Steel’s \$2.7-billion steel mill purchase faces fresh legal test**

JSW Steel Ltd.’s \$2.7 billion purchase of a bankrupt steel mill is facing a fresh hurdle after a former chairman of Bhushan Power & Steel Ltd. challenged the deal in the country’s top court. Sanjay Singal filed a petition on Monday against a ruling by a bankruptcy tribunal that had approved the deal earlier this month, according to the Supreme Court’s website. The petition hasn’t yet been allotted a date for a hearing. A JSW spokesman declined to comment. Bidders for India’s bankrupt steel mills have faced repeated delays in their attempts to buy indebted assets. The Sajjan Jindal-led mill has been caught in legal tangles since its 197 billion-rupee (\$2.7 billion) bid for Bhushan Power was first approved last year, while ArcelorMittal faced more than a year-long battle for its takeover of Essar Steel India. Singal’s petition threatens to further delay or derail the takeover. An adverse ruling could also be a setback for lenders, which led by Punjab National Bank are seeking a speedy resolution.

*Source: Financial Express, February 25, 2020*

### **Ruias gear up for Essar 2.0 with investment-led growth plan**

Notwithstanding the setback caused due to the loss of its flagship steel business to ArcelorMittal, the Essar group has embarked on the next phase of investment-led growth. In a mailer sent to Union ministers, Chief Ministers and top bureaucrats on the occasion of the group’s 50th anniversary

celebrations, the promoters Ruia family said it is looking to embark on a new phase of growth on the strength of a substantially lighter balance sheet arising from repayment of ₹1.4-lakh crore loans over the last three years. Essar did not specify what the new growth areas could be, but said it took “a conscious call of reducing its debt in response to evolving domestic and evolving economic scenario.” Despite losing Essar Steel in insolvency proceedings, cash flows remain strong, with ₹1-lakh crore of revenues from existing businesses. The letter was jointly signed by Ravi Ruia and Prashant Ruia.

*Source: Business Line, February 24, 2020*

### **Electrosteel plans new unit in Karnataka, capacity addition**

Vedanta’s Electrosteel Steels is evaluating a greenfield project in Karnataka while it is in the process of doubling capacity in its Bokaro steel plant to 3 million tonnes in the next two years at a cost of about Rs 5,000 crore, CEO Pankaj Malhan told ET in an interview. “We would seriously be evaluating options in Karnataka (where Vedanta has) iron-ore mines. We have a big piece of land already with us, close to our mines (in Karnataka),” he said. The second phase, which includes the Karnataka plant, is in the drawing board stage and may entail an additional investment of about Rs 7,000 crore. Vedanta, as part of its forward integration strategy, acquired the bankrupt Electrosteel Steels in 2018. Recently, the National Company Law Tribunal approved the merger of the company with Vedanta Star Limited. The company has finalised two plans for now. The first is debottlenecking existing assets and the second is to look into growth projects.

*Source: Economic Times, February 24, 2020*

### **JSW Steel’s long-term IDR outlook gets ‘negative’ rating**

Fitch Ratings on Tuesday revised the outlook on JSW Steel’s long-term issuer default rating (IDR) to ‘negative’ from ‘stable’, and affirmed the IDR at ‘BB’. At the same time, the agency also affirmed JSW Steel’s senior unsecured rating and the rating on its senior unsecured notes at ‘BB’. Fitch said in a note that the revision of the outlook reflects the risks in JSW Steel’s ability to deleverage and generate positive free cash flow (FCF) because of the various challenges in the Indian market. The rating agency pointed out that JSW Steel’s total gross debt/Ebitda leverage, including acceptances, a long-term customer advance and potential outflows for acquisition of assets under

insolvency proceedings in India, will increase to above 5.0x in the financial year ending March 2020 (FY20), which is above the 4.0x threshold where it would consider negative rating action. The steelmaker's profits had plunged 88% to Rs 187 crore in the quarter ended December 2019, led by lower realisation. Crude steel production during the December quarter dropped 5% on year to 4.02 million tonne due to extended monsoon, which impacted the operations at Dolvi and Vijayanagar plants, the company had said.

*Source: Financial Express, February 26, 2020*

### **JSW Steel takeover of Bhushan to be delayed as promoter moves SC**

After battling for more than two-and-a-half years, JSW Steel's bid to take over the bankrupt Bhushan Power and Steel (BPSL) is far from over. BPSL promoter Sanjay Singal has filed a petition in the Supreme Court against the National Company Law Appellate Tribunal order clearing ₹19,700-crore bid of JSW Steel to acquire the bankrupt company under Insolvency and Bankruptcy Code. The case is likely to come for hearing on Monday. JSW Steel was gearing up to pay the committed ₹19,700 crore before March 15. Apart from questioning the authority of the NCLAT to provide immunity to JSW Steel from ongoing cases against BPSL, the petition has flagged the vesting of ₹3,000 crore profit made by BPSL to JSW Steel during the insolvency period.

*Source: Business Line, February 28, 2020*

## **STEEL PERFORMANCE**

### **Steel companies hike prices for the sixth time in a row**

Contrary to the expectation of a fall in metal prices due to the coronavirus impact, steel companies have hiked hot-rolled coil prices for the sixth consecutive time, by ₹500-750 a tonne, to ₹39,200. The price hike will come into effect on March 1. The coronavirus scare has completely shut cheap steel imports from China, Japan and Korea. Robust orders from infrastructure projects have boosted domestic demand. Moreover, some of the steel end-users are willing to pay any price to build sustainable inventory with domestic supply, as the uncertainty over imports is likely to remain for long. Jayant Acharya, Director (Commercial and Marketing), JSW Steel, said that

despite the present hike, steel prices in India are at discount to the landed cost of imports, and 8 per cent lower against March 2019 prices.

*Source: Business Line, February 27, 2020*

### **Virus outbreak set to halt domestic steel price rally**

Though the domestic steel industry is poised for a minor price hike in March, continued weak demand amid supply chain disruption because of the coronavirus outbreak is expected to keep prices under pressure. Chinese hot-rolled coil prices have already corrected by Rs 1,000 per tonne in the past few days to Rs 39,000 per tonne. Prices had peaked to about Rs 48,000 per tonne in October 2018. “We are looking at a price hike of Rs 500-750 per tonne from March 1, as global coking coal prices are up and we are about 10 per cent behind compared to March 2019. So, there is room to push up prices,” said Jayant Acharya, director (commercial and marketing) at JSW Steel. Domestic steel producers have continuously increased prices since November. “Producers want to raise prices for March, but our sense is that there will be a roll over or eventually a rollback of price hike as the market is not in a position to take price increase at this juncture,” said a Mumbai-based trader, speaking on the condition of anonymity. The spread of coronavirus has also halted Chinese imports of intermediate materials used by domestic auto players and white goods manufacturers, impacting supply.

*Source: Business Standard, February 27, 2020*

### **Domestic steel prices come under pressure as imports from China resume**

Post a likely price hike effective March 1, Indian steel makers may have to take a hiatus and desist from raising prices for a considerably long period, as imports from China have lately picked up after a near stoppage due to the coronavirus pandemic. Since the second week of October, 2019 when domestic steel prices plunged to a 34-month low of Rs 34,250 per tonne, domestic steel units have raised prices multiple times to the current level of Rs 38,500 per tonne. Signs of eroding pricing power have, however, been seen now — according to Edelweiss, JSW Steel and Tata Steel rolled back prices by Rs 1,000 per tonne last week. Of course, these steelmakers have already sounded out their customers of up to Rs 1,000 per tonne price hike with effect from March 1. According to JSPL’s managing director VR Sharma, this is

mainly to offset the \$13 per tonne rise in the coking coal price. The price hike in March could well be the end of the current series as “there is scope for a correction in domestic HRC prices if exports from China pick up,” Edelweiss said, maintaining ‘buy’ for JSPL and Tata Steel, ‘hold’ on JSW Steel and ‘reduce’ on SAIL. Some provinces in China have resumed production. Its largest steelmaker Baowu has ramped up its core plants to almost full capacity and non-core plants to 70-90% capacity. Pushed back to the wall on a prolonged anaemic demand, steelmakers started raising the price from November onwards anticipating a spike in government spending towards infrastructure. From January onwards, the price hike was largely aimed at cashing in on the void created in the imports market by China. During the nine-month period of the current fiscal, Ebitda margins of the steelmaker dropped around 35% year-on-year.

*Source: Business Line, February 28, 2020*

## METALS

### **Aluminium, Copper prices drop as demand from China weakens**

The outbreak of Covid-19, or novel coronavirus, has put pressure on non-ferrous metals aluminium and copper, with analysts forecasting a weak last quarter for Indian producers. Aluminium and copper prices have been dropped nearly 5% since the outbreak came to light in January 21, to trade at Rs.138.10 per kg and Rs.430.30 respectively, on the MCX exchange as of Friday. Similarly LME prices of aluminium fell to \$1,676 per tonne as on Friday from \$1,810 on January 21, while copper has slipped to \$5,701 from \$6,158 a tonne in the same period. “China being the main consumer of metals, the outbreak has put a stop to major manufacturing and import, which is likely to have a major effect on the entire supply chain, reducing demand from January to March”, said Akshay Agarwal, managing director, Acumen Capital adding that the brokerage maintains a bearish outlook on the metals market overall.

*Source: Economic Times, February 24, 2020*



## MISCELLANEOUS

### **L.N. Mittal meets Pradhan**

ArcelorMittal Chief L.N. Mittal on Tuesday called on Union Steel Minister Dharmendra Pradhan and discussed ways to boost domestic steel consumption and make the sector more competitive. Pradhan in a tweet said that they had discussion on driving domestic steel demand and making the Indian industry more vibrant among other issues.

*Source: Financial Express, February 26, 2020*