Steel In The News

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

A Weekly News Report by Joint Plant Committee

February 08 - 14, 2020

HIGHLIGHTS OF THE WEEK

1. Govt plans to sell 5% stake in SAIL via OFS; eyes Rs.1,000 cr
2. SAIL not to shut down three loss-making units
3. Rourkela Steel Plant rolls out 1st coil from new hot strip mill
4. RINL conducts hot trial of forged wheel line at Raebareli unit
5. Tata Steel posts Rs.1,229-crore loss in third quarter on lower realization
6. NMDC Q3 net profit declines 13% to Rs.1,375 cr
7. Steel makers may have to pay more for ore, says report
8. Jindal Stainless Q3 net profit jumps 16% to Rs.52 crore
9. NMDC aims 50% iron ore output increase next year
10. Essar Steel turns cash-flow positive on monthly basis

RAW MATERIAL

Steel makers may have to pay more for ore, says report

Iron ore auctions are set to raise the cost of mining in eastern India, with premiums ranging between 90% and 135% for the seven mines bid for in Odisha till date. This is likely to erode margins of non-integrated steel players who do not have captive ore, said a new report by ICICI Securities. However, it said, JSW Steel, which has been more aggressive in the auctions than the likes of Tata Steel and Arcelor-Mittal and has bagged four mines, is expected to be better off after the upcoming auction. It also said that the difference between domestic and imported ore prices will come down after the auction. JSW Steel has won Nuagaon, Narayanposhi, Ganua and Jajang mines. Tata Steel, Steel Authority of India Limited and JSPL have not been bidding aggressively. Even Arcelor Mittal has been relatively measured. While both the state and the Centre have been proactive in changing the norms of the auction whenever necessary, the last roadblocks need to be cleared, according to ICICI Securities. "Yet, we see the distinct possibility of Odisha ceasing to transmit deflation within states, post the auction. The environment we see playing out will reduce the margin profile of the unintegrated steel players and will be beneficial for merchant miners of the other states," said the report.

Source: Economic Times, February 11, 2020

NMDC aims 50% iron ore output increase next year

NMDC plans to increase its production capacity to 67 million tonne per annum (MTPA) from the current mining capacity of 43 MTPA to meet the growing requirement of iron ore by the domestic steel industry. As part of its vision 2025 plan, the company expects to focus on growth largely through brownfield expansion of existing mines and improving evacuation along with it. Development of greenfield mine (Deposit 13), which has been planned through joint venture with Chhattisgarh Mineral Development Corporation, will add a capacity of 10 MTPA in next four to five years, N Baijendra Kumar, CMD, said during the 61st annual general meeting. NMDC was the largest iron ore producer of 32.4 million tonne in FY19 with a market share of 24% in merchant mining and 15% in India’s total production (including captive) for FY19. The company saw a drop of 3% year-on-year in market share due to suspension of mining activities in its Donimalai mines in Karnataka having production capacity of 7 MTPA. Kumar said that about 334 mines (49 working and 245 non-working) are due for renewal in 2020. Among them, 16 iron ore mines are currently operative in Odisha with a combined production capacity of about 55-60 million tonne.

Source: Financial Express, February 13, 2020

Coal India Q3 profit dips 14% to Rs.3,922 crore

Coal India Ltd posted 14 per cent drop in consolidated net profit at ₹3,922 crore for the third quarter ended December 31, 2019, as compared with ₹4,567 crore same period last year. Net sales dropped by 8 per cent to ₹21,566 crore during the quarter under review as compared with ₹23,385 crore same period last year. Production by the country’s largest miner during the October- December quarter was down at 147.50 million tonnes as against 157.97 mt same period last year. Offtake was also down at 141.60 mt (153.83 mt) during the period under review. CIL sold close to 127.69 mt coal through FSA route and realised close to ₹18,015.84 crore. The average realisation was close to ₹1,411 per tonne. It also sold around 9.84 mt through e-auction route realising ₹2,581.05 crore and the average realisation was ₹2,623 per tonne. The Central government has sold 2.91 per cent in Coal India through the sixth further fund offer of CPSE ETF Mutual Fund scheme. With this, the government’s stake in CIL has reduced to 66.14 per cent as compared with

69.05 per cent, the company informed the stock exchanges through a notification.

Source: Business Line, February 12, 2020

Royalties included in mining law to limit growth potential of iron ore sector: Fitch

Although the MMDR law will support iron ore output growth, the royalties included in the Act will limit the overall growth potential of the sector, Fitch Solutions said. The government last month promulgated an ordinance for amendment in the MMDR Act 1957 and the CMSP (Coal Mines (Special Provisions) Act, 2015, a move aimed at enhancing the ease of doing business, among others. Although the Mines & Minerals (Development & Regulation) MMDR Act will support ore output growth, the royalties included in the Act will limit the sector's overall growth potential, Fitch Solutions said in a statement. "As part of India's 2016 Union Budget, export duties for iron ore lumps and fines below 58 per cent Fe content were reduced to nil from 30 per cent and 10 per cent respectively. This reduction was aimed at boosting shipments from the western state of Goa where the Supreme Court lifted an earlier iron ore mining ban," the rating agency said. However, the decision by the apex court to cancel all iron ore permits in Goa in February 2018 will mean that production from that state is likely to head lower rather than increase, it said. "As a result, we forecast India's iron ore output to grow from 219 mt (million tonne) in 2020 to 243 mnt in 2029. This represents an average annual growth of 0.6 per cent during 2020-2029, greater than the 1.9 per cent Y-o-Y growth witnessed over 2010-2019," it said.

Source: Financial Express, February 14, 2020

COMPANY NEWS

Rourkela Steel Plant rolls out 1st coil from new hot strip mill

The Rourkela Steel Plant (RSP) said on Friday that it had achieved a new feat by successfully rolling out the first coil from the newly-installed world-class hot trip mill. The mill would primarily cater to the domestic requirements of high-end steel, which at present is mostly imported, the company said. The new hot strip mill with 3 million tonnes per annum (MTPA) capacity is the stae-of-the-art unit with few parallels in India. Within two days of the commencement of hot trails, it rolled out its first coil successfully last week. The mill has been set up at a cost of about Rs.3,000 crore. It would produce coils for carbon structural steel, high strength low alloy (HSLA) steel, high carbon steel and LPG cylinder Steel, among others.

Source: Indian Express, February 8. 2020

RINL conducts hot trial of forged wheel line at Raebareli unit

State-owned special steel maker Rashtriya Ispat Nigam Limited (RINL) on Sunday announced successful hot trial of forged wheel line at its plant in Uttar Pradesh's Raebareli district. RINL has set up a plant in Raebareli at a cost of around Rs 1,680 crore with a production capacity of one lakh pieces of forged wheels per annum. "RINL today successfully conducted the hot trial of forging line at its forged wheel plant at Lalganj, Rae Bareily, Uttar Pradesh," the company said in statement.

Source: Business Standard, February 10, 2020

NMDC Q3 net profit declines 13% to Rs.1,375 cr

NMDC has posted a lower profit of ₹1,375 crore for the third quarter ended December 2019, down 12.75 per cent from ₹1,576 crore it logged in the corresponding quarter of the previous year on consolidated basis. The State-owned mining company registered lower income of ₹3,137 crore for the third quarter against ₹3,786 crore in the same quarter of the last fiscal. The board of the company has declared interim dividend of ₹5.29 per equity share of ₹1 each for 2019-20. Iron ore production and sales for the nine months of the financial year 2019-20 has registered a growth of 1per cent and 3 per cent respectively. The turnover of ₹8,512 crore for the nine months of the financial year 2019-20 has marginally surpassed the turnover of the corresponding nine months of the previous fiscal at ₹8,509 crore, despite non-operation of Donimalai mines. Profit before tax for the nine months of the financial year 2019-20 is down 7 cent to ₹4,640 crore from ₹5,001 crore, while profit after tax has registered a growth of 2 per cent at ₹3,259 crore over ₹3,188 crore.
Source: Business Line, February 8. 2020

Tata Steel posts Rs.1,229-crore loss in third quarter on lower realisation

Tata Steel reported a consolidated net loss of ₹1,229 crore in the December quarter, against a profit of ₹1,753 crore logged in same period last year, on lower realisation. Net sales were down at ₹35,520 crore (₹38,854 crore). EBITDA per tonne of steel sold halved to ₹5,003 crore (₹10,404 crore). Revenue from Indian operations stood at ₹21,299 crore (₹22,323 crore) for the quarter and reported EBITDA per tonne was ₹8,484. However, profit was lower at ₹1,194 crore (₹2,253 crore). TV Narendran, CEO & Managing Director, said the company registered a strong growth in volumes despite poor macroeconomic conditions. In India, the company countered the slowdown by entering into new markets and expanding customer base. However, the European operations made a loss feeling the brunt of the overall slowdown and the consequent shrinking of spreads, he said. Steel demand in India is expected to improve on the back of increasing government spending and a revival in the broader economy.

Source: Business Line, February 8. 2020

Essar Steel turns cash-flow positive on monthly basis

Essar Steel has emerged cash-flow positive on a monthly basis and the steelmaker's new owner, ArcelorMittal Nippon Steel India, expects it to remain so in the coming months of 2020 as well. ArcelorMittal group chief financial officer Aditya Mittal said Essar Steel achieved earnings before interest tax depreciation and amortisation (Ebitda) of $600 million on an annualised basis in January. The steel plant at Hazira in Gujarat has also set a production record in January 2020 and now has a run rate of 7.4 million tonnes, he said. "That is a 40% increase in production with minimal capex compared to its run rate of 5.2 MT when we did due diligence on it." Mittal was responding to a query during ArcelorMittal's earnings call. For ArcelorMittal, the Essar Steel acquisition marks the culmination of a 15-year journey to establish a meaningful presence in India, he said. Aditya Mittal said Essar's net debt would not be affected much due to the acquisition of a slurry pipeline, or a small power unit adjacent to the Essar unit that ArcelorMittal is in the middle of taking over through bankruptcy proceedings.

Source: Economic Times, February 8, 2020

Jindal Stainless Q3 net profit jumps 16% to Rs.52 crore

Jindal Stainless Ltd (JSL) reported a 15.85 per cent increase in consolidated net profit at Rs 51.81 crore for the quarter ended December, mainly on account of reduced material and finance cost. The country's largest stainless steel maker had clocked a net profit of Rs 44.72 crore during the same quarter a year ago. During October-December 2019, the company's total income stood at Rs 3,311 crore as compared with Rs 3,315 crore in the year-ago quarter, JSL said in a BSE filing. Finance cost fell to Rs 144 crore from Rs 151 crore in the year-ago period, while cost of material consumed was also lower at Rs 2,025 crore as compared with Rs 2,120 crore. "Sales volume rose by 17 per cent from 2,04,083 tonnes in the corresponding period last year to 2,39,283 tonnes in Q3 FY20. However, margins remained under pressure due to imports," the company said in a statement. During the quarter, JSL also received consent-to-operate at an annual melt capacity of 1.1 million tonnes. The company managed to log in good performance in exports with 39 per cent growth to 51,369 tonnes from 36,954 tonnes, it added. JSL Managing Director Abhyuday Jindal said, as a result of robust product-mix and diversification into special grades, JSL was able to deliver a steady performance despite challenging macro-economic environment. Demand from certain segments like automobiles remained muted in the quarter, he added.

Source: Business Standard, February 12, 2020

POLICY

Govt plans to sell 5% stake in SAIL via OFS; eyes Rs.1,000 cr

The government is planning to sell 5 per cent stake in Steel Authority of India Ltd (SAIL) through an offer for sale, which could fetch about Rs 1,000 crore to the exchequer, an official said. Officials from the Department of Investment and Public Asset Management (DIPAM) and steel ministry are planning roadshows in Singapore and Hong Kong for SAIL stake sale. However, the Hong Kong roadshow might be called off due to coronavirus outbreak. The government holds 75 per cent stake in SAIL. It had last sold 5 per cent stake in the steel CPSE in December 2014. At the current market price, the government may raise about Rs 1,000 crore by selling 5 per cent stake in the company. Shares of SAIL closed at Rs 48.65 apiece on Friday, down 0.51 per cent over previous close on the BSE. The government may look at completing the transaction in the current fiscal as it strives to achieve the Rs 65,000 crore disinvestment target set in the revised estimates. So far this fiscal, Rs 34,000 crore has been mopped up from CPSE stake sale and the remaining Rs 31,000 crore has to come in by March-end. For 2020-21, the government has budgeted to collect Rs 1.20 lakh crore from CPSE stake sale.

Source: Business Standard, February 10, 2020

SAIL not to shut down three loss-making units

State-owned Steel Authority of India Ltd (SAIL) will not close down three of its loss-making speciality steel plants if the company does not find buyers for these units, its Chairman Anil Kumar Chaudhary said. Earlier, the Centre had approved outright sale of Alloy Steel Plant (ASP) in West Bengal, Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISP) in Karnakata, as accumulated loss in these units was over ₹370 crore in the last fiscal. In July last year, the Department of Investment and Public Asset Management (DIPAM) had invited bids for 100 per cent stake sale in the three units of SAIL. However, the last date for submission of expression of interests was extended thrice. “Process of divestment is on. We will not close down these special units,” Chaudhary told PTI, when asked whether the company will consider shutting down of these plants, if the steel maker does not find suitable buyers for them. Three units are functioning as per demand but operating below their optimal capacities, SAIL officials said, adding that the combined manpower in these facilities is around 1,972. “The bids received are under evaluation by the transaction advisor — SBI Capital Markets Ltd,” the company said.

Source: Business Line, February 11, 2020

GLOBAL STEEL

Steel to blame for the melting profits of thyssenkrupp

Thyssenkrupp’s steel division swung to a loss in the first quarter, raising doubts over Europe’s second-biggest steelmaker, the conglomerate’s core following its planned sale of its elevator business. Imports from China and weak demand from the car industry have pummeled steelmakers across the continent, including German rival Salzgitter (SZGG.DE) and the local division of India's Tata Steel (TISC.NS). Thyssenkrupp's loss highlights the challenges it will face in revamping the business, which, along with materials trading, will be the backbone of Thyssenkrupp once the sale of its elevator business is decided at the end of the month. "The latest figures are not great. But we are convinced that we are on the right track," CEO Martina Merz said in a statement. The division posted an adjusted operating loss of 164 million euros in the first quarter versus a profit of 38 million a year earlier, blaming a "significant drop in demand from the auto industry". Shares in the group were indicated 1.7% lower in pre-market trade. Pressured by a sector-wide shift toward electric cars, the auto industry has been hit by a raft of profit warnings, with suppliers, including Thyssenkrupp, hit as a result. The auto industry is Thyssenkrupp single biggest client group. Cash from a sale of the elevator business, which is valued at 16-17 billion euros, will therefore be much needed. The company's net debt stood at 7.14 billion euros, nearly doubling quarter on quarter reflecting adjusted accounting of lease liabilities under the IFRS accounting standard. Merz said a decision on the elevator deal was imminent. The group's equity ratio fell to 5.4% from 6.1% for the 2018/19 financial year, indicating that virtually all of the group's assets are backed by debt.

Source: Business Line, February 14, 2020

MISCELLANEOUS

From grey to green: In search of a resolve of steel

India's steel demand is roughly projected to grow from around 94 million tonnes (mt) to 489 mt, between now and 2050, in the latest research released on the sector. The report, "Towards a Low Carbon Steel Sector: Overview of the Changing Market, Technology, and Policy Context for Indian Steel" on how we can achieve a zero-carbon steel scenario says that unlike many developed countries, even in 2050, India will not attain saturation point and will continue to feed on the commodity. This clearly means that for the country to grow the economy and per capita GDP, where iron and steel play an important role, and at the same time keep its international commitment to help limit global warming to 2 degrees C, it needs to keep a keen focus on reducing the impact of this energy and resource intensive industry on the environment. Besides, if the country embraces technologies and methods to produce low-carbon steel in a significant way, it could also ensure a more robust export scenario in the future, especially to the European Union where a lot of Indian steel exports are headed. Currently, the European Union is actively considering the policy of carbon border adjustments, where it will assess the amount of carbon in a product and impose a carbon tax to ensure a level playing field for its domestic producers. The report, brought out by Shakti Sustainable Energy Foundation (SSEF), The Energy and Resources Institute (TERI) and the Energy Transitions Commissions (ETC), and one of the first of its kind, outlines the three key pillars of the pathway towards zero-carbon steel. These, if acted upon, would be beneficial for India to both grow the economy and participate in the global effort towards climate mitigation. The first pillar recommends improving energy efficiency, resource efficiency and material circularity, all doable in the near term. To promote resource efficiency, it recommends more efficient aggregate resource use across the economy. As the second pillar, the report recommends a transition option in the HIsarna process (a smelting reduction process for producing liquid iron directly from iron ore fines and coal), which can reduce emissions by 20 per cent compared to the traditional Blast-Furnace Basic Oxygen Furnace route. "If the resulting pure stream of CO2 from the blast furnace route is captured using the Carbon Capture Use and Storage (CCUS) route, then emissions could be reduced by up to 80 per cent," says the report, pointing out that the technology is already being trialled in Europe by domestic player Tata Steel. The third pillar towards achieving a zero-carbon steel future is for the country to pro-actively promote innovation, push global research and help domestic companies to achieve technological breakthroughs. On the global front, the iron and steel sector accounted for about 6.2 per cent of the emissions footprint in 2015, and if the sector happened to be a country it would be the fifth largest emitter after China, the US, Europe and India.

Source: Business Line, February 12, 2020