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

November 10 – 16, 2018

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COMPANY NEWS

Steel majors lead Rs.1,42,000-cr investment pledge in Odisha

Odisha has secured investment commitments of approximately Rs. 1,42,000 crore till end of Day 2 of its biennial Make in Odisha Conclave 2018. Commitments came mostly from manufacturing and steel making majors like Aditya birla group, Tata Group, SAIL, JSW, Reliance Industries and other FMCG companies like ITC. Navin Jindal’s JSPL promised to invest Rs.55,000 crore in ramping up the company’s steelmaking capacity at Angul (Odisha) unit from the existing six million tones to 20 million tones by 2030. The company’s current investment in Odisha stands at Rs.45,000 crore. Sajjan, who is the Chairman of JSW promised a steel plant once ore linkages were sorted out by the State government. It has already invested in a cement unit.Tata Group Chairman N Chandrasekaran said the group’s aggregate investments in the state will soon cross Rs.100,000 crore. The group is working on Rs.25,000-crore phase-II expansion of the Kalinganagar steel unit. Tatas will also ramp up presence of TCS in Bhubaneswar by more than doubling the head count to 12,000. The other big ticket investment commitment came from public sector undertaking SAIL which committed Rs.40,000 crore investment to ramp up capacity of the Rourkela Steel Plant (RSP) to 10 million tones per annum. SAIL is currently expanding RSP capacity to 4.5 million tonne.

Source: Business Line, November 13, 2018

Tata Steel Q2 net trebles to Rs.3,116 cr on better realization

Tata Steel's consolidated net profit posted a three-fold increase in the September quarter to ₹ 3,116 crore against ₹ 1,018 crore logged in the same period last year, on the back of higher realisation. Its revenue from operations was up 34 per cent at ₹ 43,544 crore (₹ 32,464 crore). Consolidated Ebitda increased to ₹ 9,000 crore against ₹ 4,664 crore recorded in the same period last financial year, while the Ebitda per tonne was at ₹ 12,131. The company's gross debt increased by ₹ 2,065 crore due to adverse forex impact of ₹ 3,528 crore. Its net debt was flat at about ₹ 1,04,202 crore. Production in the quarter was up at 7.26 million tonne (6.41 mt), while sales were at 7.42 mt (6.45 mt). On a standalone basis, its net profit more than doubled to ₹ 3,268 crore (₹ 1,294 crore). Turnover was up at ₹ 17,902 crore (₹ 14,221 crore) on higher volume and better realisation. Ebitda was up at ₹ 6,113 crore (₹ 3,408 crore).

Source: Business Line, November 14, 2018

Usha Martin hopes to close Tata steel deal in 3 months

Usha Martin expects to close the sale of its steel business to Tata Steel over the next 2-3 months. The Rs 45.20 billion deal would be used to repay the entire debt of Usha Martin. "There has been zero sacrifice from any lender. We are paying them the full principal and the company is ensuring that there is no haircut," Rajeev Jhawar, managing director, told shareholders at the extraordinary general meeting (EGM) where approval was sought for the deal. At June end, Usha Martin's debt stood at Rs 47 billion. The residual debt on the Usha Martin balance sheet would be just working capital of Rs 3-4 billion. Rohit Nanda, chief financial officer said that the India business of the wire and wire ropes had an EBIDTA of Rs 2 billion and including the international business, it was at Rs 2.5 billion. The wire and wire ropes business accounted for around 40 per cent of Usha Martin. Tata Steel has already sought Competition Commission of India's (CCI) approval for the deal. Once the CCI approval is received, the process for transfer of mines would start, said Jhawar on the sidelines of the meeting. However, the entire process is expected to be completed in 2-3 months.

Source: Business Standard, November 11, 2018

JSW, Tata say entry of Arcelor no threat

Large domestic steel players see no threat to business even if Luxembourg-based ArcelorMittal enters the India market. Both Sajjan Jindal's JSW Steel and Tata Steel, the country's oldest alloy producer, see ample scope for new entities in the market, where demand is likely to grow by 7-8 per cent annually, against the global pace of 5 per cent. "The quality of steel we produce and the technology, along with cost efficiencies and product mix, are quite competent. I don't think we have to be concerned about what others will do. In fact, we are already competing with the same players in the global market at present," said Seshagiri Rao, group chief financial officer at JSW. ArcelorMittal has emerged as the preferred bidder for Essar Steel, which has a capacity of 10 million tonnes a year in Hazira, Gujarat. The company was preceded by stiff competition from Mumbai-based JSW and Numetal Mauritius (led by Russia's VTB Bank). According to industry officials, Essar Steel does have scope for expansion at the Hazira facility. Large-sized blast furnaces (multi-million tonne capacity), if installed, can take the capacity to 18 mt a year.

Source: Business Standard, November 15, 2018

JSPL net zooms to Rs.383 cr

Jindal Steel and Power Limited (JSPL) has reported a ₹ 382.66-crore net profit for the second quarter of financial year 2018-19. This profit is supported by an exceptional gain of ₹ 255.46 crore reported by the company. In a regulatory filing, the company said that exceptional items for the quarter/half year ending September 2018 include an early redemption price saving on payment of 17,500 privately placed debentures of ₹ 472.50 crore. A write-off of partial expenses incurred in earlier years for projects amounting to ₹ 217.04 crore were also included. The company had reported a total loss of ₹ 255.23 crore in the same quarter of the preceding financial year. Total revenue from operations stood at ₹ 6,848.78 crore during the period under review. The topline in the correpsonding quarter of the previous financial year was ₹ 3,667.77 crore.
Source: Business Line, November 14, 2018

JSW Steel to bid for all downstream stressed assets

Once-bitten-twice-shy JSW Steel has decided to bid for all the distressed large steel and downstream companies in future with the focus on evaluating their worthiness at the final stage. Seshagiri Rao, Joint Managing Director, JSW Steel, said the company missed the opportunity to be in race for Essar Steel as it had not placed the expression of interest in the initial stage. “At that time, we were pursuing Bhushan Power and Steel, Bhushan Steel and Monnet Ispat. We did not want to put our hands in every available assets then, but now we have realised the mistake,” he said. Of course, he said this does not mean the company will be aggressive in bidding for all available assets. JSW Steel, which has a market share of 15 per cent, plans to ramp up its production capacity from the planned 25 mtpa to 45 mtpa by 2030 when the country’s overall capacity is expected to treble to 300 mtpa.

Source: Business Line, November 15, 2018

KIOCL reports Rs.46-cr profit in H1 as production, exports rise

KIOCL Ltd, which operates a port-based pellet plant in Mangaluru, has reported a profit after tax (PAT) of ₹ 45.89 crore in the first six months of 2018-19 as against a PAT of ₹ 8.35 crore in the corresponding period of the previous fiscal. Quoting MV Subba Rao, Chairman and Managing Director of KIOCL, a press release said Wednesday that the appreciation of dollar, increase in steel production in the domestic market, and increase in exports helped the company to improve the performance. Entering into the European market in addition to Asian countries for the sale of pellets helped in getting highest realisation. The company has totally utilised sea-route for its inward and outward movements, he said. The company has initiated negotiations with major global steel manufacturers for entering into long-term and spot market for the sale of pellets for the next financial year. Rao said KIOCL is expanding its business by setting up of pellet plants in the country wherever market and raw material security exist.

Source: Business Line, November 15, 2018

FINANCIAL

Usha Martin secures shareholders’ approval to sell steel unit to Tatas

The country’s largest steel wire rope maker Usha Martin Ltd has secured shareholders’ approval to sell its steel unit to Tata Steel for approximately

₹ 4,600 crore. Tata Steel, through its subsidiary Tata Sponge, will be acquire the Jamshedpur-based unit. According to Rohit Nanda, CFO, Usha Martin, the deal is exptected to be completed over the next "few months". Along with the sale of the steel unit, there will also be a transfer of the iron ore mine situated at Ghatkuri block, coal mine under development situated in the Brinda and Sisai districts, and captive power plants, all located in Jharkhand. Usha Martin had on Saturday sought shareholders approval though an extra ordinary general meeting. A 75 per cent majority is required for the deal to go through. A stock market notification by the company said that over 99 per cent of the shareholders have voted in favour selling the steel unit to Tata Steel on a slump sale basis. The promoter group, Jhawars — which includes Basant Kumar, his son Prashant, and his nephew Rajeev — holds 51 per cent in the company while financial institutions and retail investors hold the remaining 49 per cent. Although Prashant and his father are not on the same page with the Rajeev-led company management, the father-son duo have agreed to support the sale of the company's steel unit to Tata Steel.

Source: Business Line, November 12, 2018

STEEL PERFORMANCE

PSUs, Railways place Rs.8,129-cr orders with domestic steelmakers

In a big boost to 'Make in India' drive, government PSUs and railways have placed orders for iron and steel to the tune of Rs 8,129 crore with domestic manufacturers during June 2017 to October 2018, the Ministry of Steel said on Friday. It said with such orders demand for domestic iron and steel products have witnessed a substantial growth. It said with such placement of orders demand for domestic iron and steel products have witnessed a substantial growth. It said the Ministry of Railways, ONGC, GAIL, EIL and HPCL have placed orders with domestic iron and steel manufactures for various categories of rails, pipe and tubes. These products were earlier imported but are now being procured from domestic producers. It said the Ministry of Railways, ONGC, GAIL, EIL and HPCL have placed orders with domestic iron and steel manufactures for various categories of rails, pipe and tubes. These products were earlier imported but are now being procured from domestic producers. It said the Ministry of Railways, ONGC, GAIL, EIL and HPCL have placed orders with domestic iron and steel manufactures for various categories of rails, pipe and tubes. These products were earlier imported but are now being procured from domestic producers. "Discussions are on with Ministry of Railways to increase consumption of rails manufactured indigenously either through SAIL or other domestic manufactures. Efforts are also being made to on-board sectors like Defense and CPWD so that use of steel products manufactured in India grows," the statement said.

Source: Business Line, November 10, 2018

Jindal Stainless against including stainless steel in RCEP pact

Jindal Stainless Ltd (JSL) Tuesday opposed inclusion of stainless steel flat products in the proposed RCEP agreement among 16 countries, including China. ASEAN countries and their six trade partners such as India, China and Australia are negotiating a mega trade deal named as the Regional Comprehensive Economic Partnership (RCEP). In a statement, JSL Managing Director Abhyuday Jindal said, "This has reference to the Inter-Ministerial Meet to be held in Singapore...reportedly for drawing substantial conclusions to the RCEP agreement between 16 countries, including China. The statement has come a day ahead of the second RCEP Leaders Summit in Singapore on Wednesday. Commerce and Industry Minister Suresh Prabhu is leading a delegation for the meeting of trade ministers of RCEP member countries. The move will open flood gates of Chinese imports into India through zero duty access, Jindal warned. Jindal further said that investments made by domestic industry in capacity building worth Rs 35,000 crore would stand in jeopardy. India already has a free trade agreement with Association of Southeast Asian Nations (ASEAN), Japan and South Korea and it is negotiating similar pacts with Australia and New Zealand. India is pushing for liberalising norms to promote services trade as the sector accounts for about 55 per cent of India's GDP. India is looking for a balance trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of world's population.

Source: Business Line, November 14, 2018

POLICY

Railways allowed to float global tender for steel rails

The Rail Vikas Nigam Ltd (RVNL) has been granted an exemption from the mandatory local sourcing clause while procuring steel rails. The exemption was given after it was found that Steel Authority of India Ltd (SAIL) cannot meet the full requirements of the company. The decision was taken at the eighth meeting of the Grievance Committee on Domestically Manufactured Iron and Steel Products (DMI&SP) Policy. With this the Railways can now float a 100 per cent global tender as Indian steel players have failed to meet quantity requirements of steel rails. According to the minutes of the meeting, Jindal Steel and Power Ltd (JSPL), the only other local steel manufacturer that may fulfil the requirement, does not qualify either since it does not have a ‘passenger carrying certification’ from the Centre. RVNL said the estimated requirement of rails for projects to be commissioned in the next two years, including the short fall in the supply during the current financial year, is 5,00,000 tonne for the heavier section (60 kg) and high tensile strength (90 Ultimate Tensile Strength or wear resistant grade) rails. “RVNL is proceeding with invitation of global bidding for 5,00,000 tonne of 60 kg 90 UTS rails. Bids will be finalised after approval from the Ministry of Steel,” the rail PSU said in its submissions before the Committee. This is being done after a year has passed since the initial invitation of tender with the local sourcing clause.

Source: Business Line, November 10, 2018

Steel Scrap policy: Centre to begin discussions with States

The Centre is working on a steel scrap policy to help reduce dependence on imports and aid steel production, Binoy Kumar, Secretary, Union Ministry of Steel, said. The steel industry imported 5.7 million tonnes of scrap in 2016-17. While Kumar did not specify the timeline for implementation of the policy, he said discussions will soon begin with different state governments. “We also need quality scrap to go into the furnaces and work is being done to get in place a (steel) scrap and re-cycle policy,” Kumar said. He was addressing reporters on the sidelines of the inauguration of the 56th National Metallurgists’ Day and 72nd Annual Technical Meeting of The Indian Institute of Metals here. Incidentally, a draft commercial vehicle scrapping policy, is also expected. Earlier this year, Mahindra MSTC Recycling, a joint venture between state-run metal scrap trading firm MSTC and Mahindra Intertrade Ltd, started pilot runs for dismantling and selling scrap from old commercial vehicles in Greater Noida. According to Kumar, the per capita steel consumption in India remains extremely low when compared to the global average. As per the Joint Plant Committee (JPC) report, India’s per capita consumption of steel stands at 69 kg, against the global average of 214 kg.

Source: Business Line, November 15, 2018

Govt's import bill down Rs.8k cr on domestic steel procurement policy

The government has been able to save Rs 8,000 crore worth of import bill ever since it has promulgated the policy of preference to domestic steel producers in the case of PSU procurement. Union steel secretary Binoy Kumar said, the policy came into force from May 2017. It has been estimated that the government can save import bills worth up to Rs 39,000 crore per annum if the capital goods industry can source the required steel domestically for manufacturing critical capital goods instead of imports. Tata Steel CEO and managing director TV Nadrendran said in the changing scenario the business model for the entire steel sector needs rethinking. Smart, digitally enabled, steel units needs to be put up to bring about a change in the system of production, while the entire model of steel business from carrying raw materials to distribution and marketing of finished steel needs rethinking. Tata steel with an annual crude steel production capacity of 27.5 million tonnes per annum with operations in 26 countries has added new product lines in its diversified portfolio following new acquisitions recently. While the company is open to more acquisitions, it has started reworking on its logistics and distribution to bring cost optimisation in the entire value chain of steel making and distribution, a Tata Steel official said on the sidelines of the 72nd annual technical meeting of the Indian Institute of Metals.

Source: Financial Express, November 15, 2018

GLOBAL STEEL

Thyssenkrupp falls most in 2 years after profit warning

Thyssenkrupp AG shares plunged the most in two years after cutting its profit forecast, another sign that the crisis at the German industrial giant is far from over. The company said there could be "substantial adverse consequences" because of a German investigation into steel-price fixing, and cited weakness at its elevator division. The company has also been affected by shipping delays due to low water levels in the Rhine river. The shares sank 12 per cent to 16.84 euros in Frankfurt. Net income will be less than half last year's level, according to a statement released late on Thursday. Germany's antitrust office has been investigating the steel industry for colluding on prices. In July, the office levied € 205million in fines on several companies. The probe isn't expected to affect the Tata Steel joint venture, Thyssenkrupp board member Donatus Kaufmann said in a letter to employees seen by Bloomberg.

Source: Business Line, November 10, 2018

MISCELLANEOUS

Prashant Jhawar seeks info on Usha Martin’s steel division sale strategy

On 10th November, Usha Martin, one of the largest wire rope manufacturers in the world and a leading speciality steel producer in India, got its shareholders approval for the sale of its steel division on a slump sale basis to Tata Steel. In one of the largest debt resolution plan outside of national company law tribunal (NCLT), Usha Martin, which has debt of over Rs3,500 crore, plans to reduce its debt significantly. However, one faction of the promoters, Prashant Jhawar, son of the company founder Basant Jhawar, has now shot of a letter to the stock exchanges with a copy to Moneylife, raising concerns about press releases issued by Rajeev Jhawar, managing director, (who is in opposition to Prashant Jhawar) and GN Bajpai, chairman, about the relief of the company’s debt burden after the sale of the steel business. Prashant Jhawar is seeking information on the expected net proceeds from the sale of the steel division along with details such as expected taxes and direct transaction cost. He also wants details of any other expenses, beyond a total of Rs5 crore to be paid from the proposed escrow account and the remaining debt level of the residual business. Further, he wants to know the likeliness that the funds will be used for repayment of debt and whether any independent supervision will be carried out on the operation of the escrow account. Jhawar further seeks clarity regarding payment of various contingent liabilities relating to the present and underdevelopment coal mines of the company, which are a part of sale, which amounts to Rs376 crore as on 31st March 2018. Both the father and son have been apprehensive from the beginning about this transaction due to non-clarity on end use of sales proceeds. But they had stated that they would support the resolution because they have confidence that Tatas will run the assets in the way they deserved to be administered.

Source: Economic Times, November 13, 2018

Twist in Essar tale: OCs oppose ArcelorMittal plan

Even as the Ahmedabad Bench of the National Company Law Tribunal (NCLT) starts hearing the insolvency case against Essar Steel India Limited

(ESIL) later this month, private sector operational creditors (OCs) have objected to the resolution plan submitted by global steel giant ArcelorMittal and requested the tribunal to consider Essar Steel Asia Holdings Limited (ESAHL)'s offer. About 30 private OCs, most of which are based in Surat and Ahmedabad that have claims of over ₹ 600 crore, filed joint applications with the NCLT under section 60 (5) of IBC on Tuesday seeking to direct ESIL's Committee of Creditors (CoC) to ensure full and equitable payment at par with financial creditors. Alternatively, they requested the NCLT to consider the proposal submitted by ESIL shareholder ESAHL that has offered to settle the entire debt of ₹ 54,550 crore. This comes on the heels of petitions filed by ESIL's unsecured creditors Standard Chartered Bank and Deutsche Bank. ArcelorMittal, in its resolution plan, had offered ₹ 42,000 crore, which means a sizeable haircut not just for the OCs but also for the financial creditors, who have total claims of ₹ 49,473 crore. In its resolution plan, ArcelorMittal has offered to settle a total of ₹ 214 crore (mainly of the MSMEs), from the overall admitted claims of ₹ 4,995 crore of OCs. In such a scenario, most of the OCs having large claims, including the State and Central PSUs, stand to bleed heavily.

Source: Business Line, November 14, 2018