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 24 – 30, 2018

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RAW MATERIAL

Karnataka to auction iron ore mines if NMDC not willing for 80% premium

The Karnataka government is in the process of calling for fresh tenders of Donimali iron ore mines and may go in for auction in case the state-owned NMDC does not sign the contract agreeing for 80 per cent premium in the next three weeks, sources close to the development said. However, PR Tripathi, former CMD of NMDC says the imposition of 'heavy' premium on a public sector undertaking is not tenable as per law. NMDC has suspended iron ore mining from its Donimalai mine in Karnataka following the state government’s decision to impose 80 per cent premium on ore sales from that mine whose lease has been extended by the Karnataka government with effect from November 4 for a period of 20 years. "Based on the request by the CMD of NMDC (N Baijendra Kumar) the matter was again referred to the Karnataka Advocate General. But instructions have gone to the officials concerned to prepare fresh tender document for auction of mines allotted to NMDC if they don't execute the lease documents in the next three weeks. Because the AG may not give a different opinion than what he has already given, sources told PTI. When contacted, Karnataka Mining Secretary Rajendra Kumar Kataria justifying the premium, said the state Law Department gave its opinion and the state cabinet had also approved imposition of the premium. Tripathi alleged the state government became greedy and said the premium is applicable only in case of fresh auctions of mines but not for lease renewals. The Karnataka cabinet has approved the mining lease of Donimalai till November 2038, on payment of 80 per cent of the average sale value as published by Indian Bureau of Mines, Kataria said.

27th November, 2018

COMPANY NEWS

RINL plans to reduce its iron-ore dependence on NMDC

Rashtriya Ispat Nigam (RINL) is working on a strategy to reduce its dependence on iron ore from state-owned miner NMDC in a bid to diversify its risk profile and minimise disruption in raw material supplies. Stung by rain hitting supplies of almost half of its iron ore needs in the second quarter, a top RINL official said it has been forced to actively pursue its policy of enlarging its sourcing base for iron ore. “Between July-September this year, we faced a difficult time as our linkage ore dropped by 50%, P K Rath, chairman and managing director of RINL said. While RINL relied entirely on NMDC ore from its Chhattisgarh mines to meet its annual requirement, it has now decided to tap sources in Odisha and Karnataka, including NMDC’s mines at Donimalai and Kumaraswamy in the state. It is also participating in auctions to buy ore. Overall about 33%, or one-third of RINL ore supplies are coming from outside NMDC. RINL has been consciously moving towards a strategy to develop new and alternative sources of iron ore for over a year now, Rath pointed out, ever since October 2017 when the Kirandul-Koraput (KK) line that transports NMDC ore from Chhattisgarh to RINL, was washed out due to torrential rains.

27th November, 2018

Jindal Stainless gets ‘stable outlook’ from India Ratings

India Ratings has assigned a long-term ‘Ind BBB’ rating with a stable outlook to Jindal Stainless (JSL), giving an impetus to the company’s effort to come out of the corporate debt restructuring. In June, Care Ratings upgraded JSL credit rating from ‘Care BB+ to Care BBB-‘. The company entered CDR in 2010, after a tough economic cycle hampered its ability to service debt of ₹ 8,000 crore. As part of the restructuring plan, the company distributed its debt among three more firms — Jindal Stainless (Hisar), which is listed and two private companies, Jindal United Steel and Jindal Coke. The move helped in leveraging idle capacity and bringing down the interest cost. At present, JSL has a debt of ₹ 4,000-5,000 crore. While Jindal Stainless (Hisar) is a wholly-owned subsidiary of JSL, the other two companies have got equity from companies-owned by PR Jindal, Sajjan Jindal and Naveen Jindal, brothers of Ratan Jindal, Chairman and Managing Director of JSL. Their mother Savitri Jindal also has equity stake in Jindal United Steel. The revised rating push demonstrates improvement in creditworthiness of JSL and is a reflection of higher operating performance, improved EBIDTA, and significant debt reduction achieved through implementation of an efficient Asset Monetisation Plan, said India Ratings in a statement. Abhyuday Jindal, Managing Director, JSL, said the rating boost showcases the market sentiment and global acceptance of JSL products.

Source: Business Line, 29th November, 2018

Tube Investments launches TMT bars

Tube Investments of India Limited (TII) launched a new product -- TMT bars -- under the brand name TI Macho TMT Bars, through a licensing agreement with Sakthi Group for manufacturing and marketing of the bars using TII’s technology. The USP of the product is its distinct manufacturing process where an in-line quenching process post hot rolling is used, optimising the strength, ductility, toughness and durability of the bar. Currently, TI Macho TMT bars will be available in 2 variants – 500D and 550D, according to a statement.

28th November, 2018

ArcelorMittal deploys team to oversee Uttam Galva operations

After taking over the outstanding dues of the Miglani family's Uttam Galva on itself, ArcelorMittal is steadily asserting its interest in the stressed steelmaker by deploying a team to oversee the Indian company's operations, two people close to the development said. ArcelorMittal, the world's largest steelmaker, became the sole financial creditor of Uttam Galva after paying off outstanding dues of about Rs 7,469 crore to its lenders in order to become eligible to bid for Essar Steel in October. The team consists of people involved in operational works like sales and purchases and does not include senior level management yet, the person said. The executives will be involved with the company's activities at its facility in Khopoli in Maharashtra. The plant at Khopoli has a 1.2 million-tonne-per-year cold rolling capacity as well as 750,000 tonne capacity of galvanising. ArcelorMittal is also in the process of appointing one of the Big Four firms as an auditor for the company. Prior to this, Uttam Galva had Deloitte as its auditor appointed by the lenders, a procedure when the company became a non-performing asset (NPA). We are cooperating fully with all the requirements of ArcelorMittal and the banks, Ankit Miglani, managing director of Uttam Galva, told ET.

28th November, 2018

FINANCIAL

Essar Steel: CoC approval of ArcelorMittal bid is flawed and illegal, says StanChart

Throwing a spanner into ArcelorMittal's bid to acquire Essar Steel, Standard Chartered Bank (SCB) has said it received the revised resolution plan submitted by ArcelorMittal just three minutes before it was put to vote by the Committee of Creditors. In a fresh petition before the National Company Law Tribunal, filed last Wednesday, the UK-headquartered bank said it received the plan by email from the advocate of the CoC at 8.53 pm and from the resolution professional by 9.01 pm on October 23. The e-voting on the proposal began at 9 pm. The petition said that was "inconceivable" that the CoC members would be in a position to take an informed decision without going through the revised resolution plan. "It is apparent that the plan was not disclosed to SCB with a view to ensuring that the same is voted upon in haste and without sufficient deliberation," it added, claiming that the CoC-approved ArcelorMittal resolution plan is incomplete and illegal. SCB's loan, which was given to a defunct subsidiary of Essar Steel, has been classified as unsecured by the CoC because it was not given directly to the company. The bank claimed that it is aggrieved by the discriminatory practice of the CoC, which has illegally formed a Core-Committee of CoC (beyond the scope of the IBC) to negotiate with ArcelorMittal India. The Core-Committee included State Bank of India, ICICI Bank, IDBI Bank and Edelweiss ARC, which "illegally" negotiated with ArcelorMittal and retained the right to distribute the up-front payment of ₹ 42,000 crore among the financial creditors. As per the Core-Committee recommendation, SCB would receive just ₹ 60.71

crore against its admitted claim of ₹ 3,487 crore — a mere1.47 per cent of its admitted claim. In contrast, SBI and other financial lenders would receive 100 per cent of the principal amount and 40 per cent of the interest

November 26, 2018

POLICY

Centre set to broker peace between Karnataka, NMDC in mining row

The Centre has intervened in the ongoing dispute between NMDC Ltd and the Karnataka government and the stand-off over the lease extension condition is expected to get resolved in a week, a top government official said. The need for the Centre's intervention arose after the Karnataka government imposed an 80 per cent premium on the overall sale price of iron ore from the Donimalai mine as a condition for extending the lease. The lease for the Donimalai mine was extended in favour of NMDC for another 20 years from November 2, 2018. In a statement to the BSE on November 19, NMDC said that it has temporarily suspended iron ore-mining from the Donimalai mine. A Steel Ministry official told Business Line: "Talks are on between the Ministry of Steel, NMDC and the Karnataka government to resolve the issue. A meeting was called at the Ministry of Steel on November 22 in Delhi to discuss various issues related to this impasse." According to industry estimates, NMDC will suffer a loss of around ₹ 944 crore per annum if the 80 per cent additional levy on the 7 million tonne of iron ore mined from Donimalai is upheld. News reports earlier this week said that the Karnataka government is in the process of calling for fresh tenders for the Donimalai mines and may go in for auction in case NMDC did not sign a contract agreeing to the 80 per cent premium in the next three weeks. The move to re-auction the iron-ore mine would be a jolt for NMDC's operations. As India's largest iron ore producer, the company produced 35.6 million tonnes in FY18.

28th November, 2018

PROJECTS

JSW Steel revamps operations, product mix to align with climate change goals

JSW Steel is undertaking a major reorientation of its operations as well as product mix to reduce carbon dioxide emissions and align with the country's climate change priorities. On the portfolio mix, the company is focusing on environment-friendly products for packaging, electrical and appliance sectors. "As the Government of India tightens pollution norms, it will become critical for steel industry manufacturing processes to undergo a dramatic change going forward," Seshagiri Rao, Joint Managing Director of

JSW Steel told PTI. On the operational front, it is setting up a 40 tonnes per hour (TPH) granulated slag crusher to double its current daily slag sand production to replace natural river sand in construction among other initiatives. In the financial year 2017-18, the company reduced its overall water consumption to 4.13 cubic metre per tonne of crude steel as compared to 4.57 cubic metre per tonne of crude steel during the previous fiscal. Similarly, the company's total quantum of recycled and reused water increased to 17 million kilolitres (KL) in FY18 as compared to 10.3 million KL during the previous fiscal. According to Nowal, reducing air emissions is a vital part of JSW Steel's climate change priority alignment.

26th November, 2018

ArcelorMittal plans 3-6-MT plant at Paradip to boost Essar Steel Capacity

ArcelorMittal is planning to build a new iron and steel making facility at Paradip of 3-6 million tonnes per annum (mtpa) capacity. This is part of the Luxembourg-headquartered company’s long-term plan to raise Essar Steel’s annual steelmaking capacity to 12-15 mtpa from 5.6 mtpa in two stages, with fresh capital infusion of Rs 8,000 crore that will also augment capacity at Essar’s Hazira facility to 12 mtpa. The investment will be over and above the Rs 42,000 crore resolution plan for Essar Steel, which it had agreed to acquire last month. In the first stage the plan envisages raising the capacity to 6.5 mt by 2019-20 on the back of efforts to rapidly restore current assets to reach their maximum potential. This essentially revolves around completion of ongoing capex projects that include a coke oven (1.35 mtpa), a second sinter plant (1.7 mtpa), third thin slab caster (1 mtpa), Paradip pellet plant (6 mtpa) and Dabuna beneficiation plant (4mtpa). It would also include an environmental management plant and infusion of best practices in raw material sourcing, plant operations, sales and product mix, people management, and health and safety. In the second stage ArcelorMittal plans to expand capacity to 8.5 mt by 2024

Source: Economic Times, 29th November, 2018

STEEL PERFORMANCE

Steel Sector consolidation, demand to push profit for Tata Steel, JSW: Moody’s

Moody's has said consolidation in the steel sector and solid demand for steel will support the robust profitability of Tata Steel and JSW Steel. The global ratings agency said demand outlook in 2019 is likely to remain similar to 2018. While profitability may vary according to country and region, most Asian steelmakers are likely to see healthy profitability despite softening demand, it said in its latest report, ‘Steel- Asia: 2019 Outlook.’ Tata Steel acquired Bhushan Steel now renamed Tata Steel BSL as part of the Corporate Insolvency Resolution process while JSW Steel has acquired Monnet Ispat. Earlier, the two debt-ridden companies Bhushan and Monnet were admitted to the National Company Law Tribunal and put up for auction. “In 2019, demand for steel in Asia will likely stay at levels similar to that in 2018, indicating a softening from the robust growth seen in 2018," Kaustubh Chaubal, a Moody's vice president said. "As for profitability, rated Asian steelmakers will see their profitability levels weaken mildly because of a decline in Chinese demand growth but stay strong overall." The profitability is underpinned by robust demand in South and Southeast Asia, as well as China's capacity cuts and strict environment protection measures, according to the report.

Source: Economic Times, 30th November, 2018

MISCELLANEOUS

JSW Energy MD Prashant Jain says no new capacity to turn power sector profitable

Power sector will be a profitable business again in two years as no fresh capacity is being added to cater to the rising demand, JSW Energy managing director Prashant Jain said, adding the company seeks to tap the opportunities by scaling up its capacity through acquisitions. Jain said there is no stressed power plant that the company has not evaluated as it has a huge appetite for acquisitions. The company is also betting on big on electric cars manufacturing and will unveil its plans on its factory in Maharashtra in six months. He said the company is evaluating stressed assets on various matrix. “As and when assets go to the NCLT and even outside, we will be interested. We are looking at assets based on domestic coal and the logistics cost is minimum and where we can do projects at low cost so that cost of power is low. The problems of power purchase agreement (PPA) and coal can be resolved over time and these delays can be factored in with proper capital structure,” he said.

26th November, 2018