

# 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

June 01 – 07, 2019

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## RAW MATERIAL

### **MOIL cuts prices of manganese ore**

State-run MOIL on Sunday said it has decreased the rates of various grades of manganese ore and other products by 7.5 per cent. In line with the business practice of fixing/revising prices of manganese ore and other products, the company has revised prices of different grades of manganese ore and other products, effective from June 1, 2019, MOIL said in a BSE filing. "The prices of Ferro Grade, SMGR (Mn 30 per cent and Mn 25 per cent), Fines and Chemical Grades of Ore have been decreased by about 7.5 per cent on the existing prices prevailing since April 1, 2019," it added.

*Source: Financial Express, June 3, 2019*

### **There will be no iron ore scarcity in country post 2020: PMAI**

There will be no iron ore scarcity in the country post-March 2020 as about 200 MTPA mine capacity will still be operational and auctioned virgin iron ore blocks will start adding to the production, an industry body has said. According to Mines and Minerals (Development and Regulation) Act, licences of mines expiring will not be renewed and the mines will be allotted on the basis of fresh auction. Merchant miners have cited possible shortage of iron in the market post expiry of mining leases and have appealed for extension of leases up to 2030. However, in a letter to Niti Aayog, Pellet Manufacturers' Association of India (PMAI) has said that leases of mines expiring in 2020 should not be extended. Licences of 288 merchant mines, of which 59 mines are under operations, will expire by March next and if the auction of the mines is delayed it could significantly affect the steel production, as per a report by rating agency India Ratings (Ind-Ra). In the

letter the PMAI argued that “there would not be any scarcity of iron ore in the country. Post 2020, around 200 mtpa mine capacity will be in operation. The speculation that there will be a crisis like situation if the leases if not granted immediate extension are false and baseless. Balance existing operating leases are capable to meet the domestic requirement.

*Source: Financial Express, June 6, 2019*

### **Karnataka steel ind body calls for fresh ore mines auction**

Fresh auction of iron mines must be conducted to provide a level-playing field between captive and merchant miners, a Karnataka-based steel and iron ore industry body has demanded. The industry body also claimed that the concerns raised by merchant miners over the possible supply shortage post expiry of mining leases in March 2019 are "baseless" and "unfounded". In a letter to the Prime Minister's Office (PMO), Karnataka Iron and Steel Manufacturers' Association (KISMA) said, "In order to provide a level-playing field between captive and merchant miners, it is crucial that fresh auction of iron ore mines conducted and both be given a fair and equal chance to participate in the auction, considering that of all the iron ore mines allotted till date majority belong to merchant miners."

*Source: Financial Express, June 7, 2019*

## **COMPANY NEWS**

### **SAIL back in the black on higher volumes**

Steel Authority of India Limited (SAIL) bounced back into black with a net profit in 2018-19 after three consecutive years of losses. The company posted a net profit of Rs. 2178.82 crore in FY2018-19 as against a net loss of Rs 481.71 crore in FY 2017-18 riding on higher volumes, improved product-mix and increase in share of value-added steels. In Q4FY19, SAIL posted a net profit of Rs 468 crore against a net of Rs 815.57 crore in Q4FY18. The company's EBITDA stood at Rs 2461 crore, while turnover touched Rs 18,323 crore, while turnover touched Rs 18,323 crore, a growth of 9% over the previous corresponding quarter. In Q4FY19, SAIL said it recorded a growth of 10%, 8% and 14% in production of hot metal, crude steel, and saleable steel respectively while sales grew at 13%. In an official statement, Anil Kumar Chaudhary, chairman, SAIL said: “The entire SAIL Collective worked in mission mode to achieve this turnaround. We shall put in even greater efforts to ramp-up production from our sophisticated mills while focusing on augmenting production of special & valued added steels and niche products.”

*Source: Economic Times, June 2, 2019*

**SAIL sets 17.5 mt production target for FY20**

State-run Steel Authority of India Ltd (SAIL) has set 17.5 million tonne steel production target for the new financial year, a top company official said Friday. The company had produced 16.3 MT of crude steel during the fiscal ended March 31, 2019, registering a rise of 8 per cent over the year-ago period, SAIL Chairman Anil K Chaudhary said while addressing a press conference here. In 2017-18, the company had produced 15 MT of crude steel, he said. The country's largest steel maker has reported a fall of 42.57 per cent in its standalone net profit at Rs 468.40 crore in the fourth quarter ended March 31, as compared to Rs 815.57 crore in the corresponding quarter previous fiscal. However, for the entire financial year, the company reported Rs 2,174.82 crore net profit. This is against a loss of Rs 481.71 crore in the preceding fiscal. "The company has staged an impressive turnaround by clocking a Net Profit during the Financial Year 2018-19 after 3 consecutive years of losses," the chairman added.

*Source: Business Standard, June 1, 2019*

**RSP beats May production**

Rourkela Steel Plant (RSP)'s Hot Strip Mill (HSM) has achieved a record production of 1,50,693 tonne of coils in May 2019 achieving 103.9% of its May target. The figure was the highest for the month of May since its inception, the RSP said in a press release. With the May 2019 performance, the HSM surpassed its earlier record of 1,49,170 tonnes achieved in May 2018.

*Source: Financial Express, June 3, 2019*

**Tata Steel closes acquisition of Bhushan Energy**

Tata Steel on Saturday announced that it has completed the acquisition of debt-ridden Bhushan Energy Ltd. The announcement came after the National Company Law Tribunal (NCLT) approved the resolution plan of Tata Steel to acquire Bhushan Energy for around Rs 800 crore. "We wish to inform you that Tata Steel BSL Ltd has successfully completed the acquisition of Bhushan Energy Limited (BEL) in accordance with the Approved Resolution Plan under the Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code, 2016," Tata Steel said in a BSE filing. Pursuant to the acquisition, the company holds 99.99 per cent of the total equity share capital of BEL. "This disclosure is made in compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015," the filing said. The principal bench of NCLT Delhi on Thursday also rejected objections from Bhushan Energy's former promoter Neeraj Singal opposing Tata Steels' bid. Bhushan Energy was a subsidiary of Bhushan Steel Ltd, which was also taken over by Tata Steel last year in May and later renamed as Tata Steel BSL Ltd. Tata Steel had offered Rs 35,200 crore in

cash to acquire Bhushan Steel besides Rs 1,200 crore to creditors and convert the remaining debt owed to banks to equity.

*Source: Business Standard, June 2, 2019*

### **JSW Steel considering bid for insolvent British Steel**

Sajjan Jindal-promoted JSW Steel plans to bid for the insolvent British Steel before the June 30 deadline. The plant is now owned by private investment firm Greybull Capital plc, which had acquired the asset from Tata Steel for £1 in 2016. Sources close to JSW Steel said the company is in touch with the official receiver of British Steel and is working on a competitive bid. Almost 80 companies including South Korean steel major Posco are also believed to be in the race. British Steel was put into compulsory liquidation last month after talks between the UK government and Greybull over a rescue package collapsed. The acquisition of British Steel will not stress JSW Steel's balance-sheet as the valuation is expected to be on the lower side, said a source. In response to BusinessLine's query, JSW Steel said it does not respond to market rumours and speculation. While being selective in bidding for stressed assets in India, JSW Steel has acquired quite a few stressed assets globally. JSW Steel also recently earmarked an investment of \$1 billion in its existing steel making capacity in Texas and Ohio.

*Source: Business Line, June 7, 2019*

### **Shyam Steel Industries files for public issue**

Kolkata-based Shyam Steel Industries, a TMT (thermo mechanically treated) rebar maker, has filed draft red herring prospectus for an initial public offering. The IPO consists of a fresh issue of up to ₹200 crore and an offer-for-sale of up to 66.7 lakh equity shares. While promoters will sell up to 11,60,300 shares, other shareholders will sell up to 55,09,700 shares through the issue. The company filed the DRHP with market regulator SEBI on Tuesday. While the company did not disclose the size of the IPO, market sources pegged it at around ₹500 crore. Axis Capital, Edelweiss Financial Services, SBI Capital Markets and IIFL Holdings are the book-running lead managers to the issue and Link Intime is the registrar to the issue. The company proposes to utilise the net proceeds from the IPO towards repayment and prepayment of certain borrowings and for general corporate purposes. The shares are proposed to be listed on the BSE and the NSE. Shyam Steel is primarily involved in the production of TMT rebar with backward integration in sponge and billet and sale of premium TMT bars (long steel products) in India. The company has its steel manufacturing plants in West Bengal. The aggregate installed iron and steel production capacity of the plant is 15,84,656 mtpa, including an installed TMT rebar production capacity of 6,41,960 mtpa.

*Source: Business Line, June 5, 2019*

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**Essar Steel sets target of 7.4 mt in FY20**

Essar Steel has set a target of 7.43 million tonnes crude steel production in FY20 — a whisker away from the medium-term target that ArcelorMittal had envisaged in its bid for acquiring the debt-laden company. For the first two months of the current financial year, the crude steel production of Essar Steel has grown 11 per cent to 1.25 million tonnes, compared to 1.1 million tonnes in the corresponding period last year. The firm — currently undergoing insolvency - registered a revenue growth of 8.5 per cent at Rs 5,545 crore as against Rs 5,106 crore in the same period last year. In the same period, its Ebitda grew by 17 per cent to around Rs 770 crore from Rs 660 crore. “The radical improvement in performance is a result of the concerted effort of the team. The performance when seen in the light of subdued demand and sedate steel prices is satisfying,” said Dilip Oommen, managing director, Essar Steel.

*Source: Business Standard, June 7, 2019*

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**FINANCIAL**

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**As JV talks with ArcelorMittal face delay, SAIL looking for options**

As the talks with ArcelorMittal to form auto-grade JV firm is getting delayed, state-owned SAIL has started talking to other global players, a top company official said. SAIL is already in talks with a few global companies which are into auto-grade steel making, Steel Authority of India Ltd (SAIL) Chairman Anil Kumar Chaudhary said. The country's largest steel maker and Luxembourg-based ArcelorMittal had entered into an MoU in May 2015 to explore the possibility of setting up an auto-grade steel manufacturing facility under a joint venture in India. About two and a half years later in December 2017, the SAIL board approved the proposal to enter into a joint venture with the world's largest steel maker ArcelorMittal for manufacturing high-end automotive steel. However, definitive agreements in this regard were to be finalised in due course, subject to financial viability. "Of course, the talks with ArcelorMittal have got delayed but that is not the end, there are many other companies in the world in the auto-grade steel making. So, we are already in touch with some of the Korean companies POSCO and Hyundai Steel," the chairman told PTI while replying to question related to delay in decision. There are some Japanese firms as well - like Nippon Steel, Kobe Steel and JFE - with whom SAIL is in talks with, he said, adding that the JV with ArcelorMittal is still on.

*Source: Financial Express, June 3, 2019*

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## STEEL PERFORMANCE

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### **Steel firms' profit to come under pressure in June quarter**

Steel companies' profit to come under pressure in the June quarter due to lower demand and higher cost of operations. Domestic steel demand eased to 7.5 per cent last fiscal from 7.9 per cent logged in FY18 due to liquidity and fuel price concern in the auto sector and it moderated further to 6.4 per cent in April. Demand is likely to remain lower in June quarter due to continued weakness in the auto sector and reduced construction related activities during the general election period. This apart, higher coking coal prices is likely to affect the financial performance of domestic steel-makers, said rating agency ICRA. Spot price of seaborne premium hard coking coal, which accounts for 40-45 per cent of the steel-making cost for domestic steel companies, has remained above \$200 a tonne due to strong demand in China. Given that domestic steel hot rolled coil prices have weakened sequentially from ₹41,250 a tonne in March quarter to ₹40,500 in June quarter, higher coking coal prices are likely to keep the profitability of domestic companies under pressure, said ICRA.

*Source: Business Line, June 5, 2019*

### **'Steel demand likely to recover in H2 of FY20'**

Domestic steel makers are likely to see a decline in profits in the first quarter of the current financial year owing to headwinds related to liquidity issues, fall in demand led by weakness in automotive sector and higher energy costs, ratings agency ICRA said in its latest sector report. However, it said, steel demand is expected to bounce back in the second half of the year, riding on a construction boom led by higher expenditure on infrastructure. Steel demand growth moderated to 6.4% in April 2019 from an average of 7.5% in 2018-19. ICRA said that in the ongoing quarter, growth is likely to remain lower due to continued weakness in automobile sector and reduced construction activity in the general election period compared to the year ago period which had already seen a contraction from a level of 7.9% in 2017-18. Together with a hike in coking coal prices, "this is likely to affect the financial performance of domestic steelmakers in Q1", the report said. "However, construction sector would be at the forefront of demand recovery in the second half of FY2020 on the back of an expected boost to the infrastructure sector. The Union Budget for FY2020 to be presented in July 2019 would provide a guidance towards government thrust to the sector," ICRA said. With spot prices of seaborne premium hard coking coal ruling at \$200 per tonne, ICRA said it expects higher coking coal prices are likely to keep the profitability of domestic blast furnace.

*Source: Financial Express, June 5, 2019*