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

March 23- 29, 2019

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RAW MATERIAL

Iron ore market faces deficit, says mining tycoon

The global iron ore market is likely to have a shortfall following the dam spill and mine curtailments at top supplier Vale SA, according to Fortescue Metals Group Ltd founder Andrew Forrest, who cautioned that other producers face constraints in boosting output. “We do have to face the reality of a potential deficit,” Forrest said in a Bloomberg Television interview. While the Australian miner is “looking very hard” at how it can help customers, it can’t guarantee it’ll be able to help fill the deficit, according to Forrest. Iron ore is heading for the biggest quarterly advance since late 2017 as investors seek to gauge the consequences of the disruption in Brazil, with Citigroup Inc. warning the market has yet to see the full impact of the disaster as a looming mid-year crunch will spur a rally to $100 a tonne.

Source: Business Line, March 28, 2019

COMPANY NEWS

SAIL may see marginal spike in debt burden this year

State owned Steel Authority of India (SAIL) is likely to see its debt burden increase to Rs.44,000 crore by the end of this financial year from Rs.43,890 crore last year, owing to capital expenditure needs in the final stretch of its long drawn Rs.70,000 crore expenditure and modernisation programme. “We need to invest in significant capital expenditure as we are in the very final stages of our modernisation and expansion. We are likely to end the year with a debt level that is slightly higher than last year’s”, said SAIL Chairman, Anil Kumar Chaudhary. He said that even after completion of this phase of modernisation, SAIL will have to earmark a substantial amount for capex every year for debottlenecking, among other tasks. However, the company’s bill is likely to remain in similar to last year’s level of around Rs.8,600 crore despite hike in dearness allowance rates and regular increments, said Chaudhary.

Source: *Economic Times, March 27, 2019*

DSP dispatches first batch of indigenously developed wheels for high speed trains

Wheel & Axle Plant of Durgapur Steel Plant (DSP) dispatched its first consignment of indigenously developed wheels for LHB (Linke Hoffmann Busch) coaches used in high speed trains like, the Rajdhani and Shatabdi Express. The Railways have been gradually converting its traditional coaches made in Integral Coach Factory to LHB coaches, mainly due to its high safety features. However, wheels for these coaches have so far been imported by Indian Railways. Indigenous manufacturing of LHB wheels has thus become extremely important for the railways. DSP’s wheel and Axle Plant, which has been making wheels for railway coaches, took up the latest challenge and managed to successfully develop LHB coach wheels as per the Railways’ stringent norms and standards.

Source: *Economic Times, March 26, 2019*

Tata Steel taps digital tools to cut costs, streamline ops

Tata Steel is placing high stakes on digital and information technology (IT) tools to optimise costs, enhance stakeholders’ experience and automate processes. The steel manufacturer is eyeing the top slot in the industry for leveraging its digital journey by 2025. The company’s digital focus is aimed at financial alacrity, cyber resilience, smart operations and Ebidta (earning before interest, taxes, depreciation and amortisation) enhancement. Digital roadmap will be propelled by tools such as AI (Artificial Intelligence), analytics, virtual and augmented reality, optical character recognition, enterprise data management, robotic process automation, sensorisation and charbots. The steel manufacturer has built in-house data science capability with over 400 employees trained in data analytics, data engineering and agile. More employees are in the process of undergoing training.

Source: *Business Standard, March 27, 2019*

Now, JSW to enter Steel Furniture Business

JSW Group is entering the steel furniture business under the brand JSW Living, a venture that marks the induction of Tarini Jindal Handa into the group as the new entity's managing director. The 35-year-old is the oldest daughter of JSW Group chairman Sajjan Jindal and brings with her expertise in design and marketing. Jayant Acharya, director of commercial and marketing at JSW Steel, will helm the board as the company's chairman while Bedraj Tripathy, a former senior executive of Godrej Interio has been appointed as the chief executive.

Source: Economic Times, March 25, 2019

JSPL restarts DRI plant at Angul

Jindal Steel & Power (JSPL) said that it has re-started 1.8 million tonnes per annum sponge iron plant at Angul steel complex. The DRI (sponge iron) facility is powered by the country's largest coal gasification plant that converts high-ash coal to synthetic gas, JSPL said in a BSE filing. JSPL has re-started 1.8 MTPA direct reduced iron plant at its 6 MTPA Angul plant, it said. "Through DRI route, the company is targeting production run-rate of 1 MT crude steel in FY 2019-20, through existing coal linkages, and aims to procure the balance requirements for optimum capacity utilization through e-auctions," the filing added. Direct reduced iron (DRI), also called sponge iron, is produced from the direct reduction of iron ore (in the form of lumps, pellets, or fines) to iron by a reducing gas or elemental carbon produced from natural gas or coal.

Source: Economic Times, March 26, 2019

2 Uttam Galva assets get fresh bid from CarVal consortium

The twin distressed assets of Uttam Value Steels and Uttam Galva Metallics have received a fresh bid from a consortium led by CarVal Investors, even as SSG Capital Management sweetened its offer, a person close to the lenders to the companies said. CarVal Investors, the investment arm of US-based agri group Cargill, has bid for the assets along with Asset Reconstruction

Company (India) Ltd (Arcil). The consortium has offered about Rs 2,000 crore, including an upfront payment of Rs 800 crore, for the two companies that together owe Rs 5,500 to banks. SSG Capital Management, which had bid in the first round as well, has increased its offer from a total of Rs 850 crore to Rs 1,000 crore, out of which it is willing to pay 33% upfront, the person said. Lenders are going through the bids and will take a call next week, said the person. If the lenders accept the offer given by CarVal, they will have to take a haircut of about 63%. Some foreign investors have shown interest, he said.

Source: Economic Times, March 23, 2019

Fitch maintains 'Ratings Watch Evolving'on Tata Steel

Fitch Ratings maintained its Ratings Watch Evolving on Tata Steel's 'BB' longterm issuer default rating (IDR) and Tata Steel UK Holding's 'B' long-term IDR as it awaits the outcome of the European Commission's review of the company's proposed joint venture with Thyssenkrupp. While Tata Steel and Thyssenkrupp are committed to completing the transaction, the deal may be delayed if the European Commission calls for changes due to competition issues, Fitch said. Another key ratings driver was a moderation in global and domestic steel prices despite strong demand, which is expected to lower margins. The European Commission is reviewing Tata Steel's planned 50:50 joint venture with Thyssenkrupp and has set a May 13 deadline for its decision. In October, the commission raised preliminary competition concerns around certain specialty flat carbon steel and electrical steel products to be made by the proposed JV to resolve the Rating Watch Evolving on TSL's ratings," Fitch said in a statement

Source: Economic Times, March 26, 2019

STEEL PERFORMANCE

Crude steel output grows over 4% to 8.91 mt in February

The country's crude steel output grew over 4 percent to 8.91 million tonne (MT) in February as compared with the year-ago month, according to official data. The domestic crude steel production had stood at 8.54 MT during February 2018, according to a report by the Joint Plant Committee (JPC), which comes under the Ministry of Steel. "Crude steel production stood at 8.914 MT in February 2019, up by 4.3 percent over February 2018, and was down by 2.9 percent over January 2019," the report said. State-run Steel Authority of India Ltd, Rashtriya Ispat Nigam Ltd along with private firms Tata Steel Ltd, Essar Steel, JSW Steel, and Jindal Steel and Power Ltd produced 5.40 MT and the remaining 3.50 MT came from the other producers, it added. During February this year, the production of hot metal was 12.1 percent higher at 6.09 MT, against 5.43 MT in February 2018. "Hot metal production in February 2019 was up by 12.1 percent over February 2018 and was down by 4.4 percent over January 2019," the report said. The output of pig iron grew 16.9 percent to nearly 5,26,000 tonne in February, compared with about 4,50,000 tonne in the same month a year ago. "Pig iron production stood at 0.526 MT in February 2019, up by 16.9 percent over February 2018 and was down by 1.9 percent over January 2019," it added. The JPC is the only institution in the country that collects data on the domestic iron and steel sector. India has set an ambitious target of increasing its crude steel production capacity to 300 million tonne by 2030-31.

Source: Financial Express, March 26, 2019

FINANCIAL

Essar Steel lenders yet to decide on how to share Rs.42,000cr; unlikely to recover money by March 31

Despite ArcelorMittal’s ₹ 42,000-crore bid being declared the top one for Essar Steel, lenders will not get the money before March 31. That’s because the Committee of Creditors (CoC), which met on Wednesday, is yet to decide on how to distribute the money between operational and financial creditors. The lenders today told the National Company Law Appellate Tribunal (NCLAT) that a decision by the CoC will come only by Friday. The Appellate Tribunal has scheduled the case for next hearing on April 9. “We have to see the outcome of the CoC meeting,” said a two-member NCLAT Bench headed by Chairman Justice SJ Mukhopadhaya. The NCLAT had on March 20 asked Essar Steel’s Insolvency Resolution Professional (IRP) to call for a fresh meeting of its CoC to reconsider the distribution of ₹ 42,000 crore. While the lenders were hoping to recover the money before the end of the fiscal, legal experts said the judiciary does not necessarily work on bankers’ deadlines. They expect the case to end only in the June quarter. The Ahmedabad Bench of the National Company Law Tribunal (NCLT) had recently approved ArcelorMittal’s bid but had suggested that the CoC share

15 per cent of the bid amount with the operational creditors. In addition to the pending cases with the NCLAT, one of Essar Steel's directors, Prashant Ruia, moved the Appellate Tribunal to quash the entire bidding process, saying it has not followed the Supreme Court's direction to include the erstwhile suspended board in the resolution process. SCB has also moved the NCLAT, raising questions on the CoC's decision to approve the lower bid of ArcelorMittal against the Essar Steel promoters' plea to settle the entire debt of ₹ 54,000 crore. Essar Steel's lenders were considering increasing the payout to SCB to expedite the sale of the company to ArcelorMittal, according to sources. While the exact amount that would go to the UK lender isn't decided, the amount that the CoC had previously agreed to pay the bank was only ₹ 60 crore.

Source: Business Line, March 28, 2019

Lenders perk up Essar Steel

Lenders to Essar Steel have decided to sweeten their offer to operational creditors of the bankrupt company by offering Rs.1,000 crore more from what ArcelorMittal has submitted as its resolution plan. In the meeting of the Committee of Creditors held in Mumbai on Wednesday, the lenders decided to seek votes on the proposal from all the banks, which are waiting for the resolution of Essar Steel. The additional funds for operational creditors mean a higher haircut for the banks, which are waiting for the resolution of Essar teel's debt since June 2017. According to the plan submitted earlier by Mittal, the operational creditors were getting Rs.214 crore as compared to their outstanding dues worth Rs.4,976 crore. The additional funds would help placate some of the operational creditors, said a source.

Source: Business Standard, March 29, 2019

Tata Steel buys shares, warrants for Rs.404 cr in Tata Metaliks

Tata Steel Thursday said it has acquired shares and convertible warrants of Tata Metaliks for about Rs 403.79 crore. Tata Metaliks (TML) is one of India's leading producers of high-quality Pig Iron (PI) and Ductile Iron (DI) pipes. It operates a state-of-the-art manufacturing plant near Kharagpur, West Bengal.

Source: Business Standard, March 29, 2019

MISCELLANEOUS

Railways to miss electrification target for FY19 by a wide margin

In order to achieve its target to electrify 6,000 route km in 2018-19, the Indian Railways will have to clock an average rate of 220 route km per day in the remaining 10 days of March, compared with the around 11 route km per day it has been able to do till now in the current financial year. The transporter is woefully short of its target and has been able to electrify around 3,800 route km so far this year. The required rate may even go up further, given the long weekend due to the festival of Holi, according to a source. In September 2018, the Cabinet Committee on Economic Affairs approved the proposal for 100% electrification of the balance un-electrified broad-gauge routes by 2021-22. The railways drew up a yearly target, according to which it is to electrify 6,000 route km in 2018-19, 7,000 route km in 2019-20, and 10,500 route km each in 2020-21 and 2021-22. In 2017-18, the national transporter electrified 4,087 route km. Railway arm Central Organisation for Railway Electrification is the executing agency for electrification work. Electrification of tracks is expected to reduce diesel consumption by about 2.8 billion litres, resulting in the railways reducing its energy bill by about Rs 13,000 crore per annum by FY22.

Source: Financial Express, March 23, 2019