Steel In The News

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

CONTENTS

A Weekly News Report by Joint Plant Committee

September 01-07, 2018

HIGHLIGHTS

1. Strong domestic demand is likely to benefit Indian steel companies despite rising trade tensions, ratings agency ICRA has said.
2. Steel Authority of India has sought permission to skip paying dividend to the government of India for the third year in a row, citing losses suffered by the state-owned company in 2017-18.
3. Apex court admits BEL plea seeking setting aside of part of Tata Steel resolution plan
4. JSW Steel has again become the largest buyer of NMDC iron ore in Karnataka.
5. Jindal Steel & Power Ltd. is considering a breakup plan as part of a restructuring to help trim its 420 billion rupee ($6 billion) debt pile and boost investor confidence in a company that was once India’s biggest steelmaker by market value.
6. The country's largest stainless steel maker Jindal Stainless Ltd (JSL) will tap the growing business opportunities in the domestic automotive industry
7. The Rs.20,000-crore Jindal Stainless Group is looking to ramp up the cold-rolling capacity of its Jajpur facility, in Odisha, by nearly 2 lakh tonnes through brownfield expansion.
8. A consortium of JSW Steel and AION Investments has paid Rs.2,457 crore to the secured financial creditors of Monnet Ispat and Energy as set out in the resolution plan approved by the National Company Law Tribunal.
9. Jindal Stainless, the largest domestic producer of stainless steel and part of Ratan Jindal Group, is eyeing a significant boost in revenues from Indian Railways decision to increase intake of stainless steel wagons and coaches by 2020.
10. Bhushan Steel ex-promoter to remain out on interim bail; SC transfers case to itself

RAW MATERIAL

JSW largest buyer of NMDC ore in Karnataka

After a gap of three months, Sajjan Jindal-led JSW Steel has again become the largest buyer of NMDC iron ore in Karnataka. The steel producer had curtailed its off take from the state-owned miner due to quality issues, saying the price at which the ore was being offered was not justified. Seshagiri Rao, joint managing director and group chief financial officer, told Business Standard. Rao said the miner made some price correction and that has translated in cost reduction to some extent, but overall cost continues to remain high. He refrained from quantifying the amount of benefit. “We have been representing to them that there are problems in overall pricing in Karnataka. So they (NMDC) have done some corrections, but they have a long way to go. We are not okay with the current price levels but there is no option,” said Rao. “We need Karnataka iron ore and it is not possible to source 100 per cent from outside.” The company was said to be importing iron ore and also buying from Odisha for Rs 4,000-4,500 per tonne, as against from Karnataka for Rs 3,000 per tonne. Steel is a long-term buyer of NMDC iron ore and also occasionally buys the raw material for its Dolvi and Salem plants in Maharashtra and Tamil Nadu, respectively. NMDC produces about 12 million tonnes ore annually from its Donimalai mine in the state. JSW Steel is lifting 60-70 per cent of the ore produced by NMDC to cater to its 12 million tonnes plant at Vijayanagar.

Source: Business Standard, September 1, 2018

COMPANY NEWS

SAIL seeks dividend Exemption from Govt.

Steel Authority of India has sought permission to skip paying dividend to the government of India for the third year in a row, citing losses suffered by the state-owned company in 2017-18. SAIL was exempted from paying dividend due to losses in FY16 and FY17 and this year it is resisting attempts to borrow and pay dividend to shareholders. The government owns a 75% stake in the firm. Without payment from SAIL, the government may find it difficult to meet its target of raising Rs.1.04 lakh crore through the dividend and profit of state-owned companies in the year ending March 2019. SAIL is making a turnaround, having posted a profit for three successive quarters, including Rs.40.4 crore in the three months ended June 2018. The company’s finances had turned precarious earlier due to cost overruns in its Rs.70,000-crore modernisation and expansion plan to more than double the hot metal capacity to 23.4 million tonnes. SAIL’s net loss narrowed to Rs.482 crore in FY18 from Rs.2,833 crore in FY17 and Rs.4,021 crore in FY16. Its total loan amount stood at Rs.45,409 crore in FY18 against Rs.41,396 crore in FY17. “As per GoI guidelines, the company is required to pay a minimum 30% of profit after tax or 5% of net worth, whichever is higher, to the GoI as dividend, subject to maximum dividend payable under Companies Act

2013, unless lower dividend is justified after analysis of the various financial parameters of the company," SAIL said in its annual report for 2017-18. If a company is unable to comply with the guidelines, an exemption has to be obtained from the Department of Investment and Public Asset Management.

Source: Economic Times, September 1, 2018

Jindal Steel mulls break-up as $6-billion debt weighs

Jindal Steel & Power Ltd. is considering a breakup plan as part of a restructuring to help trim its 420 billion rupee ($6 billion) debt pile and boost investor confidence in a company that was once India's biggest steelmaker by market value. The New Delhi-based company is looking at splitting its steel, power and international businesses into three separate entities, Chairman Naveen Jindal said. Any such plan would need the approval of lenders, regulators and the board, he said. The steel unit would include the coal mines, while the international business would include the Oman steel plant, he said. Jindal Steel will seek to progressively sell about 30 per cent of the Oman unit over two to three years, and this may partly be achieved through an initial public offer, the chairman said. The company will engage with potential buyers in December and hopes to conclude a deal by March, he added. The outlook is brightening for the mill, which last month reported its first quarterly profit after notching up three-and-a-half years of losses. In the wake of a global steel industry revival, its shares have risen 55 per cent in the past year, making it the best performer on the 10-member S&P BSE Metal Index. While the company's steel business is performing well with a rail order from the government and a buoyant market, its power business was hit by the cancellation of coal licenses by the government, Chakraborty said. The steelmaker, which has come back from the brink of bankruptcy, wants to get its debt ratio down to two times pre-tax earnings, from about five times now, over the next four or five years, Jindal said in the Aug. 30 interview. This fiscal year the company wants to cut debt by 15 per cent.

Source: Business Line, September 3, 2018

Jindal Stainless to tap opportunities in auto sector

The country's largest stainless steel maker Jindal Stainless Ltd (JSL) will tap the growing business opportunities in the domestic automotive industry, a company official said Wednesday. "The Indian passenger vehicle manufacturing industry became the fourth largest in the world, with sale increasing to 4.02 million units in

2017. Overall, auto sector consumes nearly 2 lakh tonne of stainless steel in a year. "The Indian automobile sector is pegged to grow at a rate of 15 per cent per annum, providing enough scope of growth to domestic producers of stainless steel. Jindal Stainless is eyeing the auto sector in a big way. The company plans to triple its supplies towards this segment in the next 5 years," Vijay Sharma, Head Sales, Jindal Stainless said in a statement.

Source: Business Standard, September, 06, 2018

PROJECTS

Jindal Stainless plans major ramp-up of Odisha facility

The Rs.20,000-crore Jindal Stainless Group is looking to ramp up the cold-rolling capacity of its Jajpur facility, in Odisha, by nearly 2 lakh tonnes through brownfield expansion. The plant currently produces 4.5 lakh tonnes of cold-rolled stainless steel used in industrial applications. The company, which has an installed capacity of 1.6 million tonnes (mt) of flat products a year, is planning an entry into the long segment. Plans are afoot to set up a unit for manufacturing long stainless steel products at its existing facility at Hisar in Haryana. Long products currently account for around 20 per cent of the nearly 2.4 mt stainless steel market in India. The company is hopeful of achieving 15-20 per cent growth in revenue this fiscal backed by the capacity ramp-up and strengthening of presence in value-added steel. Jindal Stainless is expecting 12-13 per cent growth in volumes in the current fiscal driven by rising demand for stainless steel in the automobile, railway, transport, architecture and consumer durables industries. The growth in value terms would be higher due to the improved product mix.

Source: Business Line, September 1, 2018

Apex court admits BEL plea seeking setting aside of part of Tata Steel resolution plan

The Supreme Court on Tuesday admitted an appeal by Bhushan Energy (BEL), which is under insolvency resolution process, seeking setting aside of a part of Tata Steel’s resolution plan for its subsidiary Bhushan Steel (BSL) that terminated the power purchase agreements between the two companies. A bench led by Justice Ranjan Gogoi sought response from Tata Steel, SBI, Bhushan Steel, BEL Resolution Professional Navneet Kumar Gupta and others after BEL alleged that Tata Steel’s Resolution Plan envisages termination of the PPAs and certain related third party contracts as these being "onerous" transactions. It said that the termination of "onerous" transactions is not a ground for annulment of a transaction under the IBC. The Resolution Plan "envisages termination of the PPAs, certain related third party contracts, despite the fact that there is no adjudication or finding that the PPAs qualify as either 'preferential transactions' (Section 43) or 'undervalued transactions' (Section 45) or 'transactions defrauding creditors' (Section 49) or 'extortionate credit transactions' (Section 50), the only provisions in the IBC which permit avoidance and annulment of transactions," BEL stated in its appeal. BEL, which owns a 485 MW captive coal-based thermal power project set up within the premises of its subsidiary Bhushan Steel's integrated steel plant at Meramandali, Dhenkanal district of Odisha, solely supplies electricity to the latter. The two sister concerns had entered into two power purchase agreements for supply of power till 2024. Their termination will result in loss of substratum and therefore, in erosion of substantial valuation of BEL. If the termination as sought in the Resolution Plan is permitted, Tata Steel will be able to acquire BEL at an extremely low valuation to the grave prejudice and detriment of the creditors of the BEL," BEL stated in its appeal before the SC. Challenging the August 10 order of the National Company Law Appellate Tribunal (NCLAT) that dismissed its appeal and approved Tata Steel's resolution plan for BSL, BEL stated that its appeal was dismissed "without assigning any reason and without dealing with any of the substantial questions of law raised by it."

Source: Financial Express, September 05, 2018

FINANCIAL

JSW Steel-Aion investment pays Rs.2,457 to Monnet Ispat lenders

A consortium of JSW Steel and AION Investments has paid Rs.2,457 crore to the secured financial creditors of Monnet Ispat and Energy as set out in the resolution plan approved by the National Company Law Tribunal. Monnet Ispat has also secured a loan of Rs.125 crore from JSW Steel for its working capital requirements, it said in a statement. The company had appointed Dhakshana Moorthy Ravichandar as Executive Whole-time Director. Other board members who have taken over as non-executive directors include Seshagiri Rao MVS, Kalpesh Pankaj Kikani, Nikhil Omprakash Gahrotra and Sanjay Kumar. It accepted the resignation of Sumit Binani as a director. Monnet Ispat, which had defaulted on its Rs.11,000-crore loan, was taken over by the JSW Steel and AION Investments consortium. Monnet Ispat has allotted 21.52 crore equity shares of Rs.10 each to the assenting secured and unsecured financial creditors in lieu of the conversion of a portion of the company's admitted debt. A part of the debt has also been converted into optionally convertible preference shares of Milloret Steel, a special purpose vehicle owned by the consortium. It has issued an aggregate of 12,05,27,534 equity shares to the investors on record as of August 30. The equity shares held by the erstwhile promoters of Monnet Ispat have been extinguished, and the remaining equity share capital held by the company's non-promoter shareholders has been reduced, it said. The consortium company Milloret Steel has allotted 34,90,20,000 equity shares and 52,59,80,000 compulsorily convertible preference shares to its shareholders. The new promoters of Monnet Ispat will be Creixent Special Steels, JTPM Atsali and their respective existing shareholders.

Source: Business Line, September 3, 2018

JSL bullish on Railway's High Steel Off take

Jindal Stainless, the largest domestic producer of stainless steel and part of Ratan Jindal Group, is eyeing a significant boost in revenues from Indian Railways decision to increase intake of stainless steel wagons and coaches by 2020. "This year alone, the railways are likely to procure some 10,000 -11,000 wagons this year. We hope to supply 80% of the steel for it from wagon manufacturers", Vijay Sharma, Sr. V.P.,Vijay Sharma said. The domestic market for stainless steel is pegged for 2.5 million tonne (mt) and is growing at 9-10% in the past few years. This is likely to shoot up to 13-14% per year, largely in the automobile sector, which will raise stainless steel components in passenger and commercial vehicles from the current level of 1.2 lakhs per annum. Currently, Railways procurements of stainless steel wagons, coaches and metro coaches amount to nearly Rs.2,500 crore. JSL, on an average caters to 70 per cent of that order.

Source: Economic Times, September 1, 2018

Essar Steel lenders may sell loan to ARC

Lenders of Essar Steel, which has bad debts to the tune of nearly Rs 500 billion, are planning to offload some of the loans to an asset reconstruction company (ARC), as they face pressure to improve the status of their loan books before the end of the second quarter (Q2) of the current financial year (2018-19 or FY19). Two bidders for the steel company, Numetal and ArcelorMittal India, are engaged in a prolonged court battle for the asset, prompting lenders to mull such an action. Bankers said Essar Steel was a non-performing asset (NPA) for many quarters. Banks had made provisions in line with regulatory norms (over 60 per cent of the total debt). National Company Law Tribunal process, the ARC offer — 70 per cent of the total debt — looked reasonable. If lenders are able to sale their loans to the ARC this month, it will reduce their NPA volume substantially.

Source: Business Standard, September 06, 2018

STEEL PERFORMANCE

Domestic steel players fear dumping by foreign firms

India is facing the threat of dumping of foreign steel, led by the diversion of exports originally meant for the US and European Union, which could lead to an encore of 2016 when local mills making the alloy were crippled by shipments from overseas, fear domestic steelmakers. Rating agency ICRA in a note said in the first quarter of fiscal 2019, the country's steel exports dropped by over 33% whereas imports grew more than 11%. Consequently, India turned a net importer in the quarter, after having been a net exporter for the last two years. However, with a sharp rupee depreciation in recent months, the ratings firm expects a slide in steel imports and boost to exports, which is likely to improve India's overall steel trade balance. The industry has started "sensitising" the government to take action to check unfair imports that could accelerate in the future. It wants the reference price of the antidumping duty to be pushed up or a replication of what Europe has recently done to protect local steelmakers by providing safeguard measures.

Source: Economic Times, September 06, 2018

Steelmakers beat global woes with local demand

Strong domestic demand is likely to benefit Indian steel companies despite rising trade tensions, ratings agency ICRA has said in its latest report on the steel sector. The country's steel exports dropped over 33% in the first quarter of FY19 whereas imports grew over 11% as India turned into a net importer after having been a net exporter for the last two years. However, with a sharp depreciation in rupee in the recent months, ICRA said it expects the situation to change with a slide in steel imports and a boost in exports in the coming months. In Q1FY19, domestic steel consumption went up 9.2% year-on-year (YoY) compared to 7.9% registered in FY18, led by strong sales in the automobile sector, and a further uptick in the demand for longs from the contruction sector, before the onset of the monsoons.

Source: Economic Times, September 06, 2018

MISCELLANEOUS

Bhushan Steel ex-promoter to remain out on interim bail; SC transfers case to itself

The Supreme Court on Tuesday said Neeraj Singal, former promoter of Bhushan Steel, will remain out on interim bail granted by the Delhi High Court in a Rs 2,500-crore fraud case. A bench comprising Justices A. M. Khanwilkar and D. Y. Chandrachud, however, stayed the operation of the Delhi High Court judgement and transferred to itself the plea Singal had filed in the high court for adjudication. The bench said it was only allowing interim bail to continue, and the operation of the rest of the judgement regarding various aspects, including the Serious Fraud Investigation Office's power to arrest and investigate, would be deliberated later. The Delhi High Court had on August 29 granted bail to Singal, arrested by the SFIO for allegedly siphoning off Rs 2,500 crore of public funds. The apex court was hearing an SFIO plea to stay the Delhi High Court order in the case. The SFIO had earlier said Singal is accused of siphoning off Rs 2,500 crore of public funds, and his release would cause grave harm to the ongoing probe, which has reached an advanced stage. It had sought a stay on the high court order, claiming that the accused usurped public money taken through bank loans.

Source: Business Line, September 05, 2018

NCLAT order on Essar Steel bids today

The National Company Law Appellate Tribunal (NCLAT) will on Friday deliver its order on the eligibility of ArcelorMittal and Numetal, the two key contenders, for bankrupt Essar Steel. Both the firms had moved the appellate tribunal challenging their disqualification in the first round of bids by the resolution professional. ArcelorMittal's first bid for Essar Steel was disqualified by the RP on the ground that it was a promoter of Uttam Galva and KSS Petron, both of which have defaulted on loans. Numetal's bid was disqualified since one of the persons associated with the firm, Rewant Ruia, is related to the promoters of Essar Steel. Subsequently, both the companies put in bids in the second round. VTB Bank sought to sever ties with the Ruia family by buying out Aurora Trusts stake in Numetal, while ArcelorMittal transferred Rs 7,000 crore to an escrow account of SBI to clear outstanding loans of Uttam Galva and KSS Petron.

Source: Financial Express, September 07, 2018