

# Steel In The News

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

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## HIGHLIGHTS

1. India's steel ministry has proposed increasing the effective import duty on some steel products to 15 per cent from current rates ranging from 5 per cent to 12.5 per cent.
2. With steel prices on the rise, wagon industry finds the going tough
3. Tata Steel begins work on blast furnace in UK
4. The Centre is likely to further postpone the implementation of retaliatory tariffs against the US, which had been proposed in response to the 'wrongful' application of discriminatory duties by the latter on steel and aluminium exports from India.
5. Tata Steel has on Thursday celebrated the 100th anniversary of its operations in the Netherlands.
6. SBI gets tough with ArcelorMittal over Uttam Galva dues

## COMPANY NEWS

### **Tata Steel begins work on blast furnace in UK**

Tata Steel has launched an ambitious project to significantly extend the operational life of one of the two huge blast furnaces of its UK's largest steelworks at Port Talbot in South Wales. The plant's giant Blast Furnace 5, which has been running for the past 15 years producing almost 30 million tonnes of iron, is now being drained so vital engineering work can be carried out inside, extending its life by five to seven years, Tata Steel said Friday. Once the heart of the furnace, which is normally more than 1,200 degrees Celsius, has cooled, skilled engineers will begin work to replace parts of the heat resistant interior and vital structural parts, it said. The project, costing tens of millions of pounds and expected to take several months, will also see the waste gas and dust extraction system being replaced.

*Source: Financial Express, September 17, 2018*

### **Tata Steel celebrates its 100 years in Netherlands**

India's multinational steel-manufacturer, Tata Steel on Thursday celebrated

the 100th anniversary of its operations in the Netherlands, the company said. The Netherlands' King Willem-Alexander joined the representatives of the Tata Steel to officially open the anniversary year celebrations at the company's integrated steel-making plant in the port city of IJmuiden. The Dutch site was founded in 1918 and it currently employs 9,000 people with an annual production of 7 million tonnes of steel. The high-quality steel produced in IJmuiden is used across the globe in products ranging from batteries to cars and from food packaging to industrial machinery. "During its rich history, IJmuiden has stood the test of time and provided the highest quality steel to our customers around the world while meeting broader societal issues such as employment, general welfare and trade policy," said T V Narendran, CEO and Managing Director of Tata Steel. "In the coming 100 years we will stay committed to serving our communities and continue to develop innovative steel products which help solve major societal challenges such as the transition to sustainable energy and mobility," he said. The Tata Steel chief also hailed the company's joint venture with German steel major Thyssenkrupp, announced in June and set to create Europe's second-largest steel operations after Lakshmi N Mittal's ArcelorMittal.

*Source: Economic Times, September 21, 2018*

### **Essar Steel: Eligibility to bid not linked to Mittal brothers' biz, says ArcelorMittal**

Steel giant ArcelorMittal said on Tuesday that its offer for the debt-laden Essar Steel was the most compelling one, and asserted that there was no connection between the company's eligibility to bid for Essar and the businesses of LN Mittal's brothers. The company's statement came a day after Russia's VTB Group-backed Numetal upped the ante against rival bidder ArcelorMittal, alleging that loan defaults by firms owned by Mittal's brothers disqualify him under the law. Numetal and LN Mittal-owned ArcelorMittal are locked in a fierce takeover battle of Essar Steel Ltd (ESL) and the two are in the Supreme Court over bidding qualification. "There is absolutely no connection between ArcelorMittal's eligibility and the businesses of Mittal's brothers. It is, in fact, a tiresome and trivial attempt to distract from the central fact that ArcelorMittal is the most credible owner of ESL and that we have the most compelling offer on the table for all stakeholders, particularly financial creditors," said a spokesperson for ArcelorMittal. As previously acknowledged by the resolution professional (RP), this has no relevance to the eligibility or ability of ArcelorMittal to

participate in the resolution process for ESL, the spokesperson added. In the letter, reviewed by PTI, Numetal has asked if Gontermann was a non-performing account for more than a year at the time when insolvency proceedings against ESL began in August last year, and if LN Mittal was either a promoter, director or shareholder of the company.

*Source: Business Line, September 19, 2018*

## PROJECTS

### **5 bidders for Usha Martin steel unit**

Five companies have expressed interest in buying Usha Martin's steel business. The five — JSW Steel, Tata Steel, Liberty House, Kalyani and Vedanta — have signed non-disclosure agreements (NDAs) in this regard, while they do their due-diligence. Once the offers are made, it would be evaluated by an independent committee set up by Usha Martin's board of directors. Rajeev Jhavar, managing director at Usha Martin, told shareholders at the company's annual general meeting that the entire process might take some time. Once the offers were received, he said, the board would evaluate whether the remaining business was sustainable before taking a final decision. Each of the businesses required capital to expand, he added. Usha Martin's net debt as on end-March was Rs.46 billion.

*Source: Business Standard, September 19, 2018*

## POLICY

### **India mulls raising import duty on steel to support rupee: Sources**

India's steel ministry has proposed increasing the effective import duty on some steel products to 15 per cent from current rates ranging from 5 per cent to 12.5 per cent, according to two sources and a government document reviewed by Reuters, as the country looks to support the rupee. The proposal, which is part of a broader government plan to cut "non-necessary" imports to stop an outflow of dollars that has sent the rupee to record lows, will be discussed in the trade ministry on Wednesday, according to one of the sources involved in the matter. In the 2017-18 financial year to end-March, the country imported 8.4 million tonnes of steel, 45 per cent of which came from Japan and South Korea with which India has free trade

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agreements. The proposed duties may not apply to imports from the North Asian countries, but other steel suppliers such as China, South Africa, Malaysia, Russia and Indonesia could be affected.

*Source: Business Standard, September 20, 2018*

## FINANCIAL

### **SBI gets tough with ArcelorMittal over Uttam Galva dues**

A recent SBI communication to ArcelorMittal, questioning its locus standi to repay a \$48-million loan availed by the steel giant's erstwhile group entity, Uttam Galva, may become another stumbling block for the Lakshmi Mittal-owned company in its bid for stressed asset Essar Steel. ArcelorMittal, the world's largest steel maker, is engaged in a pitched battle with Russia's VTB Bank-promoted for the control of Essar Steel. In February, ArcelorMittal Netherlands had sold its entire 29 per cent stake in Uttam Galva to the Miglani family for Rs.1 and agreed to pay back the loan facility availed by the latter to make itself eligible for Essar Steel. The State Bank of India also pulled up ArcelorMittal for breaching the non-disposal agreement signed as a sponsor for the Uttam Galva loan facility. However, a company spokesperson denied any wrongdoing. "ArcelorMittal divested its passive shareholding in Uttam Galva following all due processes. ArcelorMittal firmly believes that there has been no violation of a non-disposal agreement," said a spokesperson for the company. As per the credit facility agreement, the SBI letter in April said the primary obligation to pay interest and all other outstanding principal amount is on Uttam Galva. "We understand from your (ArcelorMittal) correspondence that you have deposited money in an offshore account standing in your name at SBI, London. Therefore, please let us know in what manner lenders can accept the amount deposited by you in an offshore account maintained by you towards the dues of Uttam Galva under the credit facility agreement, if all lenders choose to accept," it said. It added: "Please note that any acceptance of the amount deposited by you may be subject to regulatory consents, which ought to be procured by Uttam Galva and you." "The choice of depositing the money against Uttam Galva dues does not in any manner imply that we are condoning the breaches under various financing documents including Non-Disposal agreement," it said. Such deposit will also not have any bearing on insolvency proceedings initiated by SBI against Uttam Galva under the Insolvency and Bankruptcy Code, said the letter. Uttam Galva was declared a non-performing asset in September 2016 after it defaulted on its Rs.6,000-

crore debt. SBI initiated bankruptcy proceedings against the company in the National Company Law Tribunal last year.

*Source: Business Line, September 21, 2018*

### **Prove subterfuge charge against ArcelorMittal, SC tells Numetal**

The Supreme Court on Tuesday asked Russia's VTB Bank-promoted company NuMetal to establish that there was "subterfuge" on part of its rival bidder ArcelorMittal in divesting its shares in two debt-ridden firms before bidding for Essar Steel. The observation by a bench of Justices R F Nariman and Indu Malhotra came when NuMetal accused steel and mining major ArcelorMittal of cheating Indian banks of Rs 70 billion owed by Uttam Galva Steels Ltd and KSS Petron by selling its shares just before bidding for Essar Steel. During the day-long hearing, senior advocate Mukul Rohatgi, appearing for NuMetal, alleged that ArcelorMittal had disposed off its shares in a "tearing hurry" and this was contrary to the 'non-disposal' agreement signed with the bankers that the stakes in Uttam Galva cannot be sold without taking the consent of the lenders. The payment of dues of Uttam Galva is the condition precedent to apply for the bid. There was no scope of post-facto payment of dues," Rohatgi said. The bench said irrespective of the claim that ArcelorMittal was the promoter at Uttam Galva, it has provided the documents to establish that it was not managing the affairs of Uttam Galva. They were also not on its board and there was only a "co-promotion agreement" between them. "There has to be subterfuge. There have to be documents to assume that this (sale of shares) was part of a devious and fraudulent design," the bench said, adding, "you (NuMetal) will have to show that they were the active promoters of Uttam Galva" and the fact that they (ArcelorMittal) owed the debt to "start with".

*Source: Business Standard, September 19, 2018*

### **ArcelorMittal backtracks after accusing Vedanta violations**

A day after ArcelorMittal wrote to the Essar Steel resolution professional accusing Vedanta Ltd of environmental and human rights violations, the Lakshmi Mittal-led company now claims that the mail was shared "inadvertently". Both companies, along with Numetal, placed bids for Essar Steel. In the letter dated September 16, and addressed to Satish Kumar Gupta, the resolution professional overseeing the auction, ArcelorMittal's Sanjay Sharma said: "We refer to the letter dated September 15, 2018 in relation to Vedanta Limited. An internal draft of such letter was inadvertently shared with you. Please ignore the communication for now.

We regret any inconvenience caused to you. Note that we hereby reserve all our rights in relation to the matters referenced therein." In a September 15 letter, ArcelorMittal had over six pages of material alleging violations committed by Vedanta.

*Source: Business Line, September 18, 2018*

## STEEL PERFORMANCE

### **With steel prices on the rise, wagon industry finds the going tough**

After a five-year break, India's wagon industry is flooded with orders from the Railways. But its bottomline may continue to be under pressure for one or two more quarters due to the spike in steel prices and flawed cost escalation clause followed by the Railways till last fiscal. The wagon industry saw orders flowing in large numbers from the second half of last fiscal. A good majority of the orders came in during December-January when flat steel prices were ruling at Rs.40,000 a tonne. According to Ritabrata Ghosh, Assistant Vice-President, ICRA, prices rose by 15 per cent to Rs.46,000 a tonne in April, and barring a temporary drop in August, it currently rules at that level. The wagon industry has clearly failed to pass on this cost. A quick comparison of three wagon stocks – Texmaco, Titagarh and CIMMCO – shows operating margin, a ratio of operating profit to sales, ruling below 5 per cent. Titagarh has the best operating margin at 4.85 per cent, followed by Texmaco Rail (4.32 per cent). CIMMCO (a Titagarh Group outfit), which is more dependent on wagon-making, reported negative margins. The stock prices of all three declined over the last six months.

According to an industry official, the problem lies with the old contracts that are currently under execution. Steel is the single-largest (55 per cent) cost component for wagon-making. However, till last fiscal, the Railways wrongly attached maximum priority to labour cost. It had recently corrected the flaw, but the impact will be available once wagon-makers start delivering fresh orders. Meanwhile, steel price is not the only problem plaguing the wagon-making industry. Due to the prolonged lack of activity, many of its vendors – those who supply items such as brakes and springs – became dormant. They are now finding it difficult to ramp up production. Some of these suppliers, such as the GP Goenka-led Duncan Goenka Group outfit Stone India, based out of Kolkata, shut down shop in October 2017. The company now faces insolvency proceedings with the stock suspended from trading. The net result is the lack of availability of spares for wagons.

*Source: Business Line, September 17, 2018*

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**MISCELLANEOUS**

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**Commerce Ministry wants further delay in tit-for-tat tariffs against US**

The Centre is likely to further postpone the implementation of retaliatory tariffs against the US, which had been proposed in response to the ‘wrongful’ application of discriminatory duties by the latter on steel and aluminium exports from India. “The Commerce Ministry is planning to ask the Revenue Department to come up with a notification delaying the duties for some time,” a government official told BusinessLine. If the implementation of retaliatory tariffs — worth an estimated annual \$241 million against 29 products exported from the US to India — gets deferred again, it will be the second postponement after the duties were announced on June 20 this year with an implementation date of August 4. On August 3, the Revenue Department had issued a notification delaying the duties by 45 days. “The idea behind the proposed delay this time is to give trade officials from both sides yet more time to sort out the issue of higher tariffs of 25 per cent on steel and 10 per cent on aluminium imposed by the US on exports from India. New Delhi wants to avoid getting into a tariff war with Washington to whatever extent possible,” the official said. The higher tariffs on steel and aluminium imports were applied by the US earlier this year on a handful of countries including India, China, Japan, South Korea, Canada, the EU, Turkey and Russia citing security concerns.

*Source: Business Line, September 18, 2018*