

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. Tata Steel has entered into an agreement to acquire the 1-million-tonne steel business of debt-ridden Usha Martin Ltd (UML) for a cash consideration of Rs.4,300- Rs.4,700 crore.
2. Jindal Stainless Ltd plans to invest Rs 15 billion to expand the capacity of its Steel Melting Shop (SMS) from 0.8 to 2.2 mtpa and double its cold roll mill capacity from 0.8 to 1.6 mtpa.
3. The acquisition of Usha Martin's steel business will help Tata Steel strengthen its position in the long products segment.
4. Tatas' Usha Martin deal to be credit positive: Moody's
5. Numetal to match Arcelor's \$5.8-bn bid for Essar Steel
6. Thyssenkrupp weighs separation of major businesses: Sources
7. Cabinet Committee picks Anil Chaudhary as SAIL Chairman
8. Pradosh Kumar Rath assumes charge as CMD of Rashtriya Ispat Nigam Limited

RAW MATERIALS

NMDC raises lump ore prices by Rs.300 a tonne

NMDC has increased iron ore prices owing to a rise in demand in the international and domestic markets as well as higher steel and pellet rates. The company said that lump ore price has been increased by Rs 300 from Rs 3,550 per tonne to Rs 3,850 per tonne, and fines price by Rs 200 from Rs 3,110 per tonne to Rs 3,310 per tonne. This is the second time that prices are being increased in September, with the first one being its regular price announcement during the first half of the month. The price hike is applicable to the Karnataka mines also. Basant Poddar, former chairman and member of Federation of Indian Mineral Industries (FIMI) South, said as global and domestic steel prices are strong, this move is in the right direction. He added that the reasons for price hike are rains, less production in Eastern India coupled with robust demand along with very strong steel and sponge iron prices.

Source: Business Standard, September 27, 2018

FIMI seeks govt support for Karnataka iron ore export

Apex Mineral body FIMI sought government support to open up Karnataka's iron ore-rich mining industry, which cannot export the mineral due to a Supreme Court ruling. In this regard, Federation of Indian Mineral Industries (FIMI) said it has also written letters to ministries of steel, mines, Commerce and the NITI Aayog. India has set up a target to ramp up its steel-making capacity to 300 million tonne (MT) by 2030-31, FIMI said, adding that in order to achieve this aim, the country would also need proportionate quantity of raw materials like iron ore and coal.

Source: Financial Express, September 28, 2018

COMPANY NEWS**Tata Steel to pay at least Rs.4,300cr for Usha Martin steel arm buy**

Tata Steel has entered into an agreement to acquire the 1-million-tonne steel business of debt-ridden Usha Martin Ltd (UML) for a cash consideration of Rs.4,300- Rs.4,700 crore. The process of acquisition is likely to be completed in 6-9 months. As on March 31, Kolkata-based Usha Martin had Rs.4,600-crore debt against a consolidated turnover of Rs.4,767 crore, of which Rs.3,441 crore was contributed by the steel business. The company also has a wire-rope business. Differences between the promoters put paid to previous restructuring attempts. "Tata Steel hereby announces that it has executed definitive agreements for acquisition of the steel business of Usha Martin through a slump sale on a going concern basis," the company said in a notification. The closing of the acquisition is subject to fulfilment of various conditions under the agreement. Tata Steel or any of its subsidiaries or affiliates may carry out the acquisition, it added. The divestment of steel business will help UML to 'almost wipe out' the debt burden, said Debasish Mallick, Deputy Managing Director, Exim Bank, which has nearly Rs.400-crore exposure in UML.

Source: Business Line, September 24, 2018

Jindal Stainless plans Rs.15-bn expansion

Leading stainless steel maker Jindal Stainless Ltd plans to invest Rs 15 billion to expand the capacity of its Steel Melting Shop (SMS) from 0.8 to 2.2 million tonnes per annum (mtpa) and double its cold roll mill capacity from 0.8 to 1.6 mtpa. "We are seeking environment clearance for 2.2 million tonne per annum (mtpa) of the

SMS. Without much investment, we will reach 1.1 mtpa by next year and 2.2 mtpa in another two years. We will be expanding in two phases. Though we've sought approval for 2.2 mtpa, we're looking at an operational capacity of 1.6 mtpa," a company source said. However, the expansion of the SMS will depend on the behaviour of the market, he added. With all the infrastructure already available at its Kalinganagar facility, the incremental cost to the company for pursuing expansion will be lower.

Source: Business Standard, September 28, 2018

Tata eyes synergies with Usha Martin

Tata Steel, which pipped four others to a definitive agreement for Usha Martin's steel business, is eyeing synergies with its Jamshedpur facility. The Usha Martin unit is located in Adityapur, which is near Jamshedpur. "The proximity of the plant to our existing steel works in Jamshedpur brings in significant synergy in logistics of supply of raw materials, especially intermediary steel products", said a Tata Steel spokesperson. Tata Steel's Jamshedpur facility has a capacity of around 10 million tonnes. While most other companies in the fray were discussing an offer in the range of Rs35 billion, Tata steel offered a cash consideration of Rs43-47 billion, subject to transaction adjustments. Apart from Tata Steel, Usha Martin's steel business had evoked interest from JSW Steel, Liberty House, Kalyani and Vedanta. However, Tata Steel's rationale is that it was an attractive investment as the cost of building this investment with time value of money would be much higher. That was the same principle that Tata Steel had applied when it acquired Bhushan Steel under the Insolvency and bankruptcy code (IBC).

Source: Business Standard, September 24, 2018

Usha Martin takes the path less trodden

Specialty steel and wire ropes maker Usha Martin's decision to sell one of its core businesses — steelmaking — to prune outstanding debt, marks the rare instance of an Indian corporate borrower meeting its loan obligations through divestment. The slump sale is a milestone in the six-decade history of the Kolkata-based company, whose board on Saturday approved the divestment of its one million tonne steel business in favour of Tata Steel for Rs 4,600 crore. Proceeds will be used to 'first repay existing lenders of the company'. Usha Martin will retain a profitable wire ropes unit as residual business, and has plans to scale it up significantly. "Ours is a unique case where lenders will get paid back without any haircut," Rajeev Jhawar, managing director, Usha Martin, told ET soon after the company's board approved

the sale. Usha Martin will get paid for fixed assets, with the deal being structured on a zero working capital basis. With a nominal working capital of Rs 600 crore, it is worth Rs 5,200 crore. “The amount will be kept in an escrow account with our lead banker, State Bank of India and most of the debt will be cleared off,” Jhawar said. “It will also help us grow our wire ropes business, which has suffered due to lack of investment.” Usha Martin is among the top four wire rope players globally. Acknowledging that the deal gives him the sorely needed elbow room, Jhawar said the profile of the buyer was the biggest relief for him.

Source: Economic Times, September 24, 2018

PROJECTS

UML steel biz buy to help Tata Steel bolster position in long products

The acquisition of Usha Martin’s steel business will help Tata Steel strengthen its position in the long products segment, which is currently much smaller compared to the company’s flat products offerings. It will also help the company improve its product mix in the value-added segment. The Tata group company announced on Saturday that it has executed definitive agreements for acquisition of the steel business of Usha Martin (UML) through a slump sale on a going concern basis. The deal, which is valued in the range of Rs 4,300-Rs 4,700 crore, will be on a cash consideration basis, subject to closing of the transaction. Analysts believe that the deal will be at a reasonable valuation and have a limited impact on the leverage ratio. The valuation, as analysts at Kotak Institutional Equities observe is at 6-6.5X potential EBITDA (earnings before interest, tax, depreciation and amortisation) and will be marginally earnings accretive. Koushik Chatterjee, group executive director (finance and corporate), Tata Steel, said the UML deal will be structured in a manner that it does not cause stress either to UML’s business or to the overall balance sheet of Tata Steel.

Source: Financial Express, September 25, 2018

Usha Martin deal will make Tata Steel the largest producer

Tata Steel’s plan to acquire the steel division of Usha Martin Ltd. is expected to contribute 3.5 per cent to the standalone Ebidta (earnings before Interests, taxes, depreciation and Amortisation) by FY’20 while being credit neutral. Tata Steel has signed a definitive agreement to acquire Usha Martin’s steel division for Rs.4,300-4,700 crore.

Source: Business Line, September 27, 2018

FINANCIAL

Tatas' Usha Martin deal to be credit positive: Moody's

Moody's had said the proposed acquisition of Usha Martin is credit positive for Tata Steel because it will help the company to strengthen its overall business and expand its presence in eastern India. Usha Martin's steel business comprises a one million tonne per annum steel manufacturing capacity at Jamshedpur, a producing iron ore mine, a coal mine under development and captive power plants. The transaction remains subject to various regulatory approvals and is likely to close over the next six to nine months. Tata Steel will pay a cash consideration of Rs 4300-4700 crore for the asset, which will be funded through a mix of incremental debt and internal accruals. In addition, the acquisition will also help Tata Steel to further widen its long products offering and increase the proportion of value-added goods in its product mix. The captive raw material sourcing at Usha Martin's steel operations will supplement Tata Steel's existing business, which is also largely vertically integrated, thus alleviating any concerns about raw material sourcing as it continues to expand its production capacity both organically and inorganically, Moody's said.

Source: Economic Times, September 26, 2018

Restructured Numetal eligible for Essar bid, not Arcelor: Creditors

The Committee of Creditors (CoC) in charge of reviving the ailing Essar Steel Tuesday told the Supreme Court that the restructured Numetal was eligible to bid for Essar Steel, but ArcelorMittal was not. The committee of creditors insists that Essar Steel has turned corners. The courts should allow the CoC to examine who has management and control of the entity which is bidding, so those unwilling to repay debts to public banks can be kept out of resolution process. The committee of creditors has refused to consider ArcelorMittal's bid for Essar Steel, prompting the company to move the top court.

Source: Economic Times, September 26, 2018

Numetal offers to match Arcelor's \$5.8-bn Essar bid

A VTB Capital-led consortium has offered to match ArcelorMittal's Rs 420-billion (\$5.8 billion) bid for Essar Steel India, heating up the long drawn battle for the

biggest steel mill being sold under the bankruptcy law. Numetal, the consortium led by VTB, is willing to revise its earlier bid of Rs 370 billion for the 10 million tonnes a year steel manufacturing unit, Mukul Rohatgi, the lawyer representing the company, told the Supreme Court on Thursday. At the same time, rival bidder ArcelorMittal must pay the Rs 70 billion its group companies owe to creditors to stay in the race, he said. The court is yet to take a decision. Acquiring Essar Steel's assets will give the buyer a sizable presence in a sector that is expected to benefit from India's plan to invest trillions of rupees on roads, ports and airports. That's prompted a prolonged legal challenge by bidders in multiple courts to prove their eligibility and delayed the sale. Essar owes creditors about Rs 507.8 billion. On September 7, an appeals court had asked ArcelorMittal, the world's largest steelmaker, to pay off dues in group companies — KSS Petron and Uttam Galva Steels — to be a valid bidder. The Supreme Court on Wednesday reserved its verdict on cross-appeals of Numetal and ArcelorMittal, challenging the National Company Law Appellate Tribunal (NCLAT) order on the eligibility of the UK-based firm for Essar Steel. While ArcelorMittal had challenged the order asking it to pay Rs 70 billion to become eligible, Numetal had alleged that the NCLAT had "wrongly" applied legal provisions to enable its rival bidder to pay the dues of two debt-ridden firms even after it had bid for Essar Steel.

Source: Financial Express, September 28, 2018

Numetal to match Arcelor's \$5.8-bn bid for Essar Steel

A VTB Capital-led consortium has offered to match ArcelorMittal's Rs 420-billion (\$5.8 billion) bid for Essar Steel India, heating up the long drawn battle for the biggest steel mill being sold under the bankruptcy law. Numetal, the consortium led by VTB, is willing to revise its earlier bid of Rs 370 billion for the 10 million tonnes a year steel manufacturing unit, Mukul Rohatgi, the lawyer representing the company, told the Supreme Court on Thursday. At the same time, rival bidder ArcelorMittal must pay the Rs 70 billion its group companies owe to creditors to stay in the race, he said. The court is yet to take a decision. Acquiring Essar Steel's assets will give the buyer a sizable presence in a sector that is expected to benefit from India's plan to invest trillions of rupees on roads, ports and airports. That's prompted a prolonged legal challenge by bidders in multiple courts to prove their eligibility and delayed the sale. Essar owes creditors about Rs 507.8 billion.

Source: Business Standard, September 28, 2018

GLOBAL STEEL

Thyssenkrupp bags Rs,410-cr order from Mazagon Docks

Thyssenkrupp has bagged a Rs410-crore contract from Mazagon Docks Shipbuilders to refit the Indian Navy's Shishumar-class non-nuclear submarine INS Shishumar. The Medium Refit and Life Certification (MRLC) contract for the submarine will commence in October this year and is expected to be completed by 2021. The upgrade will extend the operational life of the submarine by at least 10 years. Rolf Wirtz, CEO, Thyssenkrupp Marine Systems, said the deep modernisation work would ensure that INS Shishumar remains a capable combat submarine for the Indian Navy over the years to come. The Indian Navy is planning subsequent overhauls of the remaining three HDW Class 209 Type 1500 assets that were commissioned between 1986 and 1994 and which form the Indian Navy's 10th submarine squadron based in Mumbai. Supplied by Thyssenkrupp, the first two submarines were assembled at the Howaldtswerke-Deutsche Werft (HDW) at Kiel, Germany, while the third and fourth submarines were manufactured by means of material packages and Transfer of Technology (ToT) at Mazagon Docks Shipbuilders. These were the first submarines ever to be built in India.

Source: Financial Express, September 27, 2018

Thyssenkrupp weighs separation of major businesses: Sources

German conglomerate Thyssenkrupp is considering a major structural overhaul which involves a separation of individual business units, three people familiar with the matter told Reuters on Thursday. The group which makes elevators, submarines, industrial plants and automotive components, has been under pressure to simplify its sprawling conglomerate structure, and could make a decision on the matter as soon as this week, the people said. No formal agreement has been reached, and talks could still fall apart, the sources said. Thyssenkrupp's financial year ends on Sunday, Sept 30.

Source: Economic Times, September 28, 2018

NEWSMAKERS**Cabinet Committee picks Anil Chaudhary as SAIL Chairman**

The Appointments Committee of the Cabinet (ACC) has approved Anil Kumar Chaudhary Saturday as the new chairman and managing director of Steel Authority of India Ltd. While an official announcement from SAIL is likely soon, a top government source said this clears the way for Chaudhary, currently the company's director finance, to take charge at the helm of the country's largest state owned steel company. Chaudhary's tenure as CMD of SAIL is likely to be for a little over two years as he is due to retire on December 31, 2020. Chaudhary has been holding the charge of director finance at SAIL since September 2011. Prior to this he was working as executive director, finance and administration (F&A) at SAIL's Bokaro Steel Plant.

Source: Economic Times, September 22, 2018

Pradosh Kumar Rath assumes charge as CMD of Rashtriya Ispat Nigam Limited

Pradosh Kumar Rath assumed charge as the new Chairman-cum-Managing Director of Rashtriya Ispat Nigam Limited, the corporate entity of Visakhapatnam Steel Plant (VSP). He was earlier the Director (Operations) of RINL. Rath started his career in RINL-VSP as a Management Trainee in 1983 and has worked in various capacities during his 35 years of experience in steel making process in VSP itself. He has earned several laurels during his tenure and has contributed significantly to the stabilising and ramping up of production from the new expansion units and modernisation of the plant of 7.3 million ton stage. He graduated from REC, Warangal in Metallurgy and holds an MBA (HR & Marketing) from Andhra University.

Source: Business Standard, September 22, 2018