

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

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HIGHLIGHTS OF THE WEEK

1. 'India raising steel output; to be net exporter this year
2. Steel sector may see sluggish growth in 2020: Moody's
3. 'Steel output target of 300 mt is challenging amid issues over raw material availability'
4. SAIL likely to start making specialty rails in two years
5. JSW Steel eyes supply of over Rs.600-crore worth of TMT bars to metro rail projects
6. JSW plans to tie up with Suraksha for Jaypee real estate
7. SC rejects JSPL plea to sell illegally extracted iron ore
8. BHEL, GAIL, HIND Zinc & NALCO likely to be on Selloff list: CLSA

RAW MATERIAL

Coal India told to enhance supply to Chhattisgarh

Coal India Limited (CIL) had been urged to enhance coal supply to industries in Chhattisgarh, which accounted for the lion's share in the company's total output. "About 25 per cent of CIL's coal production comes from Bilaspur (in Chhattisgarh) but the local industries are not getting sufficient quantities of the fuel," said Chhattisgarh Janta Congress legislator Dharamjit Singh, while raising the issue in the state legislative assembly.

Source: Business Standard, December 1, 2019

Coal mine auctions: No windfall revenue gains for states likely

The projections of windfall revenue gains for state governments after the auction of coal mines are turning out to be a pipe dream. According to data shared by the Ministry of Coal, the revenue to Odisha from auctioned coal mines declined annually from 2015-2016 to nil in 2018-2019 and remained nil in the current year, till now. Cumulatively since 2014-2015, when the auctions were conducted, to 2019-2020, the State received just ₹51.57 crore. This amount pales against the ₹45,630 crore that was promised to the State over 30 years, the expected life cycle of the coal mines. The only coal mine in Odisha that started operations also closed down while the rest are yet to get clearances. There is also a lot of variation in the annual revenues accrued to States. In 2015-2016, Jharkhand received ₹133.72

crore as revenue from the auctioned coal mines. In 2016-2017, this amount fell to ₹18.63 crore. The following year, revenues from these mines zoomed to ₹266.71 crore but fell to ₹195.23 crore in 2018-2019.

Source: Business Line, December 5, 2019

COMPANY NEWS

SAIL likely to start making specialty rails in two years

State-run Steel Authority of India Limited is planning to commence manufacturing of special quality rails for high-speed train corridors and metro projects in the next two years, an official said. The steel maker could start making of the speciality rails at its Bhilai Steel Plant in Chhattisgarh and IISCO Steel Plant at Burnpur in West Bengal, he said. "We expect to commence head (hardened) rail project in two years. However, it is now in the planning stage. The capacity and investments have not been firmed up," SAIL's Bhilai Steel Plant CEO Anirban Dasgupta said. With more strength than the normal rails, the speciality product is used in metro rail projects and high speed train corridors.

Source: Business Standard, December 2, 2019

UBS downgrades Tata Steel to 'sell' on deleveraging concerns

UBS has downgraded Tata Steel to 'sell' from 'buy' and slashed its target price on the stock to Rs 360 from Rs 675 as it expects weak India earnings to delay deleveraging. The brokerage expects a de-rating from current levels given a domestic demand recovery is yet to materialize and European operations are still struggling with a subdued demand environment. "Despite previous guidance to reduce debt by \$1billion per year, a subdued domestic environment and weak overseas operations in H1 FY20 (April-September) led reported net debt to increase from Rs 95,000 crore in March 2019 to Rs 1,07,000 crore in September 2019," said UBS in a note. The recently concluded stake sale of NatSteel Vina (Vietnam) is positive but the brokerage remains concerned about divestment timeline in Thailand. Shares of Tata Steel ended down 1.5 per cent at Rs 420.80 on Monday, and has declined 19.4 per cent so far this year.

Source: 'Economic Times, December 3, 2019

JSW Steel eyes supply of over Rs.600-crore worth of TMT bars to metro rail projects

JSW Steel expects to supply high quality JSW Neosteel TMT Rebars worth Rs 600 crore to various Metro rail projects under construction this fiscal. In the last two months, the company had supplied 30,000 tonnes Neosteel Rebars for Metro projects. This takes its overall supply of rebars to metro construction projects to over 85,000 tonnes in this fiscal. In the current financial year, the company expects to increase supplies to the Metro Rail projects to about 1.50 lakh tonnes against average of 1 lakh tonnes logged in last few years. It is supplying to Metro Rail projects in Mumbai, Nagpur, Pune, Bangalore, Chennai, Kolkata, Indore, Bhopal, Lucknow and Ahmedabad. The ongoing supplies and those already completed in the current fiscal will boost JSW Steel's supplies to metro rail projects to over Rs 600 crore following successful completion of these deliveries. The company bagged these Metro Rail orders through key EPC partners with ongoing supply arrangements. The Metro Rail projects in these cities are expected to cumulatively add over 760 km urban rail transit lines to India's fast expanding metro network.

Source: Business Line, December 4, 2019

JSW plans to tie up with Suraksha for Jaypee real estate

Steel major JSW group is in an advanced stage of talks with Mumbai-based Suraksha Realty to provide it financial and technical support as the latter submitted its final bid to acquire Jaypee Infratech through the insolvency process. Suraksha and state-owned NBCC are among the two bidders that submitted bids on Tuesday. According to sources, discussions are on between the realty company and JSW group company JSW Infratech. The entry of JSW as a backer to the realty company provides a new twist to the long process to find a buyer for Jaypee Infratech which went into insolvency in August 2017. JSW Infra will also provide technical expertise in building and operating infrastructure assets. However, a JSW group spokesperson declined to comment on the issue. Sources say Suraksha has already tied up Rs 2,000 crore funds for the asset with Standard Chartered Bank. JSW Infrastructure could bring in additional financial support that could be potentially used to complete the real estate projects

Source: 'Economic Times, December 4, 2019

SC rejects JSPL plea to sell illegally extracted iron ore

The Supreme Court on Tuesday refused to allow Jindal Steel & Power to sell and transport 12 million tonne of illegally-extracted iron ore worth Rs 2,000 crore from Sarda mines in Odisha. A Bench led by Justice S Abdul Nazeer while refusing interim relief said: “Sarda is mined illegally. How can we allow it...just because its sold to you (JSPL).” It posted the case for further hearing in the second week of January. JSPL opposed sale of iron ore by banks, saying the iron ore belonged to it and it should be allowed to consume and transport it from the current location, which is Sarda Mines. However, banks opposed JSPL’s plea, saying they have a statutory charge over the same iron ore. The lenders argued that they should be allowed to sell the extracted iron ore and the money realised should go to the trust and debenture account. A consortium of banks led by the State Bank of India had claimed that JSPL owes them Rs 7,400 crore.

Source: Financial Express, December 4, 2019

Essar Steel recovery: How it is a ‘win-win for banks and ARCs

The Supreme Court ruling in the Essar Steel case has brought significant relief to banks apart from Edelweiss ARC, the largest lender after SBI in the account. Several lenders, including HDFC Bank, had sold their exposure in Essar Steel to Edelweiss ARC, fearing that resolution could stretch for a long period of time amid endless litigation. The SC recently ordered that ArcelorMittal’s ₹42,000-crore offer for Essar Steel be distributed according to the resolution plan approved by Essar Steel’s Committee of Creditors (CoC). Edelweiss ARC had secured financial creditor claim of ₹8,300 crore, against which recovery would be about 89.5 per cent, or ₹7,400 crore. The ARC represented nine banks from whom loans were acquired. “Since a major portion of the acquisition was from banks under the 15:85 structure at 55-60 cents to the dollar, the incremental value and upside from the recovery will be passed on to banks,” Siby Antony, Chairman, Edelweiss ARC, told in an interview.

Source: ‘Business Line, December 3, 2019

STEEL PERFORMANCE

Steel sector may see sluggish growth in 2020: Moody’s

India's steel demand will slow down on account of weak auto and manufacturing order, but will remain strongest in Asia, Moody's Investors Service said on

Tuesday. India will remain the world's second-largest steel producer behind China after having overtaken Japan in 2018, it added. "India's steel demand growth pace will slow because of weak auto and manufacturing demand... India's demand growth, remains strongest in Asia even as growth pace slows," the US-based agency said in its outlook report titled 'Asia: Steel - 2020 outlook'. The country's steel output will increase on higher capacity utilisation as demand grows. "India's strong demand will keep imports high, but protectionist measures such as import taxes and anti-dumping duties will safeguard domestic steel producers," it said. The US tariffs will have a limited impact on rated producers' sales. But the prolonged US-China trade disputes will have a spill-over impact through weaker macro conditions, the agency said.

Source: Economic Times, December 4, 2019

‘Steel output target of 300 mt is challenging amid issues over raw material availability’

The Indian steel industry will be able to achieve its crude steel production target of 300 million tonnes (mt) by 2030 only if the issues surrounding raw material availability are addressed. The steel sector will also require adequate funding support to be able to scale up capacity, according to experts. The National Steel Policy (NSP), 2017 envisages investment to the tune of ₹10-lakh crore to scale up crude steel production capacity to 300 mt by 2030-31, up from the current capacity of around 140 mt. According to MV Subbarao, Chairman and Managing Director, KIOCL Ltd, raw material issues, which includes both availability and quality, need to be sorted out so as to be able to scale up the country's steel production capacity. To achieve steel production of 300 mt, the coking coal requirement should increase three times to over 180 mt from the current 60-70 mt. The NSP also envisages an increase in the share of domestic washed coking coal and a lowering of import dependence to 50 per cent by 2030-31. In a bid to ensure quality scrap for the steel industry and bring down imports, the Centre had, earlier this month, come out with a Steel Scrap Recycling Policy.

Source: Business Line, November 30, 2019

‘India raising steel output; to be net exporter this year’

India has been consistently increasing domestic production of steel and is a net exporter in the current financial year, Union minister Dharmendra Pradhan said on Monday. He also said the total number of steel plants in the country stood at 977. During the Question Hour, he said steel is a deregulated sector where market

forces and commercial considerations decide construction and location of new steel plants. He was responding to a query on whether the government proposes to set up new steel plants in Haryana. According to him, India has become a net exporter of steel in the current year.

Source: Financial Express, December 3, 2019

GDP growth slumps to 6-year low of 4.5% from July - September

Indian economy recorded slowest growth rate in six years during July-September quarter. However, the Finance Ministry put up a brave face by saying that economy has bottomed out. According to data released by the Ministry of Statistics and Program Implementation, the second quarter GDP (Gross Domestic Product) growth rate was 4.5 per cent as against 7 per cent during corresponding period of last fiscal (2018-19). This is the lowest growth rate after fourth quarter (January-March) of fiscal year 2012-13, when GDP growth rate was 4.3 per cent. Also, this is sixth successive quarter of growth rate declining. With growth rate on decline, core sector (eight key industries) on contraction, fiscal deficit widening and retail inflation on rise, all eyes are now on Monetary Policy Committee headed by RBI Governor. The committee will meet next week to take a call on rate cut. Even after rise in retail inflation, there is hope that the committee will go for another rate cut in addition to 1.35 per cent cut during the current year.

Source: Business Line, November 30, 2019

FINANCIAL

Steel industry doing well, stock correction a good chance to buy

The correction in steel stocks over the past two days is likely an overreaction to a delay in trade deals involving the world's two biggest economies. Given the favourable valuations and fundamentals, this might be an opportunity to buy. JSW Steel, Tata SteelNSE -0.76 %, Jindal Steel & Power and state-owned SAILNSE 0.00 % corrected more than 5 per cent in the past two days after US President Donald Trump's announcement on a likely delay in trade talks with China. But contrary to this, domestic steel players have taken a 2-3 per cent price increase on Monday. Global steel prices are also up 3.5 per cent. Domestic steel players hiked prices by 2-3 per cent in the beginning of November too and have the headroom for another 2-3 per cent. In the past five weeks, Indian steel prices are up 5-6 per cent, as compared to this global steel prices are up 9-11 per cent. Imported steel

price after including duties are near Rs 37,000 per ton, Indian Steel prices are at Rs 36,000 per ton, thus allowing more headroom for future price hikes.

Source: Economic Times, December 5, 2019

Analysts turn bullish on SBI, ICICI Bank after Apex court's verdict in Essar Steel case

Battered banking stocks suddenly found favour with analysts and brokerages. According to them, the reasons for the change in sentiment towards banking stocks, especially SBI and ICICI Bank, are the recent verdict of the Supreme Court in Essar Steel case upholding IBC resolutions and easing of stress in the telecom sector. For SBI, the upcoming initial share sale of its card division is an added booster, they said. According to UBS, three positives for SBI will offset three risks for the next 12 months. "IBC resolutions likely to offset recent stress; SBI seems well positioned for recoveries due to IBC resolutions over the next six months that we believe would offset pressure from recently stressed large corporates.

Source: Business Line, December 6, 2019

OTHER METALS

MCX – Aluminium bounces from a key base

The December futures contract of Aluminium on the Multi Commodity Exchange of India is trading at around ₹133 a kg. Since encountering a key resistance at around ₹150 in May this year, the contract has been in an intermediate-term downtrend. However, the contract found support in the band between ₹128 and ₹130 in late October and started to move sideways in a broad range between ₹128 and ₹136 thereafter.

Source: 'Business Line, December 3, 2019

Nalco moves SC against Vedanta's unit

State-run aluminium producer National Aluminium Company (Nalco) moved the Supreme Court against the Odisha High Court's March order that allowed Vedanta's Jharsuguda unit to participate in its tender for the sale of surplus 30,000 mt of metallurgical grade calcined alumina. Nalco, the leading producer of low-cost metallurgical grade alumina in the world, while opposing Vedanta's

participation, told the Bench led by Chief Justice SA Bobde that as per its policy, the tender for alumina exports can be issued only to overseas customers and, therefore, Vedanta cannot participate in the tender. The PSU said that since 2005 it sells alumina to overseas firms only and if at all Vedanta wants to participate, it could apply only as a foreign buyer through its London-based company and not as a domestic purchaser.

Source: Financial Express, December 4, 2019

Base Metals' prices may remain weak on trade tensions

Prices of base metals are likely to remain weak because escalating tension between the US and China is expected to weigh on demand, analysts said. They expect prices to remain bearish in the month ahead, after President Donald Trump's remark that a Chinese trade deal might now have to wait until after the US election in 2020. Also, the Trump administration is weighing on the threat of China hinting that it would soon publish a list of unreliable entities, which could lead to further sanctions against US companies. On Wednesday, base metal prices on the London Metal Exchange saw a negative trend. "The biggest loser was nickel with the Shanghai benchmark hitting its lowest in more than four months on dimming hopes for a preliminary US China trade deal," said Navneet Damani of Motilal Oswal.

Source: Economic Times, December 5, 2019

Hindalco's downstream products to lower India's logistics cost

Hindalco Industries, the flagship company of Aditya Birla Group, is strengthening its presence in India's transportation segment, to help lower logistics cost by 10-15 per cent. "We are entering the Rs 1000 crore truck-and-trailer market in India, replacing the existing mild-steel usage with aluminium alloy," managing director Satish Pai told Business Standard. "This will bring down logistics cost in the segment by 10-15 percent as the lightweight aluminium vehicle will carry more tonnage," he added. Aluminium trailers along with the recently launched bulkers are the two consumer-facing products the company is looking to establish in the domestic market. These trailers and bulkers can facilitate transportation of cement, chemicals, food grains among other bulk cargo. The company's entry into the transportation segment of logistics sector is part of its plan to widen presence in downstream business, which insulates Hindalco from vagaries of commodity prices. Logistics cost in India is at around 14 per cent at present. This is much

higher than Japan's 11 per cent and US' 9-10 per cent. Of this, transportation and warehousing makes majority of the logistics cost.

Source: Business Standard, December 5, 2019

MISCELLANEOUS

BHEL, GAIL, HIND Zinc & NALCO likely to be on Selloff list: CLSA

The government will likely need sizable privatisation income over the next five years given the fiscal pressures, with BHEL, GAIL India, Hindustan Zinc and NALCO likely to be the possible candidates, according to foreign brokerage CLSA. PSU stocks with limited scope for privatisation such as ONGC, NTPC, Power Grid, Indian Oil Corporation, and Coal India, may continue to face selling pressures. "The government has earned \$12 billion via PSU stock sales through ETFs in the last three years and fear of more such sales will put supply pressure in the market on non-disinvestment candidates," said CLSA. waver, the chances of the government concluding the BPCL privatisation before the end of the current financial year is challenging, the brokerage said.

Source: Economic Times, November 30, 2019

Odisha slurry bidding heats up as Triveni offers Rs.4,000 cr

Tamil Nadu-based Thriveni Earthmovers has raised the ante in its bid to acquire Odisha Slurry Pipeline Infrastructure (OSPIL) with an upgraded offer of Rs 4,000 crore, as against Rs 2,350 crore being offered by ArcelorMittal, the only other bidder in the fray. With a total admitted claims of OSPIL's financial creditors amounting to Rs 2,660 crore, this will be one of the rare instances where an asset has drawn a bid above the full-recovery value. "Thriveni is ready to give further upside to the lenders over a period of time. It is also important to clarify that its plan is not conditional to the outcome of legal dispute around the title of the asset," a person close to the matter said. The bid is being funded through Thriveni's internal accruals, the person added. Lenders are in favour of Arcelor's bid of Rs 2,350 crore, which the company has offered to pay an upfront cash against the original bid of Rs 3,300 crore by Thriveni Earthmovers. Thriveni, which has so far offered a cash payment of Rs 8 crore, is willing to offer the entire amount up front if the resolution professional takes away the requirement of providing a letter of commitment, according to sources.

Source: Business Standard, December 6, 2019

NCLAT allows JSW's plea against order on Vardhaman Industry

The National Company Law Appellate Tribunal (NCLAT) has allowed JSW Steel's appeal against certain clauses pertaining to liabilities and receivables in the National Company Law Tribunal's order approving its resolution plan for ailing steel company Vardhaman Industries (VIL). "The company had preferred an appeal before NCLAT challenging certain portions of NCLT orders, and the judgment on the same has been pronounced on December 4, 2019, allowing the said appeal of JSW," JSW Steel said in a notification to the stock exchanges on Thursday. While the notification said "the company is yet to receive the copy of the NCLAT order for appropriate action", some people aware of the matter said the appellate tribunal has upheld JSW Steel's contention. If JSW Steel's contention is upheld, the steelmaker will have moved closer to completing its acquisition of Ludhiana-based VIL, which was referred for insolvency proceedings under the Insolvency and Bankruptcy Act last year. On December 19, 2018, NCLT had approved JSW Steel's Rs 62 crore resolution plan for VIL, which makes value added steel products like galvanized tubes, pipes, coils, precision tubes, galvanized sheets, corrugated tubes and cold rolled sheets.

Source: Economic Times, December 6, 2019

Real estate, auto sectors likely to take a hit

The Reserve Bank of India's (RBI's) move to pause rate cuts will hit the beleaguered real estate and auto sectors hard. These sectors were expecting another rate cut by the central bank to help revive sagging consumer demand. CEOs said benefits from the previous rate cuts are yet to play out completely and the real estate industry is still reeling from the liquidity crisis as consumers are not coming forward to buy new houses or cars. Real estate developers were expecting a rate cut of 50 to 100 basis points which would have provided a boost to the government's recent initiatives to rev up the economy. "One-time roll over to restructure bad loans would have been a logical step across industries. Thus, the decision to wait and watch the outplay of the previous cuts will go against the current sentiments," said Niranjana Hiranandani, MD of real estate firm Hiranandani Constructions. A rate cut would have helped the balance sheets of builders, which are defaulting on bank loans as customers are not booking under-construction flats as they fear the developer won't be able to complete the project in time. Several builders like Peninsula Land in Mumbai have failed to repay bank loans. Customers are not booking new homes even though builders have reduced prices of their under-construction flats by 20 per cent in Mumbai.

Source: Business Standard, December 6, 2019
