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 Report by Joint Plant Committee

September 5-11, 2015

RAW MATERIALS

Tata Steel resumes iron ore purchase from NMDC to meet shortfall

Tata Steel is buying iron ore from NMDC Ltd to meet supply shortfall from its own mines. Sources confirmed that in the past couple of months, Tata Steel has bought iron ore from NMDC. Last year, Tata Steel had bought 0.8 million tonnes iron ore from NMDC and imported around 1.5 million tonnes to meet the shortfall for the Jamshedpur plant during the four-month closure in the same mine ordered by Jharkhand government. In the October-December quarter last year, NMDC price for high-grade ore was around Rs 4,600 a tonne, lower than the prevailing landed cost of imported iron ore. However, because of scarcity in the domestic market, Tata Steel also imported the raw material. According to industry sources, availability of ores in the domestic market has improved this year. After a 6 per cent reduction in April this year on eased availability and lower demand, the NMDC price for lumps (top grade ore) now stands at Rs 3,050 a tonne whereas import cost varied between Rs 3,250 and Rs 3,400 a tonne.

Source: Business Line, 7th September, 201

COMPANY NEWS

Struggling to SAIL

The stock of Steel Authority of India (SAIL) has lost 43 per cent since January this year. The weakness in global steel prices along with a surge in steel imports has hurt domestic steel manufacturers. Following the 70 per cent jump last fiscal, India's steel imports surged 53 per cent in the June 2015 quarter. The impact of this is reflected in the poor financial performance of SAIL in the recent June quarter. In the past too, the steel major has put up a poor show. The operating profit has successively shrunk over the years, reaching Rs 4,023 crore by 2013-14, a third of that in 2009-10. The last fiscal was however an exception when, helped by lower raw material cost, the company reported 15 per cent growth in operating profit. After the fall in price, the stock at Rs 47 discounts its consolidated book value as on March 2015 by 0.4 times. This is much lower than its five-year average valuation of 1.2 times. Still, investors can consider exiting the stock, as it does not offer potential for much upside. This is particularly so given the challenges facing the global steel industry.

Source: Business Line, 7th September 2015

Voestalpine plans for China

Austrian group Voestalpine expects to go ahead with construction of a new specialised steel plant in China as long as "dramatic" things do not emerge that could jeopardise the project, Chief Executive Woolfgang Eder said. “I assume we will make a decision in the course of the next year,” he told journalists late on Tuesday, adding when and where the plant will be built remain open.

Business Line: September 10, 2015

PROJECTS

Posco, Mesco to have next talks on Finex plant in Nov

South Korean steel major and Odisha based steel firm Mesco Steel are slated to have the next round of talks in November this year on the proposed transfer of Finex technology to the Mesco steel facility at Kalinganagar in Jajpur district. Finex technology, developed exclusively by Posco, is the process to smelt iron ore without using expensive coking coal. As the process uses normal coal abundantly found in Odisha, it will reduce t he cost of product ion for hot metal. The process is expected to cut hot metal production cost for Mesco by Rs 2,000-2,500 per tonne. "A delegation of Mesco Steel officials visited the Posco headquarters in Seoul recently. But the talks failed to reach a decisive stage. The next round of discussions are scheduled in November. The bipartite meeting between Posco and Mesco can take place either in Seoul or in India", said a Mesco source. Posco and Mesco would enter into a definitive pact for transfer of Finex technology. After that, the process of dismantling of Posco's Finex plant in Korea and its subsequent installation at Mesco premises would take off. To facilitate the transfer, the firms had signed a memorandum of agreement in March. In an earlier statement, Mesco had said Posco would have 26 per cent equity in the joint venture (JV) project . consultant Dastur & Company was roped in to study the modalities of the technology.

Source: Business Standard, 7th September, 2015

Tata Steel starts coke oven output in Odisha

Tata Steel has commissioned production at its coke oven plant at the greenfield Kalinganagar site in Odisha. Production began on September 4, said the company in a press release, adding that the heating of the coke ovens had begun on May 19. Various units of the plant will start commercial production sequentially. In the first phase of 3 million tonnes per annum, the steel plant will have two coke oven batteries.

Business Line: September 11, 2015

SAIL takes up Rs. 1,800-cr upgradation programme at Bokaro plant

Steel Authority of India Ltd has taken up a Rs. 1,800-crore upgradation and repair programme at Bokaro Steel Plant in Jharkhand. Anutosh Maitra, Chief Executive Officer of BSP, told BusinessLine that under this programme, the SAIL plant would upgrade its steel melting shop (SMS) and also would get a new sinter plant. A major part of the cold rolling mill would also be revamped.

Business Line: September 10, 2015

FINANCIALS

Icra downgrades Jindal Steel and Power ratings

Ratings agency ICRA has downgraded the ratings on the non-convertible debentures (NCD), commercial paper, term loans, fund-based and non-fund based limits of Jindal Steel and Power Limited (JSPL), according to a release. It has also revised the long-term ratings on NCD programmes of Jindal Power. ICRA indicated that in the absence of sizeable divestments, the gross debt for JSPL at consolidated level, which stood at Rs 45,312 crore as of June 30, 2015, is likely to remain at similar levels thereby putting pressure on its credit profile.
The Financial Express, September 10 2015

POLICY

Centre Launches Probe into Rise in Steel Imports

The government has launched an investigation into increasing imports of steel, with initial findings suggesting that higher volumes threaten to cause "Serious injury" to domestic steel producers. The Directorate General of Safeguards (DGS) said so in a formal notification on Monday in what industry watchers said could be a precursor to an imposition of safeguard duty on steel imports. The four steel producers, who together account for over 50% of domestic production of hot rolled coils, led the industry clamour for protection in the wake of increasing imports, which jumped 72% in 2014-15 over the previous year to 9.3 million tonnes. Analysts tracking the sector said if the government imposes such a duty it will help stabilize steel prices.

Source: The Economic Times, 9th September, 2015

DG Safeguards recommends 20% duty on flat steel products

Indian steelmakers threatened by cheap imports have reasons for hope. The Directorate General of Safeguards has recommended a 20 per cent safeguard duty for 200 days on flat steel products, which constitute around 80 per cent of India's total steel imports. The DG Safeguards has concluded that imports of hot rolled flat products have caused "serious injury" to domestic manufacturers. The specific product under consideration was 'hot-rolled flat products of non-alloy and other alloy steel in coils of a width of 600mm or more'. The recommendation, which followed weeks of discussion with various government departments, will now be examined by the Board of Safeguards, headed by Commerce Secretary Rita Teaotia. "If the Board agrees with the findings, it shall recommend imposition of the duty to the Finance Ministry," an official statement said. Safeguards duties are emergency measures that are WTO-compliant and may be temporary applied when imports threaten domestic industry. Domestic steel makers Steel Authority of India Ltd, Essar Steel and JSW Steel had filed an application on July 27 seeking imposition of safeguard duty. The information presented in the application was verified by on-site visits before a formal investigation was launched on September 7. "There exist critical circumstances, where any delay in application for provisional safeguard measures would cause damage that would be difficult to repair, necessitating immediate application of a provision safeguard duty for a period of 200 days, pending final determination of serious injury and threat of serious injury," Vinay Chhabra, DG Safeguards, recommended as part of the preliminary findings.

Source: Business Line, 9th September, 2015

INDUSTRY PERFORMANCE

Stressed steel-makers seek special package from Centre

Steel companies have reached out to the government seeking a special financial package, including restructuring their loans up to March next year without increasing the provisioning requirement for banks. In a recent letter to Finance Minister Arun Jaitley and RBI Governor Raghuram Rajan on behalf of steel companies, the Indian Chamber of Commerce (ICC) has urged the government to consider setting up an institution like the Power Finance Corporation to take over loans extended by banks to the steel industry and set up a separate fund to infuse equity capital in steel companies. Currently, banks have to make a provision of 5 per cent for restructured loans. Banks have extended loans to the tune of Rs. 1.96 lakh crore to steel companies, which have been struggling with slowing domestic demand and surging imports. The letter notes that during the difficult economic climate between 1999 and 2002, "the Government of India had given a special package for steel companies, and even during the 2008 Lehman crisis, the RBI had allowed a special dispensation" to the industry. The Chamber said that the current problems besetting the industry are the result of factors beyond the control of promoters and banks.

Business Line: September 11, 2015