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

April 29 – May 05, 2017

HIGHLIGHTS OF THE WEEK

1. The Cabinet decision to enable a price preference for domestically produced iron and steel is going to aid the industry by nearly Rs. 40,000 crore a year, said Union Steel Minister Chaudhary Birender Singh.
2. The Union Cabinet on Wednesday approved the National Steel Policy 2017 in a bid to boost domestic production of steel.
3. The government's decision to make purchase of domestic steel mandatory in select government projects will revive demand and give a much-needed impetus to steel companies reeling under debt burden, however, the key challenge lies in its implementation feels the company heads.
4. Buoyed by a three-fold rise in exports in 2016-17 over the previous fiscal year, state-run Steel Authority of India (SAIL) is hoping to more than double its outward shipment to 1.6 million tonne in the current fiscal year, which would roughly comprise 10% of its total production.
5. The Sajan Jindal-led JSW today said it might set up a 10mtpa capacity greenfield steel mill in Odisha, preferably in the location earlier chosen for Posco plant.
6. Bhushan Steel's Lenders Reject its Loan Recast Plan

RAW MATERIAL

Iron Ore Futures are Roaring

Iron ore prices have stabilised over the past week, but if futures markets are anything to go by, prices are set to rise again. The fall in the price has been well documented since benchmark 62% fines hit a high of $94.86 per tonne on February 21. That preceded a plunge of more than 30%, before the price finally bottomed out at $61.60 on April 19. Since falling steeply, the prices have found support in the mid$60 range, closing last night at $68 per tonne. And it looks like there might be more good news on the way, despite manufacturing PMI data on Tuesday that missed analyst's forecasts. Iron ore futures are ripping higher again, up by 4.6% and climbling.

Source: Economic Times, May 3, 2017

PROJECTS

SAIL plans to double steel exports to 1.6 mt in FY18

Buoyed by a three-fold rise in exports in 2016-17 over the previous fiscal year, state-run Steel Authority of India (SAIL) is hoping to more than double its outward shipment to 1.6 million tonne in the current fiscal year, which would roughly comprise 10% of its total production. The company would target traditional markets such as Bangladesh, Nepal, Thailand and Sri Lanka apart form South Korea and Malaysia and countries in the EU like Italy and Spain, among others. SAIL generally exports products like billets, plates, slabs, HR coils and stainless steel. It exported 7.2 lakh tonne steel in 2016-17. In the face of subdued demand growth in the domestic market, exports have been on the priority list of domestic steelmakers for quite sometime now, particularly at a time when the production is on the rise. SAIL recorded 8% growth in sales in FY17 at 13.14 mt, its highest-ever. In March also, its sales registered the best-ever monthly figures at 1.57 mt.

Source: Financial Express, May3, 2017

JSW likely to set up mega steel mill on Posco site

The Sajan Jindal-led JSW today said it might set up a 10mtpa capacity greenfield steel mill in Odisha, preferably in the location earlier chosen for Posco plant. JSW chief Sajan Jindal said this after meeting Odisha Chief Secretary A P Padhi here this evening. "We are interested to set up a 10 mtpa steel mill in Odisha. I discussed the matter with the chief secretary," Jindal told reporters. Asked whether the company was eyeing on the land near Paradip earlier acquired for Posco project, Jindal said: "Posco site is one of the possibilities. We are examining locations in different places including one near Paradip."
Earlier last year, Jindal after a meeting with chief minister at a businee meet in Bangaluru had expressed his desire to set up a mega steel plant in Odisha. Sources in the state govenrment say that the company is likely to invest Rs 50,000 crore for the 10 mtpa steel mill and a 900 MW capacity power plant.

Source: Business Standard 29th April, 2017

COMPANY NEWS

SAIL might stay in the red in GY18

A rebound in the prices of steel notwithstanding state-run-steel-maker, Steel Authority of India (SAIL), might remain in the red in 2017-18, a parliamentary standing committee has observed. The Committee’s estimates are, however, not backed by any detailed working. SAIL has now reported losses for seven quarters in a row. “SAIL is likely to post a net loss of Rs.4,211 crore during 2017-18”, the panel observed. The company is targeting.revenue of Rs.64,155 crore this fiscal. A plunge in the prices of steel has seen SAIL reporting a lower top line, the last three years from Rs.53,470 crore in 2014-15 to Rs.43,934crore in 2015-16 and Rs,31,330 crore in the first nine months of 2016-17. To add to the steelmaker’s woes, the Indian market was flooded with cheap imports from China, Japan and Korea before the government stepped in to impose a minimum import price in February 2016. Later, some products attracted an anti-dumping duty. SAIL, meanwhile, had to halve the bonus for its 70,000 odd non-executive employees in 2015-16. Chairman, P.K. Singh informed the committee that the firm’s financial performance has improved in the nine months to December, with net sales rising 14.9% to Rs.31,330 crore and the earnings before interest, taxes, depreciation and amortisation (Ebidta) improving by Rs.2,115 crore to Rs.529 crore. The net loss for the period stood at Rs.2,062 crore. Both production and sales of saleable steel increased 16% during the period at 10.2 mt and 9.7 mt respectively, over the corresponding period previous fiscal.

Source: Financial Express, May 1, 2017

Tata Steel UK completes sale of speciality steel biz

Tata Steel UK on Tuesday announced that it has completed sale of its speciality steel business to Liberty House Group for 100 million pound. The struggling steelmaker said the sale includes several South Yorkshire-based assets, including electric arc steelworks and bar mill at Rotherham, steel-purifying facility in Stocksbridge and a mill in Brinsworth. Besides, it covers service centres in Bolton and Wednesbury, UK, and Suzhou and Xi’an, China, the company said in a statement. The speciality steel business directly employs nearly 1,700 people making steel for aerospace, automotive and oil and gas industries. Tata Steel UK CEO Bimlendra Jha said that in the last couple of years, Tata Steel has been undertaking a transformation plan at the speciality steel division. It included investment in the state-of-the-art vacuum induction melting furnace to ensure the business has a sustainable future, he added. The company said it had recently completed consultation with its employees on proposals to structurally reduce risks in its wider UK business. Discussions are also on with the British steel pension scheme trustees and pension regulator to develop a structural solution for its UK pension scheme in coming months, the company added.

Source: Financial Express, May3, 2017

STEEL PERFORMANCE

Domestic steel-makers to get preference in govt sourcing

The Union Cabinet on Wednesday approved the National Steel Policy 2017 in a bid to boost domestic production of steel. It also approved a preference policy for domestically produced steel in government tenders. An official statement said that the highlight of the National Steel Policy is to achieve the target of 300 million tonnes of steel making capacity by 2030. This will entail an additional investment of Rs.10 lakh crore by 2030-31. The target is to increase per capita steel consumption to the level of 160kg by 2030, from the existing level of around 60kg. The policy aims at self sufficiency in steel production by providing policy support and guidance to private manufacturers, MSME steel producers and CPSEs. It also aims to develop globally competitive steel manufacturing capabilities, cost efficient production and better domestic availability of iron –ore, coking coal and natural gas. Facilitating investment in overseas asset acquisitions of raw materials and enhancing domestic steel demand are also on the agenda of the steel policy. Steel Minister Chaudhary Birender Singh had told Business Line in February, “We are looking at coming out with a provision in government tenders to mandate using domestically manufactured steel for the grades that are available in India. The contractor can import grades of steel that are not available in the desired quantity in the country.”

Source: Business Line: May 4, 2017

‘Industry will get Rs. 40,000-cr boost’

The Cabinet decision to enable a price preference for domestically produced iron and steel is going to aid the industry by nearly Rs. 40,000 crore a year, said Union Steel Minister Chaudhary Birender Singh. Addressing media persons a day after the Cabinet decision, Singh said: “Nearly 10 per cent of the Rs. 4-lakh-crore budgeted infrastructure spend is expected to be routed through domestic price preference. This will come to around Rs. 40,000 crore for this year.” The Minster said in addition to providing a 15 per cent price preference while bidding for government tenders, the steel sector will also be aided by ensuring better quality domestic coal. He said: “Substitution of imported coking coal by washed domestic coal is going to save nearly one-fourth of the total foreign currency spent on importing coal.” Steel Secretary Aruna Sharma said the government was now auctioning coking coal mines separately, which would be beneficial for the domestic steel manufacturing industry. “It will make commercial sense to set up a washery and utilise the domestically produced coal instead of importing coal and be at the risk of currency and price fluctuations,” she added.

Source: Business Line, May 5, 2017

FINANCIAL

Bhushan Steel's Lenders Reject its Loan Recast Plan

A consortium of lenders tossed out Bhushan Steel's Rs.46,000 crore loan revamp plan as 'unacceptable/ and directed it to re-do the math as the current plan was loaded against the lenders even as company's prospect was brightening, said three people familiar with the matter. Banks are demanding that the company agree to the fact that it would be able to repay more loans than its initial plan shows, said those people, preferring anonymity. Rising steel prices would make the company financially healthy and improve its ability to service loans they said. The company which owes Rs.46,000 crore to banks, has said just 52% of its loans are sustainable, and the remaining could be converted into equity under the so called S4A, or Scheme of Sustainable Structuring of Stressed Assets. The S4A norms suggest that banks can restructure loans based on the projected cash flow of the company and keep the sustainable portion of loans as standard loans, and classify the remaining as bad loans and provide for them.

Source: Economic Times, May 3, 2017

GLOBAL STEEL

Chinese Steel Futures Climb

Chinese steel futures climbed to their highest in almost a month on Tuessday, supported by restocking demand following a long holiday weekend. It is still unclear whether the outlook for Chinese steel demand in May would be brighter than April.

Source: Economic Times, May 3, 2017

MISCELLANEOUS

Push for domestic steel may not help local companies

ET Intelligence Group: The Cabinet's decision to make it mandatory to use domestic steel for all government projects aims at fostering growth of value added steel products used in defense, nuclear and power applications, and which cost two-three times the regular steel products. However, in the short to medium term, it may not have any major gain for domestic steel companies as the imported steel used in government projects is limited. "In value-added steels, the policy aims at measures to encourage domestic production and thereby import substitution, and that is where the real growth can come in in medium to long term," said H Shivram Krishnan Director (Commercial), Essar Steel BSE 0.41 % India, which has a product basket comprising 50% of value added steels. According to the data from the Ministry of Steel, in FY17, the domestic steel consumption was 84 million tonnes (MT). Of this, only six MT was imported. Some analysts estimate that the import was divided into nearly 5 MT of flat products, used mainly for automobiles and 1 MT of long products. Out of this 1 MT, 0.6 MT was used in the real estate and only 0.4 MT into infrastructure, mainly government projects. Thus, the share of imported steel that will be replaced by domestic steel by the cabinet's recent decision is less than 1% of the total current demand. In FY17, Indian steel manufacturers benefited from the introduction of minimum steel import price by the government. This not only curbed the imports but also helped Indian manufacturers to start exporting. Hence, even though consumption increasing by just 1%, production rose by 10% and the incremental production was exported. But due to rising rupee, exports have become less profitable which will lead to higher competition for share in the domestic market.Rising rupee also makes Indian markets more attractive for foreign players as the minimum import prices introduced by the government are in dollars.

Source: The Economic Times, May 5, 2017

Execution is the key to new steel policy's success, say industry majors

The government's decision to make purchase of domestic steel mandatory in select government projects will revive demand and give a much-needed impetus to steel companies reeling under debt burden. The steel policy comes when the government has chalked out plans to invest over Rs. 3 lakh crore in infrastructure projects this fiscal. However, implementation of the various provisions in the policy remains a concern. The Union Cabinet chaired by Prime Minister Narendra Modi on Wednesday approved the National Steel Policy, 2017 intending to boost domestic steel consumption by including conditions in government tendered projects to use steel made in India. Ravi Uppal, Managing Director and Group CEO, Jindal Steel and Power, said while the policy has done well to address both the supply and demand side concerns, the key challenge lies in its implementation. The government should set up two working task forces — one to ensure that domestic steel is used in large infrastructure projects and the other one to make sure that raw materials such as iron ore, coking and thermal coal are available at competitive price, he said. Jayant Acharya, Director (Commercial & Marketing), JSW Steel, said the mandatory domestic steel purchase can be implemented through the right guidelines and proper documentation like it is done in the US, China, Japan and other countries. TV Narendran, Managing Director, Tata Steel, said the company looks forward to the implementation of the policy and the forecast growth of the steel consuming sectors, while it works with the government to address supply-side issues such as raw material availability and debottlenecking logistics constraints in realising the goals of the policy.

Source: Business Line: May 5, 2017