Steel In The News

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

CONTENTS

A Weekly News Report by Joint Plant Committee

July 09 – 15, 2016

HIGHLIGHT OF THE WEEK

1. Tata Steel is looking at upcoming e-auctions by state-controlled miner Odisha Mining Corporation (OMC) to secure iron ore supplies for its greenfield steel plant at Kalinganagar.

2. Thyssenkrupp, Germany's biggest steelmaker, confirmed discourse with Tata Steel about a consolidation of beleaguered European steel mills.

3. Indiaôs steel consumption dropped in June for the first time in at least 15 months, as curbs on imports raised prices in the domestic market.

RAW MATERIALS

World's top iron ore shipper chops 2017 outlook 20%

The worldôs biggest iron ore shipper cut its outlook for prices next year by 20 percent as the global market remains well supplied, loss-making miners are holding out and steel output in China will shrink further. Iron ore is seen at $44.80 a metric ton next year, Australiaôs Department of Industry, Innovation and Science said in a quarterly report on Friday. That compares with its previous forecast of $56 given in the March quarter. The prediction for 2016 was little changed at $44.20 a ton from $45. Iron ore prices were whipsawed in the first half of 2016 after three years of declines, and remain 26 percent higher after construction activity in China picked up, supporting demand. Despite the large movements, market fundamentals are broadly unchanged, according to the department, which forecast that while the nationôs shipments are set to increase further, export earnings would be flat. Data from China on Friday showed another rise in port holdings, which expanded to the highest since December 2014.

Source: The Financial Express, 9th July, 2016

Tata Steel looks at e-auctions to secure iron ore

Tata Steel is looking at upcoming e-auctions by state-controlled miner Odisha Mining Corporation (OMC) to secure iron ore supplies for its greenfield steel plant at Kalinganagar. The steel company has commissioned the first phase of the plant with a capacity of three million tonne. Tata Steel has commenced buying of iron ore from OMC. At the latest round of e-auctions, the steel firm has procured more than 90 per cent of the high-grade ore offered by OMC from its flagship Daitari mines. OMC had offered 50,000 tonnes of iron ore fines with iron content of 62-64 per cent. OMC has been struggling to find takers for its iron ore because of high floor price. But with Tata Steel's participation, its iron ore off-take is expected to go up. The next round of e-auctions of iron ore by OMC is likely to be held towards the end of August.Tata Steel has no exclusive iron ore mine for the Kalinganagar project. Iron ore requirement for the first phase of the steel plant is pegged at five million tonnes per year.To firm up raw material supplies, Tata Steel has drawn up a plan to invest Rs 2,300 crore on scaling up capacity of its captive mine, Khandabandh's, iron ore deposits to five million tonne per annum (MTPA). But lack of statutory clearances has impeded the progress of the mineȇs expansion.

Source: Business Standard, 10th July, 2016

COMPANY NEWS

Thyssenkrupp confirms talks with Tata Steel

Thyssenkrupp, Germany's biggest steelmaker, confirmed that it is in talks with Tata Steel about a consolidation of beleaguered European steel mills that are hit by overcapacity, weak demand and cheap imports. Tata Steel said on Friday it had suspended the process of selling its troubled UK arm while it held talks with potential partners, including Thyssenkrupp, about alternative and more sustainable solutions for its entire European business. In addition to its UK operations, Tata Steel Europe also owns the former Hoogovens steel plant in the Netherlands. Thyssen spokeswoman Nicola Roettger, contacted by Reuters, said on Sunday her company has long said it believes that a consolidation of the European steel industry is necessary, due to the extremely difficult economic situation. "We have also said already that in such a situation, everybody's talking to everybody else. Among other (conversations), we are also talking to Tata Steel," she said. She said it was to be left open for now if, when, and with whom further steps would be taken. More specific statements would be made only if decisive progress towards consolidation could be made.

Source: Business Line, 11th July, 2016

Steel Strips to Ride the Wheels of Recovery

Investors in Steel Strips Wheels, a manufacturer of wheel rims for vehicles, may have a reason to cheer. Expected positive growth in all segments of vehicle categories is seen benefiting the company, which derives nearly 66% of sales volumes from passenger cars, about 20% from two-wheelers and the remaining from tractors and commercial vehicles. Over the last few years, there has been a huge variation in growth in the verticals Steel Strips services. However, an ETIG analysis shows that it may change in the current fiscal as all verticals are expected to record positive growth, while an increase in the proportion of contribution from heavy rims on account of rising demand from the commercial vehicles and tractors segments is expected to boost the company's average realisation. In view of this, Steel Strips Wheels has been guiding for 11-13% growth in volume in FY17 (as compared with 5% in FY16), while revenue growth is expected to touch 20% in the same period. In the current year, tractor growth is expected to pick up on a good monsoon and commercial vehicle sales are likely to remain 10-15%, aiding its realisation. CV sales contributed 12% of the total volume in FY16 and are expected to touch 15% in FY17. A set of tractor rims sold for Rs 4,000-5,000, while CV rims fetched Rs 4,000 per tyre, car rims sold for Rs 700-800 each and scooter rims went for Rs 350.

Source: The Economic Times, 11th July, 2016

FINANCIAL

Vedanta, JSW Steel lead as Indian junk bonds report best quarter in four years

Junk bonds in India capped their best quarter in more than four years as Vedanta Resources Plcös dollar debt rallied from distressed levels, rewarding investors who rode out a commodity slump. High-yield dollar debt from Indian firms rose 7.8 percent last quarter, the most since 2012 and beating the 4.3 percent gain in Chinese notes, Bank of America Merrill Lynch indexes show. Mining group Vedanta and JSW Steel Ltd. led the advance as the Bloomberg Commodity Index gained 22 percent this year from an 18-year low in January. Lombard Odier and BEA Union Investment Management say the outlook is improving as resource prices recover. The rally has vindicated investors who called a buy during the commodity-market slump in 2015 despite refinancing risks for Indian borrowers. Vedanta has repaid more than a third of its bonds maturing in 2016, while Tata Steel Ltd. put up its European steel unit for sale to stem losses. JSW Steel Ltd. profited from a state move to curb cheap imports.

Source: The Financial Express, 9th July, 2016

Steel consumption drops in June, first time in 15 months

Indiaös steel consumption dropped in June for the first time in at least 15 months, as curbs on imports raised prices in the domestic market. Demand fell 4.3% to 6.8 million metric tons from a year ago, the first drop since at least April 2015, when the steel ministry began to publish monthly data. Steel output in the worldâs third biggest producer was up 2.4% in June to 8.2 million tons. Steel imports fell a third month after the government imposed barriers to protect domestic mills from a glut of cheap steel on world markets spurred by exports from China, the worldâs top producer. Inbound shipments in June declined 33% to 597,000 tons from a year earlier, according to provisional data from the ministry. For the April-June period, imports were down 31% to 1.8 million tons. Indiaâs imposition of floor prices and safeguard taxes on imports has left end-users struggling to absorb an increase in local prices over the last couple of months and producers are finding it difficult to sell their products, Over the three-month period, production grew 3.8% to 24.5 million tons from a year ago, while consumption was little changed at 19.9 million tons.

Source: The Financial Express, 9th July, 2016

MISCELLANEOUS

British Business Secretary meets Tata Steel management on UK plants

British Business Secretary Sajid Javid met Tata Sons Chairman Cyrus Mistry on Friday to discuss the proposed sale of Tata Steelâs assets in the UK. While the details of the discussion were not disclosed, an industry source indicated that there may have been some agreement on a roadmap. On Thursday, the Tata Steel UK employees union threatened the company against a fire sale of its more profitable speciality steel business, leaving aside the Port Talbot and UK strips plants. In a letter written to Tata Steel management, Britainâs largest employees union Unite asked Tata Steel to give a binding commitment on the future of Port Talbot and its UK steel strips business. Unite has over 1.4 million members working across all sectors of the economy. The development follows unconfirmed reports that the steelmaker was planning to pause its proposed sale of loss-making UK units, while going ahead with a separate sale of its speciality steel business and tubes operation. The British government has been trying to help Tata Steel through special legislation aimed at lowering pension costs. It has also offered loans while investing in the business through share purchase.

Source: Business Line, 9th July, 2016