Steel In The News

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

CONTENTS	Page
Highlights of the week	2
Raw Materials	2
Company News	3
Policy	4
Projects	5
Financial	6
Steel Performance	7
Miscellaneous	8

A Weekly News Report by Joint Plant Committee

July 16- 22, 2016

HIGHLIGHTS OF THE WEEK

1. The government is considering privatisation of two perennially loss-making units of public-sector steel major SAIL ð Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISL) in Karnataka.

2. Owing to pressure from exporting countries and Indian small scale industries, the Centre plans to prune the list of steel products covered by the Minimum Import Price (MIP).

3. Tata Steel has conceded that it will seek shareholders nod to raise up to Rs 10,000 crore through various debt securities including redeemable non-convertible debentures (NCDs).

4. Tata Steel Ltd plans to double the productivity of its workforce in its domestic operations in the next five years in a bid to be more competitive.

5. South Korean steel major, Posco, is playing the role of a white knight to help the Miglani family-controlled Uttam Value Steels and Uttam Galva Metallics find an investor to revive their expansion projects.

RAW MATERIALS

NMDC aims to produce 35 MT ore in FY17

Even as NMDCọs iron ore sales declined 5.5% to stand at 28.84 MT in 2015-16 over the previous fiscal, the state-run firm targets to produce 35 MT of the steel-making raw material in the current fiscal and aims to produce 50 MT by 2018-19 and 67 MT by 2021-22. NMDC, a PSU without a regular head for the last six months, plans to produce 23 MT at Kirandul and Bacheli mines in Chhattisgarh and the maximum permissible (as per restrictions imposed by Supreme Court) 12 MT from Donimalai mine in Karnataka in the current fiscal. NMDCọs production fell short of 0.04 MT from its mines in the April-June quarter of the current fiscal compared to the actual target of at 7.67 MT even as its output from the Donimalai mine exceeded target by 0.14 MT to 2.78 MT.

]

Source: The Financial Express, 19th July, 2016

KIOCL renews plea for captive iron ore mines

KIOCL, a Central public sector undertaking, has urged Union Minister for Steel Birender Singh and Union Secretary Aruna Sundararajan to speed up the process of allotment of captive iron ore mines to it. The Chairman and Managing Director of the company Malay Chatterjee submitted the details through a power point presentation highlighting the status of the company and need for a captive iron ore mines. Later, Singh reviewed the performance of KIOCL in the presence of Union Secretary Steel and other senior officials of the mines ministry. The performance of KIOCL, besides the various mining lease applications, initiatives and efforts taken so far in acquiring mining assets and the bottlenecks thereon were discussed in detail.

Source: Business Line, 19th July, 2016

COMPANY NEWS

JSPL to shift office to Chhattisgarh; gets nod

Jindal Steel & Power Ltd will move its registered office from Hisar in Haryana to Raigarh in Chhattisgarh. The company will also take over 920 Mw of captive power from Jindal Power Ltd (JPL), its wholly-owned subsidiary, and turn it into a independent power producer as part of a restructuring exercise. The company today announced it got shareholder approval through a ballot vote for the two proposals.

Source: Business Standard, 19th July, 2016

Steelmaker Gerdau may look to sell Indian assets

Grappling with a whopping $7.23-billion debt, Brazil-based steel production and distribution company Gerdau SA is looking to sell off assets, including those in India. The company might also dispose of certain assets in Central and South America, sources close to the development told *Business Line*. The specialty steel supplier produces flat steel and iron ore in Brazil, and is the largest producer of long steel in America, with steel mills across Brazil, Argentina, Canada, Chile, Colombia and Dominican Republic, among others. Gerdauôs largest investment in India is a 3-lakh tonne specialty steel plant at Tadipatri in Andhra Pradesh. In 2007, it had entered into a joint venture ð called Kalyani Gerdau ð with Kalyani Steels to acquire the plant from SJK Steel. While Gerdau and Kalyani held 45 per cent each, the previous owner and financial institutions held the balance 10 per cent.

Source: Business Line, 20th July, 201

Proxy cloud on JSW-JSPL power plant deal

Proxy advisory firms have opposed some resolutions coming for shareholder approval at the annual general meeting, on Thursday, of Sajjan Jindal group firm JSW Energy. Both Stakeholders Empowerment Services (SES) and Institutional Investor Advisory Services (IiAS) have opposed the resolution for reappointment of auditors. While the latter has recommended shareholders vote for all other resolutions, the former has opposed three other proposals.

Source: Business Standard, 21st July, 2016

POLICY

Govt may privatise two loss-making SAIL units

The government is considering privatisation of two perennially loss-making units of public-sector steel major SAIL ð Salem Steel Plant (SSP) in Tamil Nadu and Visvesvaraya Iron and Steel Plant (VISL) in Karnataka. The move is aimed at strengthening SAIL, which plunged into the red last fiscal, after a gap of 13 years. However, sources said on condition of anonymity that the government was looking at strategic disinvestment and was even willing to transfer management control of these two sick units to private players. SSP is a special steel unit which pioneered the supply of wider width stainless steel sheets and coils in the country. It has an annual capacity to produce 3.39 lakh tonne cold-rolled and hot-rolled stainless steel. VISL, which produces alloy and special steels, has 2.16 lakh tonnes of hot metal production capacity. SSP accounted for around Rs 350 crore and VISL Rs 115 crore to the SAILôs net loss of Rs 4,137 crore in the last fiscal. Revenue of these two units were to the tune of Rs 1,600 crore and Rs 232 crore, respectively, in 2015-16. The two had been incurring losses even when SAIL was registering profits in the earlier years. While SAIL posted a Rs 2,092-crore net profit in 2014-15, SSP reported Rs 249-crore loss and VISL, Rs 97 crore. In 2013-14, the loss of SSP and VISL stood at Rs 281 crore and Rs 123 crore, respectively. SAIL reported R2,616-crore net profit that year. The disinvestment in these two sick units will help SAIL strengthen its balance sheet particularly at the troubled times as is the case now. However, the move might face union protest.

Source: The Financial Express, 19th July, 2016

'Steel Industry Needs Safeguard Measures in Post-MIP Days'

The spurt in domestic steel production is supported by the Minimum Import Price (MIP) policy and is unlikely to continue beyond August 2016 after it ends, ratings agency India Rating & Research (Ind-Ra) has said. While production grew by 3.8% year-on-year (y-o-y) in Q1FY17, compared to a decline in FY16, the agency said protection measures beyond August will be required to safeguard the interest of the domestic steel industry. The MIP was imposed in February 2016 on 173 steel products for six months which will end on august 5, 2016. In this scenario, replacement of MIP with anti-dumping duties may not have the desired impact, since anti-dumping may not be as widely encompassing as the MIP, it noted. While the steel industry is arguing for an extension of MIP, the roll-over would remain a formidable decision for the government.

Source: The Economic Times, 20th July, 2016

Govt to prune steel items covered by MIP

Bowing to intense pressure from exporting countries and Indian small scale industries, the Centre plans to prune the list of steel products covered by the Minimum Import Price (MIP). Major steel exporting countries such as China, Japan, Canada, Australia and Korea raked up the punitive tax issue at the recent goods council meeting of the WTO and asked India to justify the duty even as the domestic demand is looking up. In a bid to protect the domestic steel industry from large-scale steel dumping by China, the Centre imposed a provisional safeguard import duty on a few steel products for 200 days last September and extended it till March 2018. Last February, the Centre plugged duty evasion by imposing an MIP ranging from $341 a tonne to $752 a tonne on 173 categories of steel products. It is coming up for review in August. In April, the Directorate General of Anti-Dumping and Allied Duties initiated a probe on alleged steel dumping by China, Japan, Russia, Korea, Brazil and Indonesia, based on complaints made by Steel Authority of India, JSW Steel and Essar Steel. The plea was supported by Ta ta Steel and Jindal Steel and Power. The anti-dumping duty, once finalised, will be a permanent fixture with longer tenure, unlike the present safeguard duty and MIP. Steel imports declined 33 per cent in June to 5.97 lakh tonnes. In the June quarter, it was down 31 per cent to 1.8 million tonnes. Import restrictions have prevented small scale industry and value added steel product producers from taking advantage of low steel prices prevailing in global markets.

Source: Business Line, 21st July, 2016

PROJECTS

Posco offers lifeline to Uttam Galva promoters

South Korean steel major, Posco, is playing the role of a white knight to help the Miglani family-controlled Uttam Value Steels and Uttam Galva Metallics find an investor to revive their expansion projects. According to the contours of discussions, the equity would be subject to fresh lending from the banks. Lenders had asked Uttam Galva promoters to bring in an investor. The equity infusion from Tidfore will reduce the unviability of the project, one of the officials explained. A senior SBI executive said the management had been in dialogue with lenders on roping in partners. The fresh fund (equity) injection can help to reduce leverage and bring down stress. Between Uttam Galva Metallics and Uttam Value Steels, the entire product chain from pig iron to galvanised steel was in place. The capacity was 0.5 million but the companies planned to take it to two million tonnes. Whether the companies will be merged and the exact structure of ownership was still being worked out. Typically, the investment in a greenfield steel plant of one million capacity was around Rs 7,000 crore; for brownfield, it would be less, but even then could cost Rs 4,000-5,000 crore for a million tonne.

Posco is understood to be very keen on the venture. After having waited for a decade to set up a mega steel plant in India, it signed a memorandum of understanding for an integrated three-million tonne steel plant with Shree Uttam Steel & Power last August.

Source: Business Standard, 16th July, 2016

FINANCIAL

Tata Steel plans to raise up to Rs 10,000 cr via pvt placement

Tata Steel on Monday said it will seek shareholders nod to raise up to Rs 10,000 crore through various debt securities including redeemable non-convertible debentures (NCDs). The firm will approach its shareholders at its annual general meeting scheduled for next month, it said in a regulatory filing. It plans to "create, offer, invite for subscription, issue and allot, from time to time, in one or more tranches and/ or series, whether secured or unsecured redeemable NCDs including but not limited to bonds and/or other debt securities, denominated in Indian rupees or any foreign currency aggregating to an amount not exceeding Rs 10,000 crore or its equivalent..." The issue will be on a private placement basis, during the period of one year from the date of this Annual General Meeting (scheduled for August 12) or such other period as may be permitted under the Act....., it added. Explaining the rationale behind the exercise, Tata Steel said over the last few years, the company has been investing in its steel making facilities in India and mining assets worldwide, while continuing to upgrade its facilities in Europe and South-East Asia.

Source: The Financial Express, 19th July, 2016

Steel stocks jump as private equity firms eye investments

Stocks of Indian steelmakers rose on Monday after people with knowledge of the matter said KKR & Co and Aion Capital Partners are among private equity firms considering investments in the beleaguered industry. Uttam Galva Steels increased as much as 4.3 per cent on the BSE, while Bhushan Steel rose 2.6 per cent, the biggest gains for both steelmakers in about a week. KKR and Aion are weighing investments in companies including Uttam Galva Steels, backed by billionaire Lakshmi Mittal, and Bhushan Steel, the people said last week. Iron and steel companies in India have Rs 3.12 lakh crore ($46.5 billion) of total bank borrowings as of March 18, according to central bank data. Nearly a third of the outstanding loans to Indian steel companies had soured at the end of March, making it the worst among 16 sectors tracked by the RBI. Indian steelmakers are suffering from a high interest burden and low profitability as domestic mills seek to weather a glut of cheap steel on world markets. Arcelor Mittal, the worldôs biggest steelmaker, told lenders to Uttam Galva Steels that it will not invest any fresh funds into the company, one of the people said. The global steel giant owns 29 per cent of the company, according to data compiled by Bloomberg.

Source: Business Line, 19th July, 2016

Lenders to invoke JSPL guarantees

Foreign lenders to a Mauritius entity of Jindal Steel and Power (JSPL) are believed to have indicated to the steelmaker that they may be compelled to invoke corporate guarantees given by it unless it comes up with additional collateral, senior bankers told FE. The lenders are understood have asked for the shares of Jindal Power to be ñcharged in favourò of all lenders ð onshore and offshore ð pari passu as these are unencumbered. Bankers said such a move was being considered after JSPL intimated to them at a meeting earlier this month that it may not be able to pay the next instalment of interest due next month. JSPLôs arm in Mauritius owes lenders an estimated $550 million. The meeting is understood to have been attended by several of JSPLôs lenders including Standard Chartered Bank, Deutsche Bank and ICICI Bank. A detailed questionnaire emailed to JSPL by FE remained unanswered till the time of going to press. In April, JSPL had sought a recast of the debt with a revision in the interest rate and an extension of the tenure.

Source: The Financial Express, 21st July, 2016

STEEL PERFORMANCE

India under global pressure to let steel minimum import price lapse next month

Pressure is building on India at the World Trade Organisation (WTO) not to extend the minimum import price (MIP) on steel beyond the first week of August when it is slated to lapse. In a recent meeting of the goods council at the WTO, nine members, which include the US, the EU, Japan, Australia, South Korea, Canada, China, New Zealand and Chinese Taipei, asked India to justify its continued restrictions on imported steel, an official from the WTO told *Business Line*. New Delhi was also asked to remove the port restrictions on import of apples. Last February, India had imposed an MIP, ranging from $341 a tonne to $752 a tonne, on 173 categories of steel products to provide relief to domestic producers against cheap imports. It topped it up with safeguard duties (penal duties to stop steep increase in imports) on hot-rolled flat steel the following month. If New Delhi continues with the MIP for a longer time, it could be dragged to a dispute at the WTO by any of the complaining members. But, Indiaôs representative at the WTO maintained that the country had not flouted rules. The steel industry worldwide is suffering due to low global prices and countries are taking various protectionist measures to support their local industry. Despite the imposition of MIP, Indiaŏs steel imports increased 20.2 per cent to 11.21 million tonnes.

Source: Business Line, 19th July, 2016

MISCELLANEOUS

Tata Steel aims to double workforce's productivity

Tata Steel Ltd plans to double the productivity of its workforce in its domestic operations in the next five years as it seeks to be more competitive, a senior company official said. This will be achieved in various ways including a reduction in the size of the workforce through a voluntary retirement scheme which the steel maker has put in place and a lower annual recruitment plan, said the official, who asked not to be named as details of the plan have not yet been made public. Tata Steel did not respond to a request for comment on the plan. In its annual report published this week though, Tata did acknowledge that ñemployee productivity continues to be a focus area.ò Tata will also focus on further automation and restructuring at its flagship 10 million tonnes a year plant at Jamshedpur, which will help bring down its costs, the official said. At the same time the company is having to tackle the problems faced by its business in Europe, where it has halted the sale of its Port Talbot plant in Wales following the UK vote to leave the European Union. Moreover, India is one of the few bright spots in the global steel market. Indian steel consumption increased by over 4% in 2015 and is expected to grow further this year while global steel demand dropped 3% last year and is expected to continue to shrink this year.

Source: The Financial Express, 21st July, 2016