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

July 29 – August 04, 2017

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RAW MATERIAL

Iron Ore Falls After Touching 4-Month High

Iron ore futures in China retreated after a three-day rise that pushed prices to the highest in more than four months amid doubts a restocking-driven rally would be suitable. Iron ore for the September delivery on the Dalian Commodity Exchange closed down 1.1% at $84 a tonne.
Source: Economic Times, August 3, 2017

SC Order on Illegal Iron, Manganese Mining in Odisha may Hit Output

The Supreme Court's landmark order slapping heavy penalties that could amount to Rs 25,000 crore on companies that mined iron and manganese without proper clearances in Odisha can hit output in the months ahead, and trigger similar claims in mineral rich Jharkhand. Tata Steel, SAIL and the

Aditya Birla Group have mining operations in Odisha, which produces nearly half of India’s iron ore. These and other smaller groups have interests in 102 mines involved in what the court described as “a mining scandal of enormous proportions and one involving megabucks”. The court, hearing a petition of NGO Common Cause, had ruled that any output in excess of, or without, environmental and forest clearances or approved mining plans is illegal, invoking provisions of the mining law that allows the state to recover the value of all such output. Industry experts said the order could have wider repercussions, if Odisha decided to recover similar dues from chrome mines, or neighbouring Jharkhand decided to apply this order to its similarly errant mines. Jharkhand’s demand orders had been stayed by courts. The total fine could exceed Rs 17,576 crore estimated by a panel ordered by the court. The biggest violator is state government’s Orissa Mining Corporation with Rs 2,177 crore worth produced illegally.

Source: Economic Times, August 4, 2017

Steel firms pay big for captive iron ore mines

The auction of iron ore blocks in the country has shown steeper competition and higher price bidding for blocks reserved for captive use when compared with those meant for a non-captive purpose. Five of the nine iron blocks meant for captive use have gone to bidders with quotes of more than 100 per cent revenue-sharing with the states of their location. Till date, 27 mineral blocks have been auctioned out of which 10 are iron ore blocks. Of these 10 blocks, nine were reserved for captive use while one was earmarked for the non-captive purpose. Even the single mine meant for non-captive use has been bagged by a steel company (Bhushan Power and Steel) which outbid the merchant miners in the race for Netrabandh Pahar mine. "This trend shows more strident urgency among steel companies, operating without captive mineral resources, to secure raw material supply compared to merchant miners who only want to get hold of iron ore mines for trading purposes", said an analyst. More than 75 per cent of the steel capacity in the country is operating by sourcing Iron ore from merchant miners. There are also allegations of cartelisation by few large miners to control price and supply of iron ore in the absence of any provision of indexing /pricing mechanism. This has led to the higher domestic price of ore compared to the international prices even when merchant miners are not able to sell entire ore mined by them. Out of 194 million tonne production of iron ore in FY17, steel industry consumed 126.67 mt and 25 mt was exported. Balance 40 mt, apparently low-grade ore, has been added to stock at mines head of both captive and merchant miners.Meanwhile, the aggressive bidding by steel companies for captive mines has debunked the pleas of merchant miners that market prices of ore would be skewed lower and there will be loss of revenue on account of royalty and lower auction money for the state if more number of mines are reserved for captive use.

Source: Business Standard, August 4, 2017

COMPANY NEWS

Tata Steel to commercialise grapheme

Tata Steel is working on commercialisation of graphene, an advanced material and considered to be a superb conductor. The first product is in the market. The company has launched ready-made graphene-coated stirrups, named Tiscon Superlinks. Peeyush Gupta, vice-president (steel & marketing), said when four columns are built, the support link is normally supplied by a local mason, which is made of steel. "But, it usually rusts. We have changed that by coating it with graphene." Superlink has enhanced corrosion resistance and better bonding strength than other stirrups in the market. Tata Steel has filed seven patent applications in this area of work. Graphene can have a number of applications; we are searching for the right products, Gupta said. A graphene development cell has been set up at Jamshedpur to identify applications and establish new businesses (production units, supply chain and markets). Two advanced material research centres of excellence have been established. One is at Chennai, in collaboration with the Indian Institute of Technology there. The other is at Bengaluru, with the Centre for Nano and Soft Matter Sciences. Graphene is believed to be the world's first two-dimensional material. It is ultra-light, 200 times stronger than steel and yet incredibly flexible. It is a superb conductor and can act as a perfect barrier; it is also transparent. Graphene research is focused on applications in energy, membranes, composites and coatings, biomedical, sensors and electronics. Gupta said that as long as graphene is used as a value-add in steel, Tata Steel could work on it. For other applications, it would have to approach other companies. For instance, graphene could be supplied to the glass industry. According to Tata Steel's latest annual report, the Indian graphene market is currently pegged at around Rs 80 crore. Apart from graphene, Tata Steel has got a patent for another product, iron powder.

Source: Business Standard, August 1, 2017

JSW Steel net plunges 43% on de-stocking by dealers

JSW Steel has recorded 43 per cent fall in June quarter net profit at Rs. 624 crore (Rs. 1,096 crore) on lower demand amid de-stocking by dealers ahead of GST roll-out. Revenue was up 24 per cent at Rs. 15,977 crore (Rs. 12,886 crore) on the back of higher exports. Raw material cost was up 55 per cent at Rs. 9,020 crore (Rs. 5,806 crore). The current quarter was marked by industry-wide destocking, especially for long products and sales through the trade channel. Customers adopted a cautious approach towards carrying inventories in the run-up to GST implementation, which impacted sales, said the company. Sales volume increased five per cent to 3.51 million tonnes (3.34 mt) during the quarter with some accumulation of inventory. The company focussed on enriching the product mix. Sale of value added products grew by 12 per cent, primarily due to higher volume of electrical steel, CRCA (Cold Rolled Close Annealed Coils), galvanised and colour coated products. Exports during the quarter surged by 26 per cent as demand and pricing for steel products in the international markets remained buoyant, it added. During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.44 mt and sales volume of 0.48 mt.

Source: Business Line, August 2, 2017

Steel tycoon open to JFE investment with India deals in mind

Steel tycoon Sajjan Jindal’s JSW Steel Limited will consider an investment from Japan's second biggest mill as the Mumbai-based firm looks to acquire distressed companies in India, according to joint managing director Seshagiri Rao. India's largest producer would prefer to acquire mills located in the eastern parts of the country and is open to partnering JFE Holdings Inc for acquisitions Rao said in Mumbai.

Source: Business Standard, August 4, 2017

Tata Motors readies to enter compact SUV segment

Tata Motors is betting big on its upcoming model compact SUV (sport utility vehicle) Nexon as it prepares to enter the fastest-growing segment in the Indian passenger vehicles market by September, say senior company officials. Nexon will be the last vehicle on the platform on which the company has developed earlier models such as hatchback Bolt and compact sedan Zest. The model is slated to be launched in September, around the festive season.

Source: Business Standard, August 1, 2017

PROJECTS

Liberty House acquires Tata Steel's UK pipe mills

Liberty House, the industrial group owned by Sanjeev Gupta, has acquired two British pipe mills owned by Tata Steel, on which an agreement was reached last month. This is part of its ambitions to become a "world leader" in the 50-million-tonne-a-year global oil and gas pipeline sector. "We are already looking at plants in other countries," Gupta said, as the company set up a new pipe and tube division headed by James Annal, who had previously headed ArcelorMittal's energy tubular products division. Gupta said that the acquisition would give the company the basis to upgrade the liquid steel facilities it was acquiring in South Australia as well as its plate mills (also acquired from Tata Steel, in Scotland) to make high-value added API grade plates that could be rolled at the new mills to supply pipeline projects worldwide. The 42-inch and 82-inch pipe mills have a capacity of 250,000 tonnes a year. Liberty House has not acquired the neighbouring 20-inch mill which remains with Tata Steel as part of its strategy of focussing on its strip products supply chain linked to Port Talbot. The deal is the latest in a string of acquisitions by Liberty House and its associated groups.

Source: Business Line, August 2, 2017

FINANCIAL

Steel pipe makers' stocks rise on gas grid plans

After bottoming out in November 2016, the share price of steel pipe manufacturing companies outpaced the benchmark Sensex and Nifty by over seven times due to sudden spurt in the products' demand from gas and water sectors. While Sensex and Nifty have gained 19 per cent growth since November 9 when the share price of leading steel pipes manufacturers - Man Industries and Welspun Corp - had hit 52-week low, these individual stocks have gained by 135 per cent and 140 per cent respectively during this period. Trading currently at Rs 93.40 apiece and Rs 130.65 apiece, the share price of Man Industries and Welspun Corp has witnessed a marginal profit booking from its 52-week high of Rs 98.80 apiece and Rs 134.45 apiece on July 18 and July 25 respectively. Another stock in this segment - Jindal Saw - also followed suit with its share price hitting the bottom on September 2, '16 before bouncing back to hit 52-week high to Rs 100.90 apiece in intraday trade. recently, imports from China were a major challenge for us. However, the same was addressed in recently announced policy by the government.

Source: Business Standard, August 1, 2017

NCLT green-lights insolvency proceedings against Essar Steel

The Ahmedabad bench of the National Company Law Tribunal (NCLT) admitted an insolvency petition against Essar Steel India Ltd (ESIL) on Wednesday, paving the way for insolvency proceedings to commence against a big-ticket defaulter under the newly enacted Insolvency and Bankruptcy Code (IBC), 2016. The decision comes as a major setback for ESIL, led by the Ruias, which has had a total debt of Rs. 45,000 crore on its books for a couple of years now. For lenders, non-performing (NPAs) under ESIL assets crossed Rs. 32,000 crore in 2016-17 and were at over Rs. 31,000 crore in 2015-16. The NCLT bench, chaired by Justice Bikki Raveendra Babu, was hearing a petition by lenders, who were represented by State Bank of India and global lender Standard Chartered Bank. The two banks had independently filed applications to initiate insolvency proceedings against ESIL at the NCLT's Ahmedabad bench, to recover the NPAs. Justice Babu rejected Essar Steel's plea to dismiss the insolvency proceedings and ordered the appointment of the SBI-nominated Satish Kumar Gupta from Alvarez & Marsal India as the Interim Resolution Professional (IRP), as required by the Code. However, StanChart's counsel had sought the appointment of Ernst & Young partner Dinkar Venkatasubramanian as the IRP. The Interim Resolution Professional will get 180 days to come out with a resolution for the company to repay the loan, under the terms of the code.

Source: Business Line, August 3, 2017

POLICY

SAIL plant CEOs experts to monitor unit's progress

To monitor progress of the plants under Sail, the government is devising a mechanism wherein pacts will be inked by the CEOs of each mill of the company with government-appointed experts, a top official said. The move comes at a time when the country's largest steel maker SAIL is drawing flak from the government for slow progress in modernisation as well as ramping up capacity. "A separate MoU (Memorandum of Understanding) will be signed between experts and CEO of that plant (each plant of Sail)," Steel Secretary Aruna Sharma said. The contours of the pact, she said, would include various steps to improve the efficiency of the PSU so that it becomes a profitable organisation.

Business Standard, July 31, 2017

Salem Steel: Centre only looking at strategic divestment, says Minister

The Centre is only looking at a strategic divestment in Salem Steel Plant (SSP) in Tamil Nadu and not intending to de-nationalise it, said Steel Minister Chaudhary Birender Singh. Transaction advisor, legal advisor and valuer have been appointed and their reports are awaited, Singh told the Lok Sabha on Monday during question hour. A final decision on the way forward is yet to be taken, he said, adding that the proposal is that of strategic divestment of SSP and not full exit. SSP has capacity of 3,39,000 tonne per annum and is the only plant in the country with best quality stainless steel, Singh said. However, for the last five years of 2011-16, the total aggregate loss of SSP is to the tune of Rs. 1,855 crore and SAIL has invested Rs. 2,200 crore in this plant, he said. The major factor that caused losses is the high electricity tariff, which accounted for 46 per cent of the losses, he said. The Centre's efforts to make the Tamil Nadu government provide concessional electricity to SSP did not yield any result, the Minister noted. M Thambidurai, senior AIADMK Leader and Deputy Speaker of Lok Sabha, urged the Union Steel Minister not to go in for any disinvestment of Salem Steel Plant. The issue of high tariff cost could be addressed if the Centre comes forward to give electricity with subsidised tariff to the Salem Steel Plant, he suggested. The Tamil Nadu Chief Minister Edappadi K Palaniswami had also recently written to the Centre urging it not to undertake divestment in Salem Steel Plant, he said. Meanwhile, the Steel Minister said that domestic steel production is expected to increase to 240 million tonnes by 2030-31, when the capacity will go up to about 300 million tonnes as per the recently rolled out National Steel Policy.

Source: Business Line, August 1, 2017

GLOBAL

Thyssenkrupp mulls break-up as Plan B to Tata venture

Thyssenkrupp AG is considering a radical break-up plan as a possible alternative to the proposed combination of its European steel operatios with

India's Tata Steel Europe according to people familiar with the matter. Under the alternative scenario, Thyssenkrupp would retain its alternative steel operations and hive off most or all of the other activities, said the people, who asked not to be identified because the talks are private. The assets being considered for a separation include the elevator operations and components technology as well as industrial solutions and material services activities, the people said.

Source:Business Standard, August 3, 2017

Steel Jumps to 4-year Peak on Firm Demand

Chinese rebar steel futures climbed to their strongest in more than four years on Thursday, supported by firm demand and tighter supply following Beijing's clampdown on low grade steel production. The most active rebar on the Shangai Futures Exchange rose $564 a tonne.

Source: Economic Times, August 4, 2017

MISCELLANEOUS

Titagarh Wagons buys out Italian partner in coach-making venture

Titagarh Wagons, the country's largest private sector wagon maker, has picked up the 10 per cent stake offloaded by Adler Plastics in Titagarh Firema Adler SpA, an Italian metro-coach making venture between the two. Adler Plastics has exited the venture thereby making the now renamed Titagarh Firema, a wholly-owned subsidiary of Titagarh Wagons Ltd (TWL). TWL now holds 1.8 per cent directly and Titagarh Singapore Pte, the remaining 98.2 per cent. "Adler had decided to enter into designing of interiors for railway coaches because of which we entered into the joint venture. However, they did not enter the segment and so we bought out their stake," Umesh Chowdhary, Vice- Chairman and MD, TWL, told BusinessLine . He did not disclose the amount Titagarh paid to buy the stake. Adler had invested around €1 million in the joint venture. Other businesses like orders from the Indian Navy (fuel barges) and the National

Institute of Ocean Technology (coastal research vessels) are expected to be the growth drivers at a time when wagon procurement from the Indian Railway continues to be erratic. Chowdhary is hopeful of demand for wagons picking up by FY18 or early FY19. This would be driven by the capital expenditure planned by the Railways. The company will also actively explore metro railway bids.

Source: Business Line, August, 2017

JSW, Piralmal eye joint bid for stressed assets

Before the insolvency process started for the 12 companies under the RBI directive, JSW Steel had bid for Monnet ispat& Energy, one of the first companies in which the lending banks had converted their debt into equity as part of the strategic debt restructuring. However, leaders found the haircut implicit in JSW Steel offer too steep and didn’t take a call. For Bhushan Steel too, JSW had approached lenders with an offer for a debt takeover of Rs,20,000-22,000 crore, earlier this year. These proposals however, now stand null and void, as both companies are going through the insolvency process under the Insolvency and Bankruptcy Code. Once the information memorandum is prepared, the resolution professionals in the respective companies will be inviting bids for these companies. JSW would have to make a fresh attempt then. An acquisition would bring JSW Steel closer to its target of achieving an annual capacity of 40 million tonnes over the next decade. At present, JSW steel’s capacity is at 18 million tonnes a year. While Bhushan Steel has an annual capacity of around 5.6 million tonnes, Monnet has a capacity of 1.5 million tonnes, and Essar Steel 10 million tonnes.

Source: Business Standard, August 4, 2017