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

June 10 - 16, 2017

HIGHLIGHTS OF THE WEEK

1. India as a steel bright spot is highly encouraging and is on track to become a top global producer, says an industry body.
2. Government has slashed duty on certain grades of steel by half in a bid to reduce cost of raw materials for domestic industries.
3. RINL to spend 4,000 cr on capacity expansion
4. Govt Halves Import Duty on Some Steel Grades to 5%
5. JSPL may diversify into ammonia, urea production
6. Steel consumption has picked up marginally in the first two months of the financial year.
7. Steel Ministry to industry: ‘Responsible pricing’ is key to continued support

RAW MATERIAL

‘High’ NMDC iron ore prices to squeeze steel firms’ profits

The country’s largest iron ore miner NMDC’s decision to hold prices at ₹ 2,185 a tonne for the last four months is set to squeeze steel companies’ profit. In fact, international steel prices have come under pressure with iron ore prices in the global markets falling 34 per cent in last four months to $57 a tonne. In India, steel companies have been trying unsuccessfully to pass on the incremental cost on iron ore and coking coal for the last two months. Some of the sponge iron and pellet manufacturers in the coastal region have started importing iron ore than buying it from NMDC. ND Rao, President, Pellet Manufacturers Association, said the disparity in prices has made many pellet manufacturers on the West coast import about 0.70 million tonnes of iron ore in last three months and four more vessels carrying 50,000 tonnes of iron ore are expected this month. Moreover, when companies import iron ore they have to provide only the bank guarantee and make the payment after three months whereas in NMDC’s case payment has to be made on delivery, he said. NMDC said it has bucked the international iron ore pricing trend as the demand in India has been strong despite mining operators ramping up supply. It feels import is not a threat as the domestic logistics cost will be a deterrent and is viable only at the coastal regions. Deependra Kashiva, Executive Director, Sponge Iron Manufacturers Association, said the arbitrary pricing mechanism of NMDC has hit the industry and capacity utilisation has already fallen to 75 per cent.

Source: Business Line June 10, 2017

COMPANY NEWS

Bhushan Steel, Essar Steel may feature among 12 big defaulters

Bhushan Steel, Essar Steel and Bhushan Power & Steel are likely to feature among the 12 accounts recommended by the Reserve Bank of India's RBI) internal advisory committee for resolution under the insolvency and bankruptcy code (IBC). With a gross debt of Rs 44,477.93 crore as on March 31, 2016, Bhushan Steel is probably the single-largest toxic exposure that banks have on their books. The Essar Steel account too is fairly large, with lenders having disbursed some Rs 37,284 crore. Again, Bhushan Power & Steel, which owes banks around Rs 37,248.26 crore, is an account that is in trouble. The RBI has identified 12 large accounts (with exposure of more than Rs. 5,000 crore and more than 60% of which are recognised as NPAs) which banks have to refer under the IBC. "We estimate a couple of large steel companies account for around 50% of this and the rest of the names are from textile and construction sectors," analysts at Credit Suisse wrote in a note. They said these resolutions would need additional provisions. "We estimate 40-60% provision would be needed on the steel accounts and even larger provisions for the others," the analysts opined. The RBI has indicated that it would shortly come out with changes in provisioning needs for cases to be referred to the IBC, which may defer immediate provisioning needs.

Source: Financial Express, June 15, 2017

Case Against Ramsarup Ind for duping United Bank

The Central Bureau of Investigation (CBI) on Wednesday said it has registered a case against the promoters and directors of Kolkata-based steel maker Ramsarup Industries on allegations of cheating public sector lender United Bank of India to the tune of Rs 184.43 crore. The central investigation agency has conducted searches in 10 premises across five states as a part of the probe. The case has been registered against nine accused, including promoter and directors of the company. It has been alleged that the accused cheated the United Bank of India's corporate finance branch in Kolkata to the tune of Rs 184.43 crore through the loan account of Ramsarup Industries by diverting a total sum of around Rs 130.95 crore to a group company also based in Kolkata, the CBI said in a release. Significantly, the company earlier this month said it made an application Under Section 10 of the Insolvency & Bankruptcy Code, 2016, in May this year before the National Company Law Tribunal (NCLT), Kolkata.

Source: Financial Express June 15, 2017

JSPL may diversify into ammonia, urea production: CEO

Naveen Jindal-led Jindal Steel and Power Ltd (JSPL) may wade into ammonia and urea production as it is keen to use the spare gas from its coal gasification plant, according to the information given by a top company official. "The gas that we are producing is about 2,25,000 cubic metres per hour for which we set up this gas-based coal generation plant. We have 75-90 thousand cubic metres of gas we can spare for setting up an ammonia or urea plant. So, it is very much on the cards," JSPL MD and CEO Ravi Uppal told PTI in an interview. Coal gasification is the process of producing syngas from coal and water, air and/or oxygen. The company had installed 2 mtpa steel-making capacity at its Angul steel complex in 2015 with coal gasification using the DRI route, which is being used for the first time in the world. Later, it added 4 mtpa steel-making capacity. Asked how soon the plant will be set up, Uppal said, "It will depend on the movement of ammonia and urea prices." He further said an investment of Rs. 1,000 crore is required to set up around a 1,200 TPD (tonnes per day) capacity ammonia plant.

Source: Business Line, June 16, 2017

PROJECTS

RINL to spend 4,000 cr on capacity expansion

The Visakhapatnam Steel Plant - Rashtriya Ispat Nigam Limited - is undertaking modernisation and revamping of its existing facilities to add one million tonnes to its present capacity of 6.3 million tonnes, taking it to 7.3 million tonnes. Certain other works are also being taken up as a part of the project and the total project cost is put at Rs. 9,440 crores, with Rs. 4,000 crores for the capacity expansion by one million tonnes and the rest for other works. It will take five years to complete all the projects, according to RINL officials. A public hearing was conducted on the plant premises on Thursday by the AP Pollution Control Board, and there was no opposition to the project from any quarters. However, Ch. Narasinga Rao, the CPM leader, and several others pointed out that in executing the expansion works and other works public sector companies should be preferred and locals should be given more jobs. All attempts to encourage the private sector at the expense of the RINL should be fought, Narasinga Rao added. Many of the speakers said captive iron ore mines should be allocated to the RINL to bring down the cost of production and make its products competitive. In the present difficult market conditions, the RINL was facing great difficulties because of the lack of captive mines and it had incurred more than Rs. 2,000 crores loss during the past two years

Source: Business Line, June 16, 2017

STEEL PERFORMANCE

India to become top global steel producer: Report

India as a steel bright spot is highly encouraging and is on track to become a top global producer, says an industry body. According to the latest report from BMI Research, demand from construction, automotive and infrastructure industries continues to accelerate. The report has put down the sector's success to the government's push to raise capacity in order to meet demand from construction, automotive and infra sectors, said the Steel Users Federation of India (SUFI) in a statement today. SUFI President Nikunj Turakhia said, "In recent years, the Indian steel industry has showcased a progressive output trend y-o-y." Being recognised as a "bright spot" is highly encouraging as well as a large responsibility at the same time, he said, adding that with the introduction of new steel and anti-dumping policies, India is on the path to become one of the top steel producers. The report highlighted that Indian steel giant such as Steel Authority of India Ltd (SAIL) and Tata Steel as the major drivers of such growth.

Source: Business Standard, June 11, 2017

April, May show pick-up in steel consumption

Steel consumption has picked up marginally in the first two months of the financial year. According to the Joint Plant Committee data, the consumption of finished steel has increased by 4.2 per cent on a year-on-year basis to 13.8 million tonnes during the period April-May. As far as non-alloy steel is concerned, it's higher by 5.4 per cent at 12.7 million tonnes. India’s consumption of finished steel in April-March 2016-17 grew three per cent to 83.93 million tonnes over last year. However, growth in non-alloy steel was higher at around 4 per cent. Steel producers pointed out that the improvement in demand did not translate into higher prices. In April prices were reduced and in May steel prices were rolled over. According to CARE Ratings, however, the demand was expected to revive in this financial year. "The steel production that remained positive for the first two months of the current financial year is expected to continue. This will be backed by various initiatives undertaken by the government. The recent approval by the Union Cabinet for National Steel Policy is an indication of the government's support towards the industry," CARE Ratings said in a report. CARE Ratings expects steel production to grow by 8-10 per cent during 2017-18. Crude steel output in the first two months grew by 4.5 per cent to 16.4 million tonnes. “An expected improvement in the pace of construction and infrastructure in the country will also support production,” the CARE Ratings report said. Last financial year, steel producers depended primarily on exports as the Indian market was muted. The export of finished steel was up by 102.1 per cent to 8.244 million tonnes over the same period last year. That trend continued in the first two months of the year as well. The export of finished steel was up by 102 per cent in April-May 2017.

Source: Business Standard, June 16, 2017

POLICY

Govt Halves Import Duty on Some Steel Grades to 5%

Government has slashed duty on certain grades of steel by half in a bid to reduce cost of raw materials for domestic industries. A notification from Central Board of Excise and Customs said that customs duty on hot rolled coils, cold rolled magnesium oxide coated and annealed steel, hot rolled annealed and pickled coils, cold rolled full hard for the manufacture of cold rolled grain oriented steel or (CRGO) has been cut down to 5% with immediate effect. These grades of steel are mainly imported into India and are not widely produced domestically. While India has imposed anti-dumping duties on several flat steel products to protect domestic steel industry, it depends on imports of CRGO steel. In industry parlance CRGO refers to electrical steel grades which are used for stampings and are used in manufacture of the cores of electrical transformers and other electrical appliances. The move is being seen as a need based one aimed at ensuring availability of a key raw material of the electrical industry even as the government is encouraging domestic producers to take up production of CRGO steel to lower dependence on imports in the ear future. With the bulk of imports oming into india in recent years consisted of flat products of steel, the government recently imposed definitive anti-dumping duties on hot-rolled and cold-rolled flat steel products (excluding certain value-added steels such as stainless steel) from several countries including China, Japan and South Korea.

Source: Economic Times, June 14, 2017

MISCELLANEOUS

In reversal of fortune, China's low-value steel cos beat high-end peers

Powered by China's infrastructure push, Chinese construction steel producers are seeing their best profits in years, lording it over their high-value counterparts in a setback for Beijing's years-long drive urging steelmakers to move up the value chain. As its manufacturing engine sputters, the world's second-largest economy is increasingly relying on infrastructure spending to boost growth, spurring demand for construction steel products and lifting producer profit margins to near record levels. Combined with recent cuts to low-quality steel capacity amid a war on pollution, this infrastructure drive looks set to brighten the outlook for construction-grade steelmakers just as their more sophisticated peers wrestle with sluggish demand from manufacturers and automakers. The profit margin on construction steel product rebar, also known as long steel, has surged more than 800 percent this year to around 1,100 yuan ($162) per tonne in early June, according to data tracked by brokerage CLSA.

Source: Financial Express, June 16, 2017

Steel Ministry to industry: 'Responsible pricing' is key to continued support

The government may re-evaluate its support to domestic steel manufacturers if they do not price products 'responsibly'. Speaking at an Assocham summit, Syedain Abbasi, Joint Secretary at Ministry of Steel, said, "While we are willing to give protection, it comes with a sense of responsibility so please be responsible, otherwise charges of cartelisation become very difficult to fend off as prices start rising dramatically." Under the existing support mechanisms for the domestic steel industry, the Centre provides a minimum value addition of 15 per cent on the notified steel products to boost domestic steel consumption. The government has also continued with anti-dumping provisions to check import of cheaper Chinese steel. Abbasi hinted that the government may withdraw protection to the industry if prices of domestic steel go beyond a certain level. He said, "It would become untenable for us to continue (with import restrictions and price preference) if you suddenly find that the prices in the next tender for GAIL pipeline have gone up by 30 per cent." He stated that it is not in the government's interest to buy steel at prices which are very high. He said, "Then if people gather and say that look these controls have to go then ultimately it will be the pipe industry which will be the loser." Abassi said double taxation has largely been phased out under the Goods and Services Tax (GST) regime and it will be marginally beneficial for the steel sector as the duty on raw material will be lowered by 1 to 1.5 per cent. He also noted that, the problems that were earlier created by the Railways in giving 'way leave agreement' to cross the slurry pipeline either underground or overhead across railway land, were solved after the Prime Minister's Office intervention.

Source: Business Line, June 14, 2017