Steel In The News

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

CONTENTS	Page
Highlight of the Week	2
Raw Material	2
Company News	4
Projects	6
Financial	7
Policy	8
Miscellaneous	9

A Weekly News Report by Joint Plant Committee

June 24 - 30, 2017

HIGHLIGHTS OF THE WEEK

1. SAIL seeks NITI Aayog's help to sort out differences with ArcelorMittal.
2. Tata Steel may merge some of its subsidiaries in a review of its assets portfolio even as it looks at brownfield expansion in Odisha, pencilling in a demand revival.
3. Tata Steel exits Tata Motors through block deal.
4. JSW Steel to set up Rs 1,200 cr iron ore slurry pipeline.
5. The steel ministry is spearheading a Rs.500- crore public-private research and development project for indigenous technology to produce high value cold rolled grain oriented (CRGO), or electrical steels in India.
6. The implementation of the goods and services tax (GST), with effect from July 1, will immensely benefit the domestic steel industry as it will improve the sector's competitiveness and reduce the transportation time by up to 45%, steel minister Choudhary Birender Singh said.

RAW MATERIAL

Falling iron ore prices a boost for steel producers

Global iron ore prices have been on a continuous decline since the highs of $95 a tonne in February this year to about $56 now, primarily due to slowdown in Chinese demand. Analysts at IIFL highlight that iron ore inventory levels at Chinese ports have risen by 40 per cent over past one year and 15 per cent year-to-date in 2017. The Chinese government had directed steel producers to decrease the metal's output in a bid to reduce pollution.

Thus, while iron ore imports were 8.5 per cent higher during January-April, steel production was comparatively much lower at 4.8 per cent. All this has led to ironore pirces tumbling which analysts at IIFL estimate to hover between $50-65 in the near term. Prices, however, could get some support if some of the iron ore production is cut. The decline in iron ore prices has not been good news for india's largest iron ore producer NMDC. Lower iron ore prices, however, will bode well for domestic steel producers, especially looking at the volatility in prices of other basic raw material such as coal.

Source: Business Standard, June 28, 2017

Steel min for separate auctions of iron ore mines for users and traders

The Steel Ministry wants separate auctions for iron ore mines for end users and traders, on the lines of system being followed for coal mines. It is likely to send a proposal to this effect to the ministry of mines soon, official sources said. It is hoped that the slugfest between the steel makers and the miners over the former's allegations of shortages in iron ore supplies and "unbridled pricing" will come to end once the proposal is implemented. Following widespread irregularities in allocation of mines, the present dispensation has mande the auction route mandatory for allocation of all natural resources including coal and iron ore. There are separate auctions for captive cool mines and other mines. The steel ministry feels that a similar system for iron ore mines will not only ensure that the domestic steel industry reaps benefits of the country's inherent advantage, but also will lead to optimisation of prices. Currently, iron ore miners are allocated only through the auction route, aimed at ensuring transparency; but in the process secondary steel producers lose out and end up buying costlier iron ore which often erodes their profitability.

Source: Financial Express, June 26, 2017

COMPANY NEWS

SAIL seeks NITI Aayog's help to sort out differences with ArcelorMittal

The country's largest steel maker SAIL has sought help from government think-tank NITI Aayog to resolve differences with ArcelorMittal over setting up of about Rs 5,000-crore auto grade steel plant. "SAIL has written to NITI Aayog to find a solution," an official privy to the development said. There were differences between the two companies on certain points under the Memorandum of Understanding, so it was decided to extend it for another three months from the deadline of May 31, 2017, the official said. "After the expiry of MoU, both the companies have extended the pact to conclude the deal," the official added. "Now, they (both companies) are thinking of resolving the issue under the guidance of steel ministry and NITI Aayog has also stepped in," the official added

Source: Financial Express, June 26, 2017

Tata Steel Could Merge Some Arms

Tata Steel may merge some of its subsidiaries in a review of its assets portfolio even as India's oldest maker of the alloy looks at brownfield expansion in Odisha, pencilling in a demand revival. Tata Steel has 22 subsidiary companies, including listed companies such as Tata Sponge and Tata Metaliks. About half of these were loss making, according to the fiscal 2016 results. The company which once owned the biggest steel plant in British Empire, currently is in the process of closing down Tayo Rolls, a loss making business.

Source: Economic Times, June 26, 2017

Tata Steel exits Tata Motors through block deal

Tata Steel on Friday sold its entire 2.9 per cent stake in Tata Motors to Tata Sons through a block deal on the BSE. A block deal of 8.35 crore shares was executed at an average price of Rs.452.80 a share. At that price, the deal size stood at Rs.3,780.88 crore. Last week, the Tata group had said to reduce cross-holdings, Tata Sons, the holding company of the $103-billion Tata group, will acquire Tata Steel's 2.85 per cent share in Tata Motors on or after June 23. After the stake buy, Tata Sons' holding in Tata Motors will increase to 31.06 per cent from the current 28.2 per cent. With Friday's selling, Tata Steel has completely exited from Tata Motors.

Source: Business Line, June 24, 2017

Essar Steel eyes 25% market share in auto-grade steel segment

Essar Steel on Sunday said that it aims to achieve 25 per cent market share in auto-grade steel over the next couple of years through strategic alliances and new product development. Automotive high strength steel grades maintain the safety standards of vehicles, while improving fuel efficiency through lightweighting. The company has developed the new product for automotive manufacturers in response to market requirements for stronger and lighter steels. The domestic auto sector is at the cusp of massive growth and is projected to manufacture 5 million cars in the next 3-4 years. Even the commercial vehicle segment is growing at over 10 per cent. The new steel policy envisages that the steel demand for auto industry will be in the band of 10 MT by 2030. The steel ministry has also highlighted that the value addition for auto should be fast-tracked in the country. Essar Steel has the first mover advantage, having set up seven steel processing facilities in major auto hubs, including Gujarat. It has developed various new high-strength products for auto sector to reduce weight of vehicles and increase fuel efficiency. The company has developed new-generation crash resistant steel, high-strength cold rolled steel and dent-resistant steels. High-strength hot rolled steel for long members were developed for the first time and used by major auto-makers, giving them 17-20 per cent reduction in weight. Essar Steel has been awarded by many of its leading customers like Maruti, VE Commercial Vehicles, Tata Motors, Maxion, among others for its quality.

Source: Financial Express, June 26, 2017

PROJECTS

JSW Steel creates $1b war chest to buy stressed asset

JSW Steel has created a war chest of $1 billion to acquire stressed asset in the steel sector. “We will look at all those assets which are stressed from an opportunity point of view and as long as they are value-accretive to shareholders,” JSW Steel Chairman and Managing Director Sajjan Jindal told reporters on the sidelines of the company’s annual general meeting on Thursday. Jindal said the company today received shareholders’ approval for an enabling resolution to raise $1 billion in foreign currency convertible bonds or through ADR/GDR. “I don’t want to name any company as of now, but whichever asset is value-accretive to us, whichever assets we feel as good, we will evaluate them,” Jindal said, adding there are many takers for these stressed assets. On the foreign currency fund raising, he said, “Since there are a lot of stressed assets and the global steel industry is also in bad shape, we feel that there could be opportunities at any given time, where we will not get much time to act. The company plans to set up a slurry-pipe pine plant to transport iron ore and coal in Karnataka at an estimated cost of Rs. 2,100 crore in phases. The plant will be commissioned over the next two years.
Source: Business Line, June 30, 2017

JSW Steel to set up Rs 1,200 cr iron ore slurry pipeline
JSW Steel plans to set up a slurry pipeline to transport iron ore from the west coast of the country to counter the impact of higher cost of iron ore produced and sold in Karnataka. The company will invest close to Rs.2,100 crore for the slurry pipeline that would take around 24 months for completion. Sajjan Jindal, chairman of JSW Group said that taking advantage of a cap on mining of iron ore in Karnataka, state-owned, NMDC is charging a differential price of Rs.1,475 per tonne from buyers in Karnataka, besides there is an additional forest tax imposed by Karnataka government, which raises the cost of iron ore substantially. It has also led to closure of many small sponge iron players in Karnataka. “NMDC is not following the market

trend and is taking advantage of the current situation, which is not expected of a government entity," Jindal said. In 2013 to curb illegal mining and facilitate transparent sale of iron ore Supreme Court had imposed several restrictions on mining in Karnataka that included a cap of 30 MTPA per annum. However, the apex court had given a special permission to the state owned mining entities National Mining Development Corporation and Mysore Minerals Limited to produce in excess of their statutory permitted quantities within the overall ceiling of 30 MTPA. As the demand for iron ore is far in excess of supply, the mining companies have started charging. As the demand for iron ore is far in excess of supply, the mining companies have started charging differential price for the iron ore produced and sold in Karnataka relative to the prices prevailing in Odisha and Chhattisgarh.

Source: Financial Express, June 30, 2017

FINANCIAL

How Uttam Galva Steels plan to reduce risk

The Miglani family-controlled Uttam Galva Steels is in the process of entering into a raw material supply agreement with JSW Steel, in a bid to mitigate risk to the company in the wake of insolvency proceedings. "The agreement is a long-term agreement and is aimed at ensuring that raw material payments are not stopped," sources close to the development said.
Uttam Galva Steels has raw material requirements of around Rs 350 crore a month, supplied by five companies, which would now be replaced by one. The arrangement, however, is subject to approval of the company's board and lenders. Uttam Galva's contingency plan is in the event that a professional is appointed to manage the company. A supplier, DF Deutsche Forfait, had filed insolvency proceedings against Uttam Galva in the National Company Law Tribunal, a couple of months back, under the Insolvency and Bankruptcy Code, 2016. Uttam Galva has, however, obtained a stay on proceedings till the next date from the National Company Law Appellate Tribunal.

Source: Business Standard, June 26, 2017

POLICY

Steel Ministry Leading Rs. 500 corore R&D Project on Indegeneous Tech

The steel ministry is spearheading a Rs.500- crore public-private research and development project for indigenous technology to produce high value cold rolled grain oriented (CRGO), or electrical steels in India. Electrical Steels, used in manufacturing static motors such as transformers, are priced at nearly Rs.1.5 lakh per tonne- five times the value of hot rolled coils that are used to make cars and consumer durables. Globally, only a clutch of companies have the capability to produce CRGO and the technology is not easily available for assimilation. The Indian project will involve the Department of Scientific Industrial Research- National Metallurgical Laboratory (DSIR-NML), the ministry, Tata Steel and Rashtriya Ispat Nigam. If successful, it would be a significant breakthrough since CRGO grade steel will be produced in India for the first time. The venture would also mark a significant leap for the steel industry's technology prowess. In the past couple of years, the country has emerged as the third largest steel producer in the world and is in line to reach the no. 2 spot.

Source: Economic Times, June 29, 2017

'Govt resolving capital cost issues for steel sector'

The government is working towards addressing the high cost of capital for the steel sector, according the top Steel Ministry official. Addressing industry representatives, Steel Secretary Aruna Sharma said, "We are quite aware about it (high capital cost) and we are consciously working on that. So maybe once we are ready with it and we have a bilateral dialogue with the bank's and others, we will freeze it and move ahead with it." Sharma also said that the government is working towards addressing industry concerns on the functioning of ports and rails. "The Shipping Ministry is keen on resolving concerns in the first round of meetings that have been held." Responding to industry worries regarding the impact of the Goods and Services Tax on the steel sector, Union Steel Minister Birender Singh said, "It is anticipated that with GST in place, the cost of raw materials will come down, making the sector competitive and boost exports." With GST, the time and cost of transportation and logistics is expected to come down by 40-45 per cent, he added. Minister of State for Steel Vishnu Deo Sai said that there is a need to enhance competitiveness and quality and control the expenditure by way of reducing imports.

Source: Business Line, June 30, 2017

MISCELLANEOUS

GST to be a game changer for steel industry: ISSDA

The GST regime will be a game changer for stainless steel industry, as it is expected to simplify compliance mechanisms and curb parallel economy, industry body ISSDA has said. The apex stainless steel industry body has also urged the government to include electricity, furnace oil and natural gas, which are key inputs for production of stainless steel into the scope of Goods and Services Tax (GST), scheduled to be rolled out from July 1. "The GST regime will be a game changer for stainless steel industry. The new tax structure will not only enhance the ease of doing business by simplifying compliance mechanisms but would also curb the parallel economy by bringing in more transparency," Indian Stainless Steel Development Association President K K Pahuja told PTI. Primary stainless steel products will attract 18 per cent GST which will help the industry to grow and avoid the hassles of multiple duty structures. At present, primary steel products have 12.5 per cent excise duty, 5 per cent of VAT and 2 per cent CST, he said. "Another positive side of GST on the stainless steel industry could be the inclusion of raw materials like coal and iron ore in tax slab of 5 per cent. Logistics, which forms crucial part of cost structure for any product, is also expected to reduce significantly with seamless movement of goods across the states," Pahuja said. However, the industry would stand to gain more if electricity, furnace oil and natural gas could also be considered under the ambit of GST, the industry body said. Stainless steel is majorly produced through Electric Arc Furnace Route or Induction Furnace, where electricity is a major cost of production. Similarly, furnace oil and natural gas are used for re-heating steel.

Source: Financial Express, June 24, 2017

Insolvency Proceedings may lead to consolidation in Steel Sector

Insolvency proceedings for stressed accounts may lead to consolidation in the steel sector; prompting financially healthier companies to bid for these asstes at attractive valuations and increase their market share, ratings agency Icra has said. “in such a scenario, the steel sector faced with a weak demand and overcapacity situation, will benefit i the long run,” said Jayanta Roy, senior vice president, corporate sector ratings at ICRA. The total exposure of banks to the domestic steel sector stood at Rs.3.13 lakh crore at the end of March 2016. Weak demand and a surge in cheaper imports in 2015-16 led to a significant increase in stressed accounts in the sector, with gross non-performing assets or NPAs of about Rs.1.15 lakh crore or about 37 per cent of the total exposure.

Source: Economic Times, June 24, 2017

‘GST to boost steel sector, reduce transportation time by 45%’

The implementation of the goods and services tax (GST), with effect from July 1, will immensely benefit the domestic steel industry as it will improve the sector’s competitiveness and reduce the transportation time by up to 45%, steel minister Birender Singh said on Thursday. Under the new tax regime, the cost of raw material is set to come down as the GST rate for iron ore, a key steel-making raw material, and other inputs have been kept at 5% from around 11-12% now. This will further add to the competitiveness of the Indian steel sector. “Under the new tax regime, there will be a reduction in the logistics cost as well as on the transportation time. At present, whenever a steel product crosses a state border, there are number of check posts which delay supply of goods to the customer. Under GST, a unified standard rate of tax will reduce cost and delay. It is estimated that close to 40-45 time-saving will happen in transportation time,” Singh said at a workshop on national steel policy and the preferential procurement policy organised by FICCI. “I am confident that GST and two policies will make Indian steel sector more viable and completive and take the steel industry to a new height," he added. Steel secretary Aruna Sharma said that the GST roll-out will not cause any decline in steel consumption even in the short-term; on the contrary, it will see an upward trend. The GST rate for the steel sector has been kept at 18%, which is nearly similar to the present effective tax rate of 18.1% taking into consideration of the prevailing excise duty and VAT rates. Both excise duty and VAT would be subsumed under the GST going forward. Rating agency ICRA does not expect any material impact. "I am confident that GST and two policies will make Indian steel sector more viable and completive and take the steel industry to a new height," he added. Steel secretary Aruna Sharma said that the GST roll-out will not cause any decline in steel consumption even in the short-term; on the contrary, it will see an upward trend.

Source: Financial Express, June 30, 2016