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

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HIGHLIGHTS OF THE WEEK

1. Steel consumption growth is projected to be lower in FY17 than the previous year, mainly on account of sluggishness in real estate and construction sectors, rating agency ICRA said.
2. Steel Authority of India cut production cost 10% despite a 12% hike in coal prices earlier in the year though high manpower cost and low productivity still remain for India's largest state owned steel company as it tries to jack up Rs 70,000 crore modernisation.
3. Indian Railways is considering ending state-owned Steel Authority of India Ltd's (SAIL) virtual monopoly on supplying steel for standard rail tracks, opening up annual purchases worth up to $700 million to the private sector, people close to the matter told Reuters.
4. JSW steel on Wednesday said it has appointed intermediaries for organising investor meeting with regard to raising up to USD 750 million (around Rs 4,871 crore) via bonds.
5. JSW Group to invest 7,000 crore in global port business over 3 years
6. India turns net exporter of steel; companies look to raise capacity usage

COMPANY NEWS

SAIL cuts production cost even as coal prices soar

Steel Authority of India cut production cost 10% despite a 12% hike in coal prices earlier in the year though high manpower cost and low productivity still remain for India's largest stateowned steel company as it tries to jack up Rs 70,000 crore modernisation. At 21% of expenditure, SAIL's manpower cost is one of the highest in the industry. The issue, among other topics, figured at a workshop organised for senior management as part of a soul searching exercise to identify problems hampering SAIL's performance and to develop `Priorities for Action' for turnaround of the company. SAIL is seized of the urgency to leverage manpower through rightsizing and investment in capabilities and reduce its total cost of manpower. The aim is to slash manpower costs by as much as 5% in three years through restructuring, merger of departments and redeployment of excess manpower. "We are trying to gear up for the future," SAIL chairman P K Singh told ET in an exclusive interview. Leveraging human capital will be one of the key drivers for enhancing the company's performance, he added. To achieve it, Singh is relying on direct communication with SAIL's 85,000strong employee base. He

has already spoken to some 25,000 of them. Skill gaps have affected productivity, especially in key technology areas and SAIL wants to strengthen technical training and will look to tieups with third party domain experts. A top heavy model has seen dilution of roles among senior personnel while it fends off higher attrition rates among qualified employees particularly MTs and diploma holding non-executives in modernised units and high tech areas.
Hence, the company is reviewing the training period of diploma holders and fast track promotions.

Source: The Economic Times 30th March, 2017

Welspun Global bags US pipeline order

Welspun Global Trade LLC, part of the $2.3-billion Welspun Group, has bagged an order from TransCanada Corp to supply line pipes for the Keystone XL pipeline project. Phase Four of the Keystone project will link oil producers in Canada and North Dakota with refiners and export terminals on the Gulf Coast. The pipeline will carry tar sands oil from Canada to refineries on the Texas Gulf Coast. The US Department of State issued the Presidential permit to construct the Keystone XL pipeline project and the decision was communicated to TransCanada and Welspun Global officials, said Welspun in a statement on Saturday. Welspun Global has a manufacturing facility in Little Rock, Arkansas with an installed capacity of 3.50 lakh tonnes per annum. The company's Senior Vice-President Rusty Fisher said the decision to revive the pipeline project will create thousands of American jobs and fulfil the nation's energy needs in addition to having a multiplier effect on the US economy. Welspun has completed its manufacturing obligations and is fully geared to meet any additional requirement of pipes as the project moves ahead, he said.

Source: Business Line 27th March, 2017

JSW Steel hires intermediaries for investor meetings

JSW steel on Wednesday said it has appointed intermediaries for organising investor meeting with regard to raising up to USD 750 million (around Rs 4,871 crore) via bonds. "The company has appointed intermediaries for organising investor meetings for the probable foreign currency denominated bonds. The bond offering may follow, subject to market conditions," JSW Steel said. Sajjan Jindal-led company had last year said it was looking to raise up to USD 750 million from international markets. In this regard, a meeting of the Board of Directors was convened on July 27, 2016. The finance committee in March approved the preliminary offering circulation in relation to the notes issuance of the company. In separate filing, the company said that senior management of JSW Steel with the joint lead managers appointed for the proposed issue of foreign currency denominated bonds shall engage in meetings and presentations with institutional investors, analysts among others, outside of India in relation to the proposed issuance.

Source: Business Standard 30th March, 2017

PROJECTS

Jindal keen to snap up troubled steel firms for expansion

JSW Steel is keen to capitalise on the stress in the sector by acquiring distressed alloy companies so that it can expand its capacity faster, a top official has said. “We are looking at distressed companies for acquisition,” JSW Steel Chairman Sajjan Jindal told a select group of mediapersons at an event here to commission the group’s port project over the weekend. He was replying to a question on whether his company would be looking at acquiring distressed steel companies like Monnet or Bhushan Steel. “JSW is in a position to consolidate this industry. And in case, anywhere in the world, if steel industry has to remain consolidated, there cannot be too many players,” Jindal said. He said the steel sector was “passing through a difficult phase” with companies facing problems due to a collapse in prices following the 2008 financial crisis from which the global economy is yet to come out. The billionaire industrialist, however, hinted that the worst is behind the steel makers with a recent surge in demand and prices, which is reflected in the numbers showing a jump in exports.

Source: Business Standard 27th March, 2017

POLICY

Short of track, Railways looks at private suppliers in below to SAIL

Indian Railways is considering ending state-owned Steel Authority of India Ltd's (SAIL) virtual monopoly on supplying steel for standard rail tracks, opening up annual purchases worth up to $700 million to the private sector, people close to the matter told Reuters. The vast state rail operator is undergoing a $130 billion, five-year overhaul to modernise the world's fourth-largest network, which is blighted by ageing track and saturated capacity. The government has also launched a $15 billion fund to improve rail safety. Train accidents due to track defects have risen 25 percent in the last two years, the railway ministry told parliament last week. (bit.ly/2nk5uZb) In the current fiscal year, SAIL is set to fall around 250,000 tonnes of rails short of its 850,000 tonne target, according to the company's data - its eighth shortfall in 10 years, and its biggest. SAIL executives said a sudden jump in demand for steel - up 45 percent since 2015 - to replace old tracks and lay new ones meant it was struggling to meet production targets. The company said the launch this year of a long-delayed new rolling mill at its main plant at Bhilai, in eastern India, would boost its capacity by around 100,000 tonnes. Losing even a small part of its sales to the railways - its top customer - would be a blow to SAIL, which has lost money in seven straight quarters. The rails shortfall has slowed Prime Minister Narendra Modi's plans to revamp the network, and highlights how his infrastructure investment drive is forcing government units to get tough on suppliers. The biggest likely winner from opening up to private suppliers is Jindal Steel and Power Ltd, which has already exported rails to Iran and has tried for years to muscle in on SAIL's business. Jindal Steel wrote to Indian Railways on March 6, offering to step in, according to a letter reviewed by Reuters. A spokesman for Jindal Steel said the firm was keen to help the railways with steel for its modernisation. The railways are already looking at bringing in alternative suppliers gradually by issuing new tenders for rails.

Source: Financial Express 27th March, 2017

FINANCIAL

JSW Group to invest ₹7,000 crore in global port business over 3 years

The JSW Group plans to invest about ₹7,000 crore to develop ports in India and abroad over the next three years, said Sajjan Jindal, Chairman, JSW Group. The group is also considering diluting up to a 15 per cent stake in JSW Infrastructure and going for an IPO by 2020. Jindal, addressing media persons at the JSW Infrastructure-run Jaigarh port here, said the company has already invested ₹2,000 crore in the project at Jaigarh. The port has a capacity of 40 mtpa, which will be doubled by 2020 and raised further to 125 mtpa by 2025. The company is developing four berths at Paradip port, which will have 50 mtpa capacity, and a greenfield project at Fujairah in the UAE. JSW Infrastructure targets to have a capacity of 200 mtpa by 2020, Jindal said and added that the Jaigarh port currently handles dry and liquid bulk cargo but has plans to enter container handling. The port will be equipped to handle crude oil for the refinery being jointly developed by IOC, HPCL and BPCL, he added. The location has not yet been finalised for the refinery, but the port will be readied to supply crude through pipeline networks, he said.

Business Line 27th March, 2017

JSW Steel to Mop up $500m Via Bond Issue

JSW Steel is raising about $500 million through a bond issue from overseas investors as the Sajjan Jindal Group's flagship company plans to refinance its existing debt and seek fresh funds for its routine capital expenditure, multiple sources familiar with the matter told ET. The bond sale may open for subscription within the next 10-15 days and could be of five to seven-year maturities, sources said. India's third largest steel firm has hired investment bankers, including Deutsche Bank, Citigroup, JP Morgan, CVredit Suisse, to help in the proposed fund raising, sources said, who declined to be identified as the process and talks are not yet public. Marketing roadshows have also started. When contacted, Citi and Deutsche Bank declined to comment, while Credit Suise and JP Morgan did not immediately return text messages seeking comment till the time of going to press. An email sent to JSW Steel spokesperson also remained unanswered till press-time. JSW has embarked on an aggressive expansion plan, aiming to double its steel production capacity to 40 million tonnes by 2025. The company is considering organic expansion as well as acquisitions in India and abroad to raise its production capacity. The steelmaker is expected to spend Rs. 4,300 crore towards capital expenditure in FY18, its joint managing director and CFO Sheshagiri Rao had said in February. Last week, Fitch Ratings had rated JSW long-term issuer default rating at 'BB' with a negative outlook.

Source: The Economic Times 27th March, 2017

STEEL PERFORMANCE

India turns net exporter of steel; cos look to raise capacity usage

The capacity utilisation of steel manufacturers is set to increase with strong export demand and signs of a revival in domestic sales. Steel companies such as Essar Steel and JSW Steel have already seen a sharp rise in steel production in the last two months. JSW Steel's flat steel production increased by 31 per cent to 1.93 million tonnes (1.47 mt) in the last two months, while Essar Steel has also reported an increase in output. After a gap of three years, India turned a net exporter, aided by stiff tariff barriers restricting imports. In the last nine months, steel exports from India increased 77 per cent to 6.62 mt while imports fell by 65 per cent to 6.59 mt. With many importers restricting shipments from China with high duties, exports from India are set to continue rising for a few months, said a steel company official. However, the profit margins of the steel industry are set to come under pressure in the March quarter with rising iron ore prices and high-cost coal inventory. In the last seven months, NMDC has increased the price of iron ore lumps from its Chhattisgarh mines by 43 per cent in line with the global trend.

Source: Business Line 29th March, 2017

Steel consumption growth to be lower in FY17: ICRA

Steel consumption growth is projected to be lower in FY17 than the previous year, mainly on account of sluggishness in real estate and construction sectors, rating agency ICRA said on Tuesday. "Sluggish demand in recent months led to a reduction of Rs 2,000/T in domestic hot rolled coil (HRC) prices in February 2017," ICRA said in a report. Though domestic HRC prices have seen an upward revision by Rs 1,000/T in March 2017, and reportedly, the industry is considering a further price increase in April, sustainability of this increase remains uncertain, given that domestic prices are now costlier than landed cost of imports, ICRA said in the report. Nevertheless, the government's thrust on infrastructure and affordable housing sectors in the Union Budget 2017-18 points to a favourable demand outlook for the steel sector in the medium term. India's steel imports contracted by 38.5 per cent in 11M FY17 on the back of various trade protection measures including anti-dumping duty, safeguard duty and minimum import price. In FY17, ICRA expects domestic iron ore production to reach 190 million tonnes, registering a growth of 23 per cent over FY16. A bulk of the incremental domestic production has come from Odisha, However, buoyant international iron ore prices have helped arrest the slide in domestic ore prices, especially in the states of Chhattisgarh and Odisha, where prices were under pressure earlier due to oversupply.

Source: The Financial Express 29th March, 2017

Low prices, rising costs cast a shadow on steel companies

Rising input costs and softening of steel prices are likely to throw a long shadow on steel companies' performance in the fourth quarter (Q4) of the current financial year (2016-17, or FY17). Spot prices of coking coal, a key input in manufacturing steel, have more than halved from the peak level of $320 (Rs 20,800) a tonne in

December; but contract prices for March are at $285 (Rs 18,525) a tonne. On the other hand, a sluggish demand in the domestic sector has pulled down steel prices. In February, steel prices came down by Rs 2,000 a tonne. This month, the fall was arrested by the announcement of a hike of Rs 1,000 a tonne, but producers said there were hardly any transactions at this level. “It’s more a boost to the sentiment,” said a steel producer. Credit rating agency ICRA, too, said in a report it would be difficult to sustain the upward revision of steel prices. Domestic prices were now costlier than the landed cost of imported counterparts. According to the Joint Plant Committee figures, between April and February, consumption of non-alloy steel increased 4.4 per cent to 69.34 million tonnes; that of alloy steel dropped by 9 per cent to 6.6 million tonnes. Domestic steel consumption usually picks up sequentially in the third quarter after the retreat of monsoon and consequent increase in construction activity. However, with the demonetisation of high value currencies in November last year, the consumption growth in Q3 FY 17 dropped by 2.4 per cent quarter on quarter, ICRA said. Steelmakers were hopeful that demand, which seemed to have gained in March, would continue. Dilip Oommen, chief executive officer and managing director, Essar Steel, said, “We have witnessed the strengthening of demand in the domestic market in March this year after a sedate demand in January and February. Operating margins of the steel industry improved to 16.3 per cent in Q3 FY 17 from 13.4 per cent in Q2, on the back of increased realisations after the imposition of anti-dumping duties, said ICRA. It added in the current quarter (Q4), profit margins of steel producers were likely to remain under pressure, as most of the high-cost coking coal inventory would be consumed. ICRA’s Roy, too, said coking coal contracts were likely to be settled at lower prices, given the substantially lower price levels in the spot market at present. So a part of the justification for higher steel prices would no longer be applicable. Also, there was still a global overcapacity, so steel prices could soften from the current levels.

Source: Business Standard 30th March, 2017