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

May 06 - 12, 2017

HIGHLIGHTS OF THE WEEK

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RAW MATERIAL

Volatile coking coal prices to weigh on steel spreads, says rating agency

Domestic rating Agency india ratings and research (Ind-Ra) said on Friday that volatile coking coal prices may keep the steel sector spreads under pressure in the ongoing financial year. Spreads, in commodity parlance, is the difference between price and raw material cost. "The volatility in input cost, mainly coking coal prices, is likely to keep the steel sector spreads under pressure in FY 18," Ind-Ra said in a statement. The price of coking coal, a key raw material in steelmaking – restarted its upward movement in last month after softening from the elevated levels of November last year.Ind-Ra said that it is of the view that the recent increase in coking coal prices is temporary and it may soften in the near-term, however, it's unlikely to correct significantly in FY'18.

Source: Financial Express, May 6, 2017

COMPANY NEWS

SAIL open to taking over stressed assets

Public sector steel major Steel Authority of India Ltd (SAIL) is willing to take over a stressed asset if it is offered. "We are very open to the idea. But, we would like to inherit a good asset. It should add value to our company and we should also be able to add value. If any good quality asset comes up, we can apply our expertise," SAIL Chairman P K Singh told Business Standard when asked whether the company would be interested in taking over a stressed asset. In case an asset is put on the block, a public sector company could become the first port of call for public sector banks. In fact banks had explored the option of giving the management of at least two steel companies where they had invoked strategic restructuring. Singh said, if the asset quality was good, then SAIL would be open to management control or ownership of it. He pointed out that SAIL has the expertise to run a plant, and it had raw material security and one of the largest pool of skilled manpower.

Source: Business Standard May 8, 2017

Essar Steel inks pact with Posco for supply of flat products

Essar Group subsidiary Essar Steel has announced signing of a strategic long term supply agreement with global major Posco for supply of 1.1 million tonnes of flat steel products during the current financial year. This is second year in a row that Essar Steel has signed such a contract. The contracted volume this year is higher by 30 per cent compared to last year, a statement informed here. A Memorandum of Understanding (MoU) signed between the two companies is in line with Essar Steel' strategy to lock-in a certain portion of its production through long term arrangements. In addition to Posco, Essar Steel has also contracted the steel products supplies to customers from auto, infrastructure and overseas markets as well. Almost two mt of flat products is used by Essar Steel in its downstream units, thereby limiting its products' availability in spot market. Dilip Oommen, CEO & MD, Essar Steel, said: "Essar Steel's MoU with international player Posco re-validates our commitment to the perfect partnership. The long-term arrangement helps us in better working capital management and manage finished goods inventory. Long term arrangements reflects the confidence of our customers in the quality, reliability and service of our products." Essar Steel has been ramping up production over the last two years. Last year, its production was up by 47 per cent at 5.6 mt, and in the current year, it has set a target of 7 mt.

Source: Business Line, May 6, 2017

STEEL PERFORMANCE

India's crude steel output rises 5% to 8 million tonnes in April

India's crude steel production increased 5.4 % to 8.107 million tonne (MT) in April, from 7.69 MT during the same month last year, according to official data released on Friday. However, the production last month fell 2.7% compared to March 2017 (8.274), the data showed. "SAIL, RINL,TSL, Essar, JSWL & JSPL together produced 4.579 MT during April 2017, a growth of 10% compared to same period of last year. The rest 3.528MT came from the other producres, which was a decline of 0.1% over April 2016", the Joint Plant Committee (JPC) report said. The country has registered a whopping 142% growth in exports during last month, according to JPC report for April. The export of total finished steel was up by 142% in april 2017 (0.747 MT) over April 2016. However, it fell 54% as compared to 1.621 MT in March 2017

Source: Financial Express, May 6, 2017

Big capex plans at steel, metal firms

Indian metals companies have begun reviving their capacity expansion plans, as they see demand recovering, with prices still elevated despite a recent fall. Mahesh Vyas, managing director, Centre for Monitoring Indian economy: "There was a smart pick-up in new steel investment in 2016-17. JSW Steel announced a new project and Tata Steel & Bhushan Steel have large expansions. The total new investment envisaged in projects announced in 2016-17 at rs. 1.4 trillion ($22.2 billion) is much larger than in recent years." Two thirds of these investments are from the top three steel companies, JSE Steel, Tata Steel and Bhushan Steel, all in Odisha. The other two big ones are from National Aluminium (Nalco) and Adani respectively, in aluminium and copper. Of the 59 projects for which CMIE has data, around half are in steel and its products, the rest in other metals.

Source: Business Standard, May 12, 2017

Green Shoots Emerging in Steel Sector, Banks Hope to Recover Their Money

Rising domestic demand, supportive government policies and a stable macro environment have raised hopes of a revival of the steel sector, which has been plagued by high non-performing assets (NPAs) over the past five years. India's steel output rose 11% to 101.3 million metric tonnes in FY17, making it a net exporter of the metal for the first time in three years. India is likely to overtake Japan to become the second largest producer of steel by 2017-end according to the Indian Steel Association. Demand has picked up aided by the government's push to build infrastructure. Analysts said, the upswing in the sector will help banks recover NPAs or liquidate assets faster.

Source: Economic Times, May 10, 2017

FINANCIAL

Banks take tough stand on Bhushan Steel debt rejig

Bhushan Steel's discussions with banks for a loan recast under the scheme of sustainable structuring of stressed assets (S4A) are centred around increasing the sustainable part of the loan. The steel producer had submitted to banks a proposal that said nearly 52 per cent of its Rs 46,000 crore loans were sustainable. Under S4A, banks divide the loan into sustainable and unsustainable parts and restructure the unsustainable portion. S4A can be invoked only when the sustainable part is at least 50 per cent of the unsustainable part. The unsustainable part is restructured by banks. The proposal was in keeping with the Reserve Bank of India (RBI) norms, said sources close to the development. However, banks are looking for an increase in the percentage of the sustainable part because the outlook for the sector has improved. According to a CARE Ratings report, the introduction of the minimum import price on steel by the government during the FY17 supported the steel players' margins. The industry's losses reduced during April-December 2016, compared to the corresponding period of the previous year. However, the report also said the net margins remained negative despite higher sales during the year. That is also Bhushan Steel's argument. "This outlook may not be sustainable. If there is a cost push and companies are not able to pass on the increase in cost, then margins will be under pressure," a source close to the development said.

Source: Business Standard, May 10, 2017

Steel companies roll over prices

Steel companies have rolled over prices this month, in spite of a cost push, primarily due to a weak demand. A producer said the demand was too weak to pass on any increase in raw material prices. The price of coking coal surged by 100 per cent to around $310 a tonne in April 2017, which was nearly to the peak levels of last year, but it has already corrected to around $190 a tonne. "Iron ore prices in India have, however, more or less been maintained. In India, public sector miner NMDC revised prices of lump ore in March to Rs 2,425 from Rs 2,325 in February, while private miners in Odisha have raised prices by about Rs 400 a tonne. Steel prices are also at the same level. The missing link is coking coal. The coking coal contract for the quarter has not been sealed yet," ICRA senior vice-president, Jayanta Roy, said. Last year, coking coal prices started moving up from July and reached peak levels in November, after which it finally started softening. By March 2017, it had corrected to about $150 a tonne. Together, iron ore and coking coal account for about 75 per cent of the total cost for steel. JSW Director (Commercial & Marketing), Jayant Acharya, said, unfortunately, spot prices could not be increased even though there was a cost push. “The price environment is not conducive. There is also a pressure in global prices,” he said. Contract prices, however, could be increased. According to the Joint Plant Committee figures, there was an overall softening on all fronts in April over March. For instance, India’s consumption of total finished steel saw a growth of 3.4 per cent in April 2017 to 6.015 million tonnes (mt) over April 2016, but declined by 22 per cent over March 2017, under the influence of a declining supply side as both the production for sale and imports had declined in April 2017 over March 2017. Production for sale of total finished steel at 8.43 mt registered a growth of 8.7 per cent over April 2016, but was down by 8.6 per cent over March 2017. Imports of total finished steel was at 0.504 mt in April 2017, a decline of 23 per cent over April 2016 and also a fall of 16 per cent over March 2017. Exports of total finished steel was up by 142 per cent in April 2017 to 0.747 mt over April 2016, but declined by 54 per cent over March 2017. Add to it, the surge in coking coal, and things could get complicated for steel companies if it doesn’t correct in the near term. According to India Ratings, the current situation is temporary and caused by a cyclone in Australia which damaged Railway lines disrupting the supply.

Source: Business Standard, May 11, 2017

MISCELLANEOUS

NSP to help steel demand stay steady at 6% for 5 years, says Crisil report

Helped by Government-led initiatives, including National Steel Policy (NSP), domestic steel demand is expected to grow by 6-6.5% in the next five years, but the target of reaching steel capacity of 300 tonnes by 2030 under NSP seems unlikely, said a report by Crisil. Noting that the government envisages domestic steel demand to grow 7% through 2030 under NSP, the rating agency said that the consumption of the alloy has grown at a steady pace of 6%, during the last decade (2006-07 to 2016-17). “Over the next five years, steel demand is expected to register 6-6.5% growth driven by different government led initiatives in affordable housing and infrastructure sector, coupled with robust growth in automotive and capital goods segments”, the report said. The cabinet approved the NSP 2017 on May 3, which seeks to enhance steel consumption, ensure high quality steel production, and create a technologically advanced and globally competitive steel industry.

Source: Financial Express, May 6, 2017

New policy will make steel pricier: engineering goods exporters

Engineering goods exporters have raised concerns that the new National Steel Policy could push domestic steel prices higher making it difficult for the sector to stay competitive in the global market. “With steel prices in India ruling 15-20 per cent higher than the global level, the preferential procurement of the basic raw material for the infrastructure and the government projects from domestic manufacturers would further push the cost, making it extremely difficult for the engineering exporters, particularly in the SME sector, to survive,” an official release from the Engineering Export Promotion Council, India pointed out. This will also affect the ‘Make in India’ initiative of the Prime Minister, it added. While the new national steel policy aims at increasing the domestic supply and cut dependence on imports, it is silent on what the implications of the preferential treatment to the domestic manufacturers may be on the prices and the user industries, said TS Bhasin, Chairman of EEPC India. “The steel industry is protected by a plethora of measures like anti-dumping and safeguard duties. Further protection to the steel makers could be a death knell for the value-added engineering sector and exports,” Bhasin said. There are many positives in the steel policy as well, the release added. The target to increase supply of domestic coking coal to cut dependence on imports by half and production of 300 million tonne of steel by 2030-31 are welcome steps, said the EEPC India Chairman.

Source: Business Line, May 6, 2017

Rising global steel prices make anti-dumping duty redundant

The protection against imports given to domestic steel companies has become redundant with international prices rising above the base price prescribed in the anti-dumping duty. The development has exposed steel companies, reeling under high debt, to competition from international producers, at a time when demand is set to grow on the back of the government’s plans to spend Rs. 3 lakh crore in infrastructure this fiscal. The Directorate General of Foreign Trade recommended a base price of $489 a tonne on HR coil imports from China; the prevailing provisional anti-dumping duty price is fixed at $478 a tonne. If the imported steel price is above the base price that triggers an anti-dumping duty, Indian buyers have to pay only the import duty of 12.5 per cent. Steel prices in China jumped to $500 a tonne last month due to sharp rise in coking coal prices. However, it fell back to $470-480 a tonne as coking coal exports from Australia are reviving after tropical cyclone Debbie disrupted supply in March. Nikunj Turakhia, President, Steel Users Federation of India, said imports can now be made for specific products from select countries if Indian producers kept prices artificially high. The price of coking coal had doubled in April to about $310 a tonne. Prices may soften, but are unlikely to touch the low of $75 a tonne as it did in January last year. H Shivramkrishnan, Director (Commercial), Essar Steel, said that unlike a year ago, the ability of exporting countries to dump steel in India is limited as raw material prices have gone up. Besides, he said, the government is proactive and watchful.

Source: Business Line May 8, 2017

Novelis sells 50% stake in South Korean arm for $315 mn

US-based Novelis announced that it had sold off 50 per cent of its stake in the Ulsan facility in South Korea for $315 million to form a joint venture with Japan’s Kobe Steel, a producer of aluminium rolled products. The joint venture (JV), to be named Ulsan Aluminum, will have each company remaining responsible for its metal supply and commercial relationships, Novelis said in a release. The JV transaction is expected to close in September 2017, subject to customary closing conditions, it added. Novelis is a wholly-owned subsidiary of Aditya Birla Group’s flagship company Hindalco Industries. By entering into this joint venture, Novelis will better utilise its rolling capacity at Ulsan, which will continue to focus on automotive and specialty sheet to meet the increasing demand for lightweight rolled aluminum products across Asia, said the release. Partnering with “another world-class manufacturing company” will allow Novelis to drive operational efficiencies and process enhancements. As a result, Novelis’ Ulsan facility, along with its Yeongju facility in South Korea and its Changzhou facility in China, will be better positioned to deliver innovative, value-added products and services to customers, the release said. The transaction will generate cash proceeds to enhance Novelis’ strategic flexibility and reduce its net debt.

Source: Business Standard, May 11, 2017