

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 13 - 19, 2017

HIGHLIGHTS OF THE WEEK

1. Continuing with the policy of protecting domestic steel-makers from cheap imports, the government has imposed definitive anti-dumping duties on specified HR coils, plates and sheets from a clutch of companies from half-a-dozen nations, including China, Japan, Korea, Russia and Indonesia. An official notification issued stated that the duties will be in effect for five years beginning August 8, 2016 (when provisional duties were put on these items).
2. Tata Steel has agreed to the key commercial terms of a deal to cut benefits and improve the funding position of its British pension scheme.
3. German mobility solutions major Thyssenkrupp on Friday opened a Rs.360 crore elevator and escalators manufacturing facility in Pune, making it the fourth plant globally.
4. German engineering giant Thyssenkrupp said they are in talks with other European companies including Tata Steel for consolidation of its steel making facility in Europe.
5. Thyssenkrupp opens elevator plant in Pune
6. JSW Steel plans to invest Rs. 19,200 crore in various brownfield projects to enhance its capacity in line with the national steel policy announced by the government recently.
7. Jindal Steel and Power Plant's 6 million tonnes per annum (MTPA) steel plant in Odisha's Angul would be commissioned by the end of May.
8. Tata Steel narrows loss to Rs. 1,168 cr in Q4
9. Tube Investments profit dives to Rs. 72.50 cr in Q4
10. JSW Steel reported a 173.3% (y-o-y) jump in its standalone net profit at Rs 1,003.4 crore during January-March quarter on the back of a 59.7% (y-o-y) jump in revenue to Rs 16,952 crore.
11. Tata Steel UK unions welcome pension arrangements

RAW MATERIAL

Tata Steel not worried about ore reserves

Tata Steel has iron ore reserves to cater to its Jamshedpur and Kalinganagar (Odisha) plants till only 2030. However, the company says, it is not perturbed. Rajiv Kumar,

vice-president of plant operations at Kalinganagar (Jajpur district), says within 30-170 km of the place,, there are many mines. “So, post-2030, if we don’t have mining, so be it. We are confident that we will be able to manage and chart our growth.” Tata Steel’s iron ore units are at Noamundi, Joda and Katamandi in Jharkhand, and in Odisha.

Source: Business Standard, 15 May, 2017

JSW Steel plans tie-up with OMC for long-term iron ore linkage

Sajjan Jindal-led JSW Steel is keen to have a long-term iron ore linkage arrangement with the state government-controlled Odisha Mining Corporation (OMC) to secure iron ore supplies for its planned 10-million tonne steel plant. The company has committed an investment of Rs 50,000 crore in the steel mill and an additional Rs 3,500 crore on associated infrastructure such as coal and iron ore berths and a slurry pipeline. The company has discussed this with the state government, though there is no definitive proposal yet,” said a senior government official with the industries department. At present, OMC provides iron ore to many steel units running in Odisha without captive mines. The ore is offered through electronic auctions, which are normally conducted every alternate month. A steel unit or any other end-use plant can source iron ore either through pre-emption or long-term linkage. Essar Steel, Visa Steel, Jindal Steel & Power Ltd (JSPL), Bhushan Steel Ltd, and MMTC-promoted Neelachal Ispat Nigam Ltd (NINL) are among the steel units that buy iron ore from OMC through long-term linkage. For JSW Steel, having a long-term linkage arrangement with OMC makes sense as the state-run miner was mulling a cut in the floor price of the ore offered through this route. For JSW Steel, the other workable route is getting an iron ore block through competitive bidding.

Source: Business Standard, 17 May, 2017

Ferro Chrome Price Hike Drives IMFA Q4 Net up To ₹ 174 Cr

A sharp increase in ferro chrome prices significantly boosted performance of the Indian Metal & Ferro Alloys (IMFA) in the fourth quarter (Q4 FY27) with the company posting a net profit of Rs.174 crore against a loss of Rs.37.29 crore in Q4FY16, IMFA’s revenue moved up sharply to Rs.594.17 crore against Rs.207.51 crore in Q4FY16, with exports rising to nearly three-fold to Rs.524.33 crore over Rs.173.86 crore in Q4FY16. For the financial year 2017 as a whole, IMFA earned a net profit of Rs. 249.83 crore compared to a loss of Rs.44.73 crore in FY16 while revenue was up 38.4% to Rs.1697.04 crore against Rs.1226.53 crore with exports growing 37% Rs.1,447.37 crore compared to Rs.1,057.15 crore in FY16. In terms of operations, ferro chrome production grew significantly by 92% to 59,391 tonne in Q4FY17 from 30,904 tonne in same period previous year. Sales at 56,578 tonne increased by 48% in Q4FY17 from 38,101 tonne in Q4FY16. In FY17, ferro

chrome production went up 25% to 235,460 tonne from 188,849 tonne in FY16, IMFA said its sales in FY17 increased 21% to 233,698 tonne from 193, 302 tonne in FY16.

Source: Economic Times, May19, 2017

COMPANY NEWS

Tata group crowdsources R&D solutions

For long, the Tinplate Company of India was grappling with a problem: it couldn't come up with a safe and inexpensive method to test the leakage in cans of edible oil. The Tata Group company had no R&D team it could turn to for help. This was when a start-up suggested that Tinplate make use of a simple ultrasound instead of manually testing each can for leaks. And it worked. Such engineering solutions, channelled through Tata Innoverse, a crowdsourcing initiative of Tata Sons, are helping smaller companies of the salt-to-software conglomerate that have no dedicated units for research and development find solutions outside. For the first time, the group is allowing outsiders to peep in and solve some of the engineering and process-related problems that its various companies have been wrestling with. "We have posted 15-plus challenges [through Innoverse] and we've got 3,500 plus registered users — a solver community helping us solve these problems. The solutions are coming from universities (including the IITs) and companies outside the Tata Group," Gopichand Katragadda, Group CTO at Tata Sons, told BusinessLine. Fifteen Tata group companies are so far working with the Group Technology Office to solve their problems through the crowdsourcing approach. They include Tata Steel, Tata Sponge, Titan, Tata Global Beverages, Tata Motors, Rallis and Tata Global Wires. To ensure that sensitive company information is not leaked while Tata companies post their problems to the world, the group is ensuring that core engineering problems are posted only from smaller group companies that have no R&D budget. The Tata Group otherwise has an annual R&D budget of \$2.8 billion. "Core problems for smaller companies and non-core problems for larger companies is a model that we adopted and that is working well for us," Katragadda said. For the first few challenges, Tata Sons offered prize money of ₹1 lakh to a solver whose solution was selected. Apart from the prize money, the group will allow the solver — an individual, startup or university — to retain the intellectual property and continue to work with Tata companies as a vendor. The prize money is expected to go up to ₹ 3-21 lakh this year.

Source: Business Line, May 16, 2017

Tata Steel agrees to UK pension deal

Tata Steel has agreed to the key commercial terms of a deal to cut benefits and improve

the funding position of its British pension scheme, it said on Tuesday. The scheme was a major stumbling block during talks to merge Tata Steel's British and European steel assets with those of Germany-based ThyssenKrupp. It was opposed to taking on Tata's £15 billion for the UK's pension liabilities. The deal, agreed with the scheme's trustees, would see Tata plough £550 million into the final salary under the British Steel Pension Scheme (BSPS). However, it is subject to formal approval by The Pensions Regulator, but Tata said it expected to get the approval shortly. Tata has also agreed to sponsor a new pension scheme, which would have lower benefits than those of the original scheme. It would also give the BSPS a 33 per cent equity stake in its UK business. With benefit cuts in place, the new scheme would pose less of a risk to the company, Tata said. The BSPS is one of Britain's largest final salary schemes with 130,000 members. The members who do not agree to move to the new scheme will automatically transfer to the Pension Protection Fund (PPF). All the scheme's members, including those in the new scheme, are guaranteed PPF compensation levels.

Source: Business Standard, 17 May, 2017

Arcelor Mittal first quarter net at \$1bn, but debt rises to \$12.1 bn

The world's largest steelmaker ArcelorMittal reported a net profit of \$1 billion for the quarter ended March 31, 2017, but reported a rise in net debt to \$12.1 billion during the period. The firm, led by billionaire Laxmi N. Mittal, had posted a net loss of \$416 million a year ago. Sales of the steel giant rose 20.08% to \$16.08 billion in January-March period from \$13.39 billion in the corresponding period last year. ArcelorMittal follows the January – December fiscal year of accounting. The Luxembourg-based firm, however, reported a higher net debt of \$12.1 billion, which is attributed to a "seasonal working capital investment of 2.2 billion" against \$11.1 billion dollar on December 31, 2016. ArcelorMittal's Chairman and CEO Lakshmi Mittal said, "I am satisfied with the first quarter results, which reflect the anticipated positive momentum in the market and the progress we are making internally to make the business stronger."

Source: Financial Express, May 13, 2017

Thyssenkrupp opens elevator plant in Pune

German mobility solutions major Thyssenkrupp on Friday opened a Rs.360 crore elevator and escalators manufacturing facility in Pune, making it the fourth plant globally. The two thousand- square-metre facility at Chakan is its first in the country and fourth globally, after the one at home and two in China and has a capacity to do 6,000 units a year. It can be scaled up to 10,000 units in the second phase, which it hopes to achieve in the next three years.

Source: Business Standard, 13 May, 2017

Tata Steel UK unions welcome pension arrangements

Tata Steel unions in the UK have welcomed the latest developments relating to Tata Steel's pension arrangements in the UK, including the agreement on the main commercial terms of a "Regulated Apportionment Agreement," under which Tata Steel will contribute £550 million, and a 33 per cent equity stake in its UK operations, and sponsor a new closed pension scheme. "This announcement is a stepping stone in the process to secure British Steel Pension Scheme members' benefits in a new modified scheme," said unions in a joint statement. On Tuesday, Tata Steel had said that following discussions with the Pensions Regulator (TPR), the British Steel Pension Scheme (BSPS) trustee, and the Pension Protection Fund (PPF), the main commercial terms of a Regulated Apportionment Arrangement (RAA) had been agreed, subject to formal approval by the TPR, which it expects shortly. The agreement will involve a payment of £550 million by Tata Steel to the pension scheme, and a 33 per cent equity stake in Tata Steel UK. Following the Regulated Apportionment Arrangement, Tata Steel UK will sponsor a closed pension scheme to which members of the BSPS could transfer.

Source: Business Line, May 18, 2017

JSW Steel eyes brownfield projects to expand capacity; invest Rs. 19,200 cr

JSW Steel plans to invest Rs. 19,200 crore in various brownfield projects to enhance its capacity in line with the national steel policy announced by the government recently. The company plans to double steel-making capacity at Dolvi in Maharashtra to 10 million tonnes per annum (mtpa) along with 4 mtpa pellet plant and 4 kilns of 600 tonnes per day of Lime Calcination Plants for Rs. 15,000 crore. This apart, it will increase the blast furnace capacity at Vijayanagar to 4.5 mtpa from 3.5 mtpa with investment of Rs. 1,000 crore and expect to complete the project in 20 months. To enhance the production of value added products, it will increase the capacity of cold rolling mill at Vijayanagar to 1.80 mtpa from 0.85 mtpa along with two continuous galvanising line of 0.45 mtpa each, a new 1.2 mtpa Continuous Pickling Line for HRPO (hot rolled pickled and oiled) products, and a new 0.80 mtpa hot rolled Skin Pass Mill for hot rolled Black and HRSPO (Hot-Rolled, Pickled, Skinpassed and Oiled) products. These projects are estimated to cost Rs. 2,000 core and expected to be completed by September 2019. JSW Steel will also take up modernisation and capacity enhancement of Vasind and Tarapur downstream facilities at estimated cost of Rs. 1,200 core and it is to be completed by April 2019.

Source: Business Line, May 18, 2017

PROJECTS

Thyssenkrupp in talks with Tata Steel, others for European steel making facility

German engineering giant Thyssenkrupp said they are in talks with other European companies including Tata Steel for consolidation of its steel making facility in Europe. Speaking to reporters on the sidelines of a function to inaugurate a new elevator facility in Pune, Oliver Burkhard, a member of the executive board at Thyssenkrupp AG, said, "We expect consolidation in the European steel industry for steelmakers to stay afloat. We don't know when and with whom we will close the deal but we are in talks with other European steel companies and the status of a merger with Tata Steel UK is where it was." Burkhard clarified that Tata Steel is just one of the companies that they are in talks with. A report by Reuters published on Thursday, said analysts raised misgivings over how the management is focusing only on a possible partnership with Tata Steel's UK operations and hasn't prepare an alternative, such as spinning off its operations.

Source: Economic Times, May 13, 2017

JSPL to Commission 6 mtpa Steel Plant in Odisha in May

Jindal Steel and Power Plant's 6 million tonnes per annum (MTPA) steel plant in Odisha's Angul would be commissioned by the end of May. JSPL chairman Naveen jindal said on Friday. He said the sinter plant has already been commissioned and the blast furnace is likely to be commissioned by next week. In the first phase, the Angul plant would be expanded from the present 2mtpa to 6 mtpa. With commissioning of the blast furnace, JSPL will become India;s fourth largest steelmaker after JSW, SAIL and Tata Steel.

Source: Economic Times, May 13, 2017

POLICY

Pre-emptive cover for Indian steel

Continuing with the policy of protecting domestic steel-makers from cheap imports, the government has imposed definitive anti-dumping duties on specified HR coils, plates and sheets from a clutch of companies from half-a-dozen nations, including China, Japan, Korea, Russia and Indonesia. An official notification issued late on Thursday stated that the duties will be in effect for five years beginning August 8, 2016 (when provisional

duties were put on these items). However, industry sources said that since landed prices of these items — including freight and customs duty of 12.5% — are now ruling higher than the reference prices, \$478-561 per tonne, set by the government, the duties won't be applicable immediately. However, these imposts will come to the domestic companies' help as and when the global prices, which have recently firmed up due to rising input costs, fall. The potential beneficiaries of the anti-dumping duties include public-sector SAIL, Tata Steel and JSW Steel. Thanks to the provisional anti-dumping duties and a minimum import prices on 173 products including HR coil that existed for several months since February last year, domestic steel makers have improved their balance sheets in recent quarters. Domestic HR coil prices are now ruling at \$610/tonne. In 2016-17, India's steel imports fell by an annual 37% to 7.4 million tonne (mt) while exports increased by 102% to 8.2 million tonne. Accepting the recommendations of the Directorate general of Anti-Dumping (DGAD), which in its final findings found that predatory imports were causing material injury to the domestic steel firms in the period of probe, the finance ministry has kept the reference rate for imports of HR coils in the range between \$478-489 per tonne. For plates/sheets, it has been kept at \$561 a tonne. The actual duties are the difference between the reference price and the landed t price of imports.

Source: Financial Express, May 13, 2017

FINANCIAL

Tata Steel narrows loss to Rs. 1,168 cr in Q4

Tata Steel has reported a consolidated net loss of Rs. 1,168 crore in the March quarter against a net loss of Rs. 3,042 crore logged in the same period last year. The company made a provision of Rs. 4,069 crore in the March quarter for discontinuing the defined benefit section of the British Steel Pension Scheme to future accruals. A loss of Rs. 451 crore from discontinued operations also dragged the company's profitability. Revenue was up 30 per cent at Rs. 35,305 crore (Rs. 27,071 crore) on the back of sharp increase in profit margin. Earnings before interest, tax, depreciation and amortisation was up at Rs. 6,982 crore (Rs. 2,197 crore). The closure of defined benefit in the British Steel Pension Scheme meant that all active members of the scheme became deferred pensioners which resulted into a crystallised non-cash curtailment strain of Rs. 3,627 crore and is the first step towards restructure of UK operations, said Tata Steel in a statement on Tuesday. As on March end, the gross debt was at Rs. 83,014 crore, lower by Rs. 1,700 crore from the previous quarter, despite capital expenditure of Rs. 2,092 crore during the quarter. Net debt was at Rs. 72,367 crore, reduced by over Rs. 4,300 crore. TV Narendran, Managing Director, Tata Steel, said the focus on cost improvement initiatives and integrated operations helped to contain the impact of rising raw material prices. Koushik Chatterjee, Group Executive Director (Finance and Corporate), said the consolidated EBITDA for

Tata Steel Group was in excess of Rs. 17,000 crore for the fiscal year 2017, which is the highest in the last six years. The company's scrip was up by 0.27 per cent at Rs. 457 on Tuesday.

Source: Business Line, May 17, 2017

Tube Investments profit dives to Rs. 72.50 cr in Q4

Tube Investments has reported a steep drop in profit after tax for the fourth quarter ended March compared with that of the previous year. The cycles and accessories division was hit by demonetisation with trade sales and institutional sales impacted. The Murugappa Group company has reported a net profit of Rs. 72.50 crore (Rs. 671.84 crore) for the quarter ended March 31, 2016, on a total income of Rs. 1,200 crore (Rs. 1,153.62 crore) on a standalone basis. For the financial year 2016-17, the net profit was Rs. 196.17 crore (Rs. 730.93 crore) on a total income of Rs. 4486.97 crore (Rs. 4247.98 crore). A press release quoting Ramkumar, Managing Director, said the auto industry registered a growth during the year which had a beneficial impact. But the cycles and accessories division has registered a revenue drop of 9 per cent during the year due to drop in institution sales. Trade sales were affected due to demonetisation. Profit before interest and tax for the year was Rs. 36 crore against Rs. 79 crore in the previous year. The engineering division registered revenue growth of 18 per cent during the quarter, aided by growth in exports. Profit before interest and tax for the quarter was Rs. 25 crore against Rs. 28 crore in the corresponding quarter of the previous year.

Source: Business Line, May 16, 2017

JSW Steel Q4 net profit jumps 173% at Rs 1,003.4 crore

JSW Steel reported a 173.3% (y-o-y) jump in its standalone net profit at Rs 1,003.4 crore during January-March quarter on the back of a 59.7% (y-o-y) jump in revenue to Rs 16,952 crore. Both the top and the bottom line of the company beat Bloomberg consensus analyst estimates. The company said both its crude steel production and steel sales during the quarter, at 4.1 MT and 3.96 MT respectively, were the highest ever. The jump in sales comes despite weak domestic demand due to the effects of demonetisation which was offset via exports. For the full year, exports jumped by 153% (y-o-y) to 3.83 MT and accounted for over 25% of the company's annual sales. JSW Steel's earnings before interest, taxes depreciation and amortisation (Ebitda) was, however, under a bit of pressure during the quarter with the Ebitda margin shrinking by about 50 bps. Seshagiri Rao, Joint MD and Group CFO of JSW Steel said coking coal prices were extremely volatile during the quarter, thereby putting pressure on margins. He also said that steel prices have corrected a bit since their peak in February but the company will ensure that margins remain intact. Rao said that the company will incur Rs 26,800 on capital expenditure in the three years to FY20, to expand capacity, lower operating costs and

enrich the product mix. “Roughly Rs 15,000 crore of this will be raised via debt while the rest will be through internal accruals,” he added. For FY18, the company guided for crude steel production of 16.5 MT, which would mark a growth of 4.4% over FY17, and for steel sales of 15.5 MT, which would mark a growth of 4.9% over the 14.77 MT it achieved in FY17.

Source: Financial Express, May 18, 2017

GLOBAL STEEL

China’s April steel output hits record

China produces a record volume of steel in April, breaking the previous highest peak set in March, data showed, stoking worries about a growing glut in metal even as the government said most of this year’s targeted capacity cuts have already been met. Chinese steelmakers churned out a highest ever 72.78 million tonnes in April, up 4.9 % the National Statistics Bureau (NBS) data showed on Monday, surpassing March’s monthly record of 72 million tonnes as mills in the world’s top producer rushed to profit from rising prices even as demand remains flat. In a briefing after th data release, an NBS spokesman said the nation had already met 63.4% of this year’s targeted cuts for steel and 46% of coal cuts. The ramp-up in steel output underscores the challenge for the government as it aims to slash 50 million tonnes of low grade outdated capacity this year, on top of the 65 million removed last year. The government is targeting rebar, used in construction, in particular. But many of the plants that have been closed in the recent years were already idled and output from still-open plants has continued to rise.

Source: Financial Express, May 16, 2017

MISCELLANEOUS

Tata most valuable brand, Airtel at number 2

The House of Tatas has retained its position as India’s leading brand in valuation firm Brand Finance’s annual study of the country’s top ten names. But the 150-yesr-old group’s brand value has fallen four per cet to \$13.1 billion in 2017 over 2016, according to findings shared exclusively by the UK-based valuation firm with Business Standard. The firm, however, says that the drop is not a result of the boardroom battle, the conglomerate witnessed in the last few months. The top ten brands are, Tata, Airtel, LIC, Infosys, SBI. Reliance, L&T, Indian Oil, HCL, Mahindra,

Source: Business Standard, 17 May, 2017