Steel In The News

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

CONTENTS

CONTENTS	Page
Highlight of the Week	2
Company News	2
Projects	4
Steel Performance	5
Financial	6
Miscellaneous	7

A Weekly News Report by Joint Plant Committee

May 20 - 26, 2017

HIGHLIGHTS OF THE WEEK

1. Steel exports saw a 142 per cent jump in April to 0.747 million tonnes (mt) over the corresponding month a year ago, amidst steps to safeguard domestic industry.
2. Steel prices to go up marginally
3. Steel Authority of India is hoping to soon conclude a joint venture (JV) agreement with ArcelorMittal, the Luxembourg-headquartered multinational entity.
4. India should produce more automotive high-end steel as the country is likely to manufacture 27 per cent of total cars in the world in days to come, Steel Minister Chaudhary Birender Singh has said
5. SAIL Primary Steel Supplier for India's Longest Bridge
6. Essar Shipping expands fleet to meet demand from Essar Steel

COMPANY NEWS

SAIL Primary Steel Supplier for India's Longest Bridge

Steel Authority of India Ltd. (SAIL) supplied most of the steel that went into construction of the country’s longest bridge ‘Dhola-Sadiya’, built on river Lohit in Assam. The bridge, a key infrastructure project, will connect the states of Assam and Arunachal Pradesh. It will be inaugurated by the Prime Minister on Friday. The construction of the 9.15 km long bridge began in 2011 under public private partnership. This bridge is 3.55kilometers longer than Mumbai’s Bandra Worli Sea Link. The state owned steel major supplied nearly 90%, or around 30,000 tonnes of steel, including TMT, structurals and plates for the bridge. The product mix offered by SAIL was one of the major criteria for its selection in this project, the company said in a statement. SAIL has identified specific focus areas in the north eastern region for increasing its presence and market share, and has adopted a structured approach to widen its footprints. In step, it recently appointed a General Manager to look after steel marketing in the area.

Source: Economic Times, May 26, 2017

JSPL narrows loss to Rs. 116 cr in fourth quarter

Jindal Steel and Power Ltd has reported a 47 per cent improvement in its bottomline during the fourth quarter of 2016-17. The company’s net loss fell to Rs. 116 crore in the fourth quarter of 2016-2017 from Rs. 218 crore in the corresponding quarter last fiscal. Sales grew by 13 per cent during the fourth quarter of 2016-17 as compared to the same period last fiscal, a compnay statement read. The company said the government support to domestic steel and power industry had given a stimulus to local demand by way of enhanced investment in infrastructure. Its turnover grew by 13 per cent to Rs. 4,545 crore during the fourth quarter, against Rs. 4,033 crore in the last quarter of fiscal 2016. For the full financial year 2017, the net loss fell 30 per cent to Rs. 986 crore from Rs. 1,419 crore for fiscal 2016. There was also a 5 per cent improvement in the turnover for fiscal 2017 at Rs. 15,494 crore against Rs. 14,693 crore during fiscal 2016.

Source: Business Line, May 24, 2017

Essar Shipping expands fleet to meet demand from Essar Steel

Essar Shipping Ltd (ESL), one of India's leading shipping companies, has added a Panamax vessel of 74,005 deadweight tonnage (dwt) to its fleet of 14 vessels, taking the total tonnage volume to 1.6 million dwt. Panamax stands for the mid-sized cargo ships capable of passing through the narrow Panama Canal. Essar Shipping's fleet now consists of six mini-cape bulk carriers, one standard Capesize (the largest among dry cargo ships), two Supramax and two Handysize (mini-vessels) dry bulk carriers as well as two oil tankers of VLCC category (very large crude carriers). The second-hand 16-year-old Panamax vessel added to the fleet will replace MV Chandi Prasad, a Capesize carrier of 152,065 dwt decommissioned last month after sailing for 28 years. Japanese-made ship rechristened as MV Mahavir was acquired for around $5 million. The ship will be deployed for transporting pellets, coal and limestone from Essar Steel's pellet plant in Paradip to the steel plant in Hazira. "We wanted to utilise this ship for our own cargo, as steel production is coming up, we have a lot of movement," Ranjit Singh, Executive Director & CEO, Essar Shipping, told BusinessLine . Essar Steel has emerged as the main customer for Essar Shipping since the inception of Essar's Hazira Steel Complex in the early 1990s. Hence, Essar Shipping's fleet is being used for coastal cargo movement catering to Essar's steel business requirement and providing it quicker access both to raw materials sourced from mines in Eastern India and to steel consuming markets in India and abroad.

Production picks up

Essar Steel's production has picked up lately: for the year ended March 31, 2017 its flat steel production registered 47 per cent growth, while pellet production grew by 60 per cent. This gives Essar Shipping's CEO hope for more additions to its fleet. "We are still on look out for more Panamax carriers. I am aiming to add more vessels this year, but I am waiting for the right opportunity, as this vessel we have picked up at the right time - since I made the deal till the time of acquisition the price has already shot up by 5 per cent," Ranjit Singh said.

Source: Business Line, May 24, 2017

PROJECTS

SAIL-Arcelor Mittal deal might conclude soon

Steel Authority of India (SAIL) is hoping to soon conclude a joint venture (JV) agreement with ArcelorMittal, the Luxembourg-headquartered multinational entity. In 2015, SAIL had signed a memorandum with ArcelorMittal for setting up an automotive steel manufacturing facility, as a JV in India. The investment indication was about ₹5,000 crore. The feasibility study was supposed to take around two years. Some commercial terms, especially the revenue share formula, is said to have kept the project from taking off. SAIL had also signed a pact with Kobe Steel in 2012 for an iron nugget making plant but that has been a non-starter. Over the next one to two years, SAIL will achieve a finished steel capacity of 21 million tonnes a year, from the present one of 12.4 mt. The investment in modernisation and expansion is nearly ₹70,000 crore. Singh said the right ingredients were in place to make SAIL competitive. Discussions were taking place with Indian and foreign companies for special grade steel and special products. To remain competitive, these things are required, he said. In 2015-16, the company's value added production as a percentage of saleable steel was 41.5 per cent. After the modernisation and expansion, this would cross 50 per cent. The government-owned entity still sells a significant component of its volume in semi-finished form, currently about a fourth. After the modernisation, and addition of new products, it is to come down to 12 per cent.

Source: Business Standard, May 23, 2017

NDA-II revives UPA-II's pet steel project in Amethi

The Steel Authority of India, under directives from the Steel Ministry, is finally going to revive the Jagdishpur steel unit in Amethi, Uttar Pradesh. Addressing a press conference to highlight his Ministry three-year report card, Union Minister for Steel, Chaudhary Birender Singh, said: "The steel plant in Jagdishpur may be functional within two months." Taking a jibe at his former party, the Congress, Singh said projects were announced but work was not completed in steel plants at Jagdishpur in Uttar Pradesh, Betia in Bihar and Kangra in Himachal Pradesh. These projects will now be revived within two months to one year, he said. In 2011, former Steel Minister Beni Prasad Verma in the Congress-led UPA-II government had announced plans to invest up to Rs. 10,000 crore in the unit. BusinessLine had reported in May 2015 that the Narendra Modi-led NDA government had pulled the plug on budgetary support for the Jagdishpur steel unit's revival. The Outcome Budgets for 2011-12, 2012-13 and 2013-14 show that every year a certain amount was sanctioned for the revival work at Jagdishpur. However, this support was stopped in 2014-15. Singh also said that work on reviving the Kangra project had been going on and the project would manufacture TMT bars, JC sheets, crash barriers and black pipes. He said RINL's Rai Bareli plant could be taken up for upgradation as well.

Source: Business Line, May 24, 2017

STEEL PERFORMANCE

India aims to touch double-digit exports in 2-3 years

Soon after it became the net exporter of steel, India plans to touch double-digit exports of the commodity in the next two to three years, Steel Minister Chaudhary Birender Singh said on Tuesday. The minister, while addressing the media on the three-year achievements of the Prime Minister Narendra Modi-led government, said that the country was aiming for double digit exports, even as the government's continued thrust would be to increase consumption in the domestic market. According to an official, steel exports, currently at 8.2 million tonnes (mt), are likely to be close to 10 mt in three years' time. Steel exports in 2016-17 more than doubled from 4 mt in 2015-16, partly due to subdued domestic demand. During the same financial year, imports were reduced by 37 per cent at 7.42 mt, as a result of government initiatives, he said. Meanwhile, the minister said, India was headed towards becoming the second-largest steel producer in the world, as it added 16.5 mt of crude steel capacity in the past three years. Efforts are on to increase the contribution of steel sector to the gross domestic product (GDP) from the present 2 per cent, the minister said.

Source: Business Standard, May 24, 2017

Steel exports rise 142% in April

Steel exports saw a 142 per cent jump in April to 0.747 million tonnes (mt) over the corresponding month a year ago, amidst steps to safeguard domestic industry. The government has provided support to domestic steel industry by way of various trade remedial measures including anti-dumping."Export of total finished steel was up by 142 per cent in April 2017(0.747mt) over April 2016 and declined over 54 per cent over March 2017." Joint Plant Committee, a body under the Ministry of Steel said in its latest data. Import
of total finished steel saw a dip of 23 per cent in April to 0.504 mt over the corresponding month a year-ago. Imports during the month also decline by 16 per cent over March 2017.

Source: Business Line, May 22, 2017

Steel prices to go up marginally

The new tax structure will be neutral for the steel sector but there may be collateral gains for the industry, which was under rough weather until recently. According to analysts tracking the sector, with CENVAT rules being replaced by GST, the credit cycle will become smooth, thereby improving the visibility of revenues and increasing liquidity and availability of working capital. Puneet Puliwal of the CRU Group said: "Costs will fall and there will be more clarity on cash flows. This will also help the steel companies overcome their NPA problems and get credit more easily. However, In terms of taxation, a real estate developer will have to pay more on steel inputs. The automobile sector will also see a similar impact. Analysts monitoring the sector were not surprised with steel being put under this slab. Sidharth Jain of EY said: "The rate was expected to be around 18 per cent. The current effective rate is about 18.125 per cent so there is a marginal reduction. "However, when steel is not used for non-creditable purposes, there will be an increase in the tax that the end user will have to pay."

Source: Business Line, May 20, 2017

FINANCIAL

'Buy' on Jindal Steel and Power with TP of ₹155

Jindal Steel & Power's (JSPL) consolidated Q4FY17 EBITDA at Rs15.5 billion (up 73% y-o-y) surpassed consensus primarily on better performance of overseas subsidiaries. We believe, EBITDA CAGR of 32% over FY17-19E will be led by volume ramp up at domestic and international operations despite power PLF remaining at 35% on an average. In our view, JSPL is better placed compared to peers in maintaining its EBITDA margin due to high margin niche products such as plates and rails in its portfolio. However, taking cognizance of the delay in commissioning of the blast furnace at Angul, we revise FY18E EBITDA down 9%, while maintaining FY19E EBITDA. Maintain 'Buy' with revised TP of Rs155, earlier Rs160, implying an exit multiple of 6x. JSPL's consolidated EBITDA jumped 73% y-o-y to Rs15.5 billion primarily due to improved performance of subsidiaries: selective power sales and operating cost efficiencies helped Jindal Power's (JPL) EBITDA catapult 181% y-o-y to Rs3.8 billion despite flat sales; Jindal Shadeed's EBITDA grew 88% y-o-y to $ 32 million EBITDA/t at $82 compared to $36 in Q4FY16; and mining subsidiaries posted positive EBITDA on production ramp up amidst better realisation y-o-y. We expect the performance to sustain post rebar mill ramp up at Oman and continued volume growth at mining subsidiaries. We believe, volume-led growth on all fronts will generate free cash flow equivalent to 20% of current market cap over the next 2 years. Consolidated EBITDA jumped 217% y-o-y to Rs2.6 billion owing to Jindal Shadeed's improved performance. We expect superior performance in FY18 due to better product mix and EBITDA/t to range between $ 80/t and $ 90/t over the next two years. Coal production at Australia and Mozambique is ramping up with EBITDA at AUD30.1m and $ 4.9 million, respectively, for Q4FY17. Going ahead, we expect capacity ramp at both operations to drive growth. – Edelweiss.

Source: Financial Express, May 26, 2017

MISCELLANEOUS

Steel minister sees India as auto hub, bats for superior steel

India should produce more automotive high-end steel as the country is likely to manufacture 27 per cent of total cars in the world in days to come, Steel Minister Chaudhary Birender Singh has said. "In times to come, it is expected that India would be the hub for manufacturing of motor cars... and there is an estimate that India alone would be manufacturing 27 per cent of the total cars in the world," the minister said. "We want that this kind of steel, that is automotive high end, should be produced in our country so that we can save our foreign currency to a great extent," he said. He also pitched for export of high-end steel to the world market, saying factors like competitive efficiency play a key role in its manufacturing. Noting that the efficiency level in both private and public sectors in India is below international standards, the minister underscored the need for higher efficiency. The higher efficiency can be achieved by changing the old machinery at steel plants "which we have already done with regard to PSUs, especially state-owned SAIL".

Source: Financial Express, May 22, 2017

Steel PSUs not holy cows, must compete with pvt players: Min

Steel PSUs are not holy cows and should step out of their comfort zone to perform and compete with private players, Steel Minister Chaudhary Birender Singh said today in an interview to PTI. The minister warned that the PSUs cannot afford to sit on their laurels in the changing scenario in the world. “So, either perform or perish,” Singh said, in a blunt message. The PSUs should diversify their activities and go for high-end steel production, Singh suggested. “Diversify your activities, go for high-end steel production and also diversify into those activities where you can make best use of your land which is available to you. There is about one lakh acres of land with steel plants of our PSUs,” Singh said. According to steel ministry sources, the minister had earlier talked about SAIL barely achieving blast furnace productivity at 1.7 tonnes per cubic meter per day (tpcm/d) in contrast to over 2.5 tpcm/d by its private counterparts and global standard of over 3 tpcm/d. The minister had earlier rapped SAIL for slow progress in modernisation as well as capacity ramp-up as deadlines were missed. The government has already set up a committee to suggest measures to fast-track modernisation of steel public sector firms

SAIL and RINL. The panel is chaired by the steel secretary and has CMDs of SAIL and RINL as its members. Boston Consulting Group (BCG), a leading global management consultancy, is also part of the panel, besides outside experts.

Source: Financial Express, May 20, 2017

ICC calls for caution on stressed steel asset sale

The Indian Chamber of Commerce has urged the Reserve Bank of India to be cautious on sale of stressed steel asset and not to go by the defined deadline under the new Insolvency and Bankruptcy Code. In a communication to the RBI, the Indian Chamber of Commerce said a strict timeline under the IBC should not result in liquidation of good assets and operating units just because the lenders are not taking decisions. The letter to the central bank gains significance as the government earlier this month passed the Banking Regulation (Amendment) Ordinance, 2017, that gave more power to the RBI to tackle the NPA issue. RBI was empowered to issue directions to commercial banks to initiate insolvency proceedings to recover bad loans. Resolution through IBC should be done only after the stressed loan sale to Asset Reconstruction Company fails. This will ensure that there is no risk of liquidation and the plant operations do not shut down leading to job loss, said Rajeev Singh, Director General, Indian Chamber of Commerce. Steel companies have made huge investments in Odisha, Chhattisgarh and Jharkhand by raising bank funds worth ₹4.35 lakh crore. A large portion of the bank loan to steel industry has turned non-performing asset and banks have the requisite provisioning. The focus now should be on early resolution of bad loan issue, said Singh. Suggesting that the Scheme of Sustainable Structuring of Stressed Asset (S4A) needs to be amended to cover cases where sustainable asset is below 50 per cent and moratorium on loan repayment, the Chamber said the definition of current funded liability should be as on the date when the loan turned NPA. The S4A guideline was introduced in 2010, but the debt to steel industry ballooned over three times between 2011 and 2017 as the interest cost on loan was much higher than the Ebitda margin, it said.

Source: Business Line, May 25, 2017