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 27 – June 2, 2017

HIGHLIGHTS OF THE WEEK

1. Leading steelmaker SAIL reported a loss of ₹ 771.3 crore in the March quarter.

2. Having failed to complete all formalities and sign on the dotted lines to take off their $1 billion proposed joint venture, SAIL and ArcelorMittal have extended their MoU deadline, for three more months.

3. ArcelorMittal, the world's biggest steelmaker, and Italian industrial group Marcegaglia have won a bid to buy the troubled Ilva steel plant in southern Italy,

4. Jindal Steel & Power Limited (JSPL) chairman, Naveen Jindal said that the commissioning of 4 million tonne per annum steel capacity at the company's Angul facility in Odisha would contribute a lot in the financial turnaround of the company.

5. The roll out of the Goods & Service Tax (GST) scheduled from July 1 this year spells good news for Tata Steel as the steel firm can sell finished steel products manufactured at its Kalinganagar steel mill in Odisha outside the state.

6. Domestic steel mills may benefit from lower iron ore and coking coal costs in the current year but sustained weakness in demand still remains a concern, Icra said

7. Steel pipe makers find the going tough as imports from China rise

RAW MATERIAL

KIOCL allotted iron ore mine in Bellary

Kudremukh Iron Ore Company Ltd (KIOCL) has made a turnaround in the last fiscal despite not having captive mines. The performance is commendable as there were challenges in the absence of captive mine, lack of iron ore security and the huge logistic cost in moving iron ore from Kirandul-Bacheli sector of NMDC to the pellet plant located at Mangalore Port, said Malay Chatterjee, CMD, KIOCL. The company has turned around during 2016-17 by registering profit after tax of Rs. 47.93 crore, from a loss of Rs. 80.15 crore in the last financial year (2015-16). Chatterjee expressed confidence in sustainability with the allotment of iron ore mines at Devadari Range in Bellary district in Karnataka under the reservation route on approval of the Central government. Necessary gazette notification has been issued in January after a spell of 12 years since the closure of its mine and its capability at Kudremukh in December 2005. The company has already prepared an action plan and initiated the process for obtaining the necessary statutory clearances. “We need to get forest clearances in this mine area and pay compensation. It may take up to 36 months, but we are confident to briWhile the government has plugged the problem of steel imports with levy of anti-dumping duty, value-added steel pipes are now being dumped into the country at a price 20 per cent cheaper than Indian producers. In a recent GAIL tender bidding for 1.6 lakh tonnes of steel pipes worth Rs. 1,040 crore, North China Pipe Mill has bagged an order worth Rs. 880 crore leaving just 25 per cent of tender quantity for the Indian producers. Reeling under a prolonged slowdown in orders, pipe producers in India have already become nervous with GAIL set to open bids for another 3 lakh tonnes of steel pipes worth Rs. 2,000 crore in three months. Other public sector oil majors such as IOCL and ONGC are set to tender their pipe requirement worth Rs. 4,000 crore in the next six months. The capacity utilisation of Indian pipe mills with bank loan exposure of over Rs. 15,000 crore has already fallen below 35 per cent and they are struggling to stay afloat, said Vinod Mehta, General Secretary, Indian Pipe Manufacturers Association. China has managed to undercut prices and dump pipes in different countries as their government provides special incentives for exports besides they enjoy lower interest and logistic costs compared to their Indian counterparts, he added. Though the New Steel Policy that mandates use of ‘Made in India’ steel looks good, it needs lot of clarifications and faces big challenges on implementation, he said. Exporters can play around the 15 per cent domestic value addition clause in the policy to still dump steel products, he said. Seeking levy of anti-dumping duty, Mehta added, the import duty on steel plates, a raw material for making pipes, is 12.5 per cent while the duty on pipes is 10 per cent. India has six million tonnes of pipe making capacity and imports 50-60 per cent of its raw material. Among the large pipe manufacturers are Welspun Corporation, Jindal SAW and Man Industries. China has started focusing on Indian market for pipes after Europe imposed anti-dumping duty and US started investigation on their exports for a possible trade barrier, said Mehta.ng the timeline to 24 months,” said Chatterjee, at a press conference here. The company plans to set up a 1 MPTA pellet plant at the mine head at a cost of Rs. 1,300 crore. This is expected to provide direct jobs to 500 people. Chatterjee said “We will erect a mine based pellet plant here of capacity of one MPTA and this will increase our output for both domestic needs and exports.” The company has the potential in palletisation and beneficiation technology and is aiding NMDC, saving the costs and in value addition for the latter.

Source: Business Line, June 1, 2017

COMPANY NEWS

SAIL narrows loss by 30% in Q4

Leading steelmaker SAIL on Tuesday reported a loss of ₹ 771.3 crore in the March quarter. On the back of higher revenues, the public sector enterprise narrowed its net loss from ₹1,185 recorded in the year-ago period, the company said. Total income increased to ₹14, 544 crore against ₹12, 947 crore in the year-ago period. The firm said it had narrowed down its losses by around 30 per cent in 2016-17 and record an overall improvement including production, sales and productivity.

Source: Business Standard, May 31, 2017

ArcelorM ittal Wins bid to buy Italy's Ilva Steel Plant

ArcelorMittal, the world's biggest steelmaker, and Italian industrial group Marcegaglia have won a bid to buy the troubled Ilva steel plant in southern Italy, a source with knowledge of the matter, said on Friday. The special commissioners in charge of Europe's biggest steel plant by output capacity have accepted the bid of just under 2 billion euros ($2.23 billion, the source said. A representative for ArcelorMittal in Italy declined to comment until after Italy's industry ministry ratifies the decision. A spokesman for Marcegaglia declined to comment.

Source: Financial Express, May 27, 2017

PROJECTS

Angul Steel Project to help in turnaround of JSPL, says Jindal

Jindal Steel & Power Ltd (JSPL) chairman Naveen Jindal said on Saturday that the commissioning of 4 million tonne per annum (mtpa) steel capacity at the company's Angul facility in Odisha would contribute a lot in the financial turnaround of the company. The newly-built 4 mtpa facility has taken the total steelmaking capacity at Angul to 6 mtpa and the total steel capacity of the company to 10.75 million tonne, making it the fourth largest steel producer in the country. The company was already operating a 2 mtpa unit at Angul since 2015, which produced steel through coal gasification or DRI route. The full 6-mtpa plant of JSPL was dedicated to the nation by Odisha Chief Minister Naveen Patnaik on Saturday. Talking to media persons after the inauguration, Jindal said, his initial plan to come to Angul was to produce steel using the path breaking coal gasification route. But the cancellation of coal blocks in 2014 was a big jolt, following which, he has set up the second module of 4 mtpa at Angul using the blast furnace and SMS (steel melting shop) route. The total 6 mtpa steel plant at Angul required about 11 million tonne iron ore annually. A small chunk of it (about 1.5 million tonne) will come from the company's own mine at Tensa in Sundergarh district, while the rest will be procured from the market. To get hot metal for the newly installed 4 mtpa steel making module at Angul, JSPL has installed 4,554 cubic metre blast furnace at the site — claimed to be India's largest furnace till date. The Angul steel complex of the company also has 4 mtpa sinter plant, 2mtpa coke oven, 3-mtpa steel melting shop, 1.2-mtpa plate mill, 1.4-mtpa bar mill and a 810-Mw captive power plant.

Source: Business Standard, May 28, 2017

ArcelorMittal, SAIL extend MoU decline

Having failed to complete all formalities and sign on the dotted lines to take off their $1 billion proposed joint venture, SAIL and ArcelorMittal have extended their MoU deadline, scheduled to expire on Wednesday, for three more months. Steel minister, Birender Singh told FE. "The JV will happen soon. Some legal issues are to be cleared. For, all practical purposes, we have extended the MoU for another three months as it was going to be expired today. Both parties have agreed to this, Singh said. The two companies inked a Memorandum of Understanding (MoU) in 2015 with the aim of setting up a joint venture company that will set up a 1.2 MTPA unit to cater to the fast-growing automotive market in India, poised to become the world's fourth largest automobile manufacturing nation by 2020, and export the surplus to neighbouring countries. "The two companies have arrived at common pints. They need time to get the approval from the respective boards, to freeze the agreement and formulate the JV. They have taken time to complete all these formalities." Steel secretary Aruna Sharma said. Though there were no disputes on the shareholding of the unit as it was decided beforehand that the two firms will have equal stake in the venture, sources said some commercial issues have been holding back the the proposed JV to take off. As per the MoU, SAIL was supposed to supply hot-rolled coil to the joint venture entity from its Rourkela unit while the ArcelorMittal caters to around 17% of the global auto steel demand. SAIL currently does not produce automotive steel. The processing unit, however, would come up at one of the four major clusters in India that includes Sanand in Gujarat and Pune Chakan belt in Maharashtra.

Source: Financial Express, June 1, 2017

STEEL PERFORMANCE

Steel makers to benefit from low ore prices: Icra

Domestic steel mills may benefit from lower iron ore and coking coal costs in the current year but sustained weakness in demand still remains a concern, Icra said on Tuesday. “Sustained demand weakness remains a concern for the domestic steel industry with a growth of mere 4.6% and 2.6% in 2016 and 2017 due to sluggishness in key end-user industries”, the rating agency said in a report. “Weak demand conditions have led to a correction in domestic hot rolled coil (HRC) prices by 7% in May 2017.” Already, sea borne iron ore prices have corrected by 36% between February and May of 2017, dragged down by a correction in Chinese steel prices, steadily rising iron ore inventory levels at Chinese ports, and addition of low cost fresh supplies from Australia and Brazil, it said. Interestingly during this period, domestic lump ore prices have shown a diverging trend. Increasingly by aroud 4%. However, this weakening in seaborne prices will make iron ore exports by domestic miners less remunerative, which in turn is expected to result in a higher domestic availability, and a consequent correction in domestic ore prices in the coming months, it added. Seaborne prices of coking coal, the other key steelmaking ingredient for which India relies largely on Australian exports, have also seen a sharp decline from $314/MT (million tonnes) in mid-April 2017 to $170/MT in mid-May 2017 after after the resumption of supplies from Queensland post the disruption caused by cyclone Debbie during April 2017. Domestic steel production grew by 10.7% in 2016-17 supported by the government’s trade protection measures and favourable export realisations, which led to a decline in India’s steel imports, and a doubling of steel exports.

Source: Financial Express, May 31, 2017

Steel Pipe Makers Appeal to Ward off China Threat

Steel pipe makers like Jindal SAW, Man Industries and Welspun Corp have appealed to the Director General of Anti-Dumping and Allied Duties (DGAD) against unfair competition from Chinese suppliers, since the latter have emerged among the lowest bidders of recent orders for oil & gas pipelines. With trade measures against dumping of steel, the Chinese are dumpting value added products like pipes in the Indian market, an industry body has alleged seeking imposition of anti dumping duty on submerged arc welded (SAW) pipes. This comes at a time when the capacity utilisation in the six million tonnes pipe making industry is at 35% and pipe exports have dried up with major markets like the US, Mexico and Iran raising trade barriers. Incidentally, duty on steel plates used to make the pipes is 12.5%, duty on pipes is at 10%.

Source: Economic Times, June 2, 2017

MISCELLANEOUS

Tata Steel can sell Kalinganagar items beyond Odisha

The roll out of the Goods & Service Tax (GST) scheduled from July 1 this year spells good news for Tata Steel. With the introduction of the new taxation system, the steel firm can sell finished steel products manufactured at its Kalinganagar steel mill in Odisha outside the state. Tata Steel was bound by a memorandum of understanding (MoU) signed with the Odisha government in November 2004 to sell finished products from its Kalinganagar products within the state. The restrictive clause, however, was not applicable to exports of finished products outside the country. The Kalinganagar steel plant started commercial operations in May 2016. Since then, its products like Tata Ferroshots and HR (hot rolled) coils made by the unit were exported, mainly to South East Asian nations. The finished steel products could not be sold within Odisha as the state lacked downstream industries to absorb such products. Though Odisha has a nameplate capacity of 21 million tonne (mt) annually in steel making, hardly 2.6 mt is consumed within the state. The consumption of finished steel points to the lack of downstream industries despite the presence of steel majors like Tata Steel, Jindal Steel & Power Ltd (JSPL), Jindal Stainless Ltd (JSL) and Bhushan Steel. Due to lack of demand for its products within Odisha, Tata Steel sorely needed to despatch products to other states where the demand for such finished steel products was robust. Accordingly, Tata Steel had pleaded to the state government to do away with the restrictive clause on sales. But, the state government was dithering on it due to some revenue implications. The proposed roll out of GST would help Tata Steel to overcome this barrier — since under GST, the destination principle applies and its the consuming state that gets the tax. From the date of its commissioning, Tata Steel's Kalinganagar plant has crossed 2.23 tonne of hot metal production and 1.61 million tonne of HR coils. Apart from HR coils, Tata Steel's Kalinganagar plant has produced Ferro-shots. Tata Ferro-shots is granulated pig iron solidified by cooling in water. The product finds applications in electric arc furnaces, induction furnaces, cupolas, basic oxygen furnaces and foundries as a replacement of pig iron, scrap or DRI.

Source: Business Standard, May 30, 2017

Steel pipe makers find the going tough as imports from China rise

While the government has plugged the problem of steel imports with levy of anti-dumping duty, value-added steel pipes are now being dumped into the country at a price 20 per cent cheaper than Indian producers. In a recent GAIL tender bidding for 1.6 lakh tonnes of steel pipes worth Rs. 1,040 crore, North China Pipe Mill has bagged an order worth Rs. 880 crore leaving just 25 per cent of tender quantity for the Indian producers.

Reeling under a prolonged slowdown in orders, pipe producers in India have already become nervous with GAIL set to open bids for another 3 lakh tonnes of steel pipes worth Rs. 2,000 crore in three months. Other public sector oil majors such as IOCL and ONGC are set to tender their pipe requirement worth Rs. 4,000 crore in the next six months. The capacity utilisation of Indian pipe mills with bank loan exposure of over Rs. 15,000 crore has already fallen below 35 per cent and they are struggling to stay afloat, said Vinod Mehta, General Secretary, Indian Pipe Manufacturers Association. China has managed to undercut prices and dump pipes in different countries as their government provides special incentives for exports besides they enjoy lower interest and logistic costs compared to their Indian counterparts, he added. Though the New Steel Policy that mandates use of 'Made in India' steel looks good, it needs lot of clarifications and faces big challenges on implementation, he said. Exporters can play around the 15 per cent domestic value addition clause in the policy to still dump steel products, he said. Seeking levy of anti-dumping duty, Mehta added, the import duty on steel plates, a raw material for making pipes, is 12.5 per cent while the duty on pipes is 10 per cent. India has six million tonnes of pipe making capacity and imports 50-60 per cent of its raw material. Among the large pipe manufacturers are Welspun Corporation, Jindal SAW and Man Industries. China has started focusing on Indian market for pipes after Europe imposed anti-dumping duty and US started investigation on their exports for a possible trade barrier, said Mehta.

Source: Business Line, June 1, 2017