Steel In The News

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

A Weekly News Report by Joint Plant Committee

May 07 – 13, 2016

HIGHLIGHT OF THE WEEK

1. During this week, from several state-run and private banks have emanated a sense of relief as sales of domestic steel companies have fortified, following the government's measure on Minimum Import Price (MIP).

2. Indian Railways has abolished the dual freight rate policy for transportation of iron ore to boost freight traffic volumes. This is also in response to a long-standing demand from industry for uniform rates.

3. According to Tata Steel, the Company has received seven expressions of interest (EOI) for its UK business, which is up for sale. JSW Steel is considered to for Tata Steelǒs UK assets in an attempt to become one of the top three steel-makers in the world.

4. NMDC has introduced two breakthrough innovations in mining technology at its iron ore complex with an investment of Rs 1,400 crore.

5. Tata Steel Ltd. is reportedly considering transferring its UK pension liabilities to an insurance company.

RAW MATERIAL

NMDC: Better placed amid challenging environment

NMDC's move to cut iron ore prices in May isn't surprising, and is not a reason to worry. Before price cuts, NMDC had raised prices. It had raised per wet tonne (wt) prices by Rs 150 each for lump ore and fines in March and then by another Rs 150 per wt each in April to Rs 2,100 per wt for lumps and Rs 1,860 per wt for fines. Global iron ore prices (of 62-Fe grade) had moved up from December lows of $39.6 per wt to $55 per wt in March and to over $60 per wt after that. So, price hikes by NMDC for the first time after June 2014 were understandable. 62-Fe is standard iron ore grade and indicates the portion of iron content (62 per cent) in the ore. While these price hikes were supported by rising international prices, minimum import price (or MIP) for steel, leading to an uptick is domestic steel realisations also helped. Now, domestic iron ore supplies have increased, with fewer bottlenecks for movement of ore in Jharkhand, Chhattisgarh, and Odisha. Thus, after two price hikes, some correction was expected. Hence, the lowering of prices by NMDC in May isn't surprising. Lump prices were reduced by Rs 100 per wt and prices of fines were cut by Rs 200 per wt. NMDC is also setting up steel capacity of three mt, to come on stream by December 2017. With a good dividend history and high cash balance on books, the stock at Rs 93 now can be considered by investors for the long term.

Source: Business Standard, 11th May, 2016

PROJECT

JSW Steel joins race to corner Tata Steel's UK assets

Sajjan Jindalôs JSW Steel will bid for Tata Steelôs UK assets in an attempt to become one of the top three steel-makers in the world. JSW Steel is among the seven companies short-listed by Tata Steel as part of the sale process. While Tata Steel did not disclose the names of the seven bidders, industry sources and international media reports suggest that JSW Steel will have competition from metals group Liberty House, UK-based investment firm Greybull Capital, US steel firm Nucor, and a team of senior managers at Tata Steel UK, called Excalibur. Analysts said the companyôs debt levels, which stand at about Rs 40,000 crore, could worsen if it buys the Tata Steel plant in UK. A major worry could be the big pension liabilities of the Port Talbot steel mill in Wales. Last week, JSW Group had announced plans to acquire Jindal Steel & Powerôs power plant for Rs 6,500 crore. This is not the first time that JSW Steel is looking for opportunities in Europe. In 2014, it attempted to buy some assets from Italyôs second-largest steelmaker, Lucchini, but did not make the cut. Tata Steel Ltd had reached out to 190 potential investors for its UK assets.

Source: Business Line, 11th May, 2016

TECHNOLOGY

NMDC Invests Rs 1,400 Crore in 2 Breakthrough Innovations

NMDC one of India's largest miners, has introduced two breakthrough innovations in mining technology at its iron ore complex with an investment of Rs 1,400 crore. The twin technologies, a 5-km long conveyor belt, the only one of its kind in Asia, and a 'green' pellet plant are already operational in the dusty iron ore fields of Kumaraswamy at Donimalai. Both the mine and the pellet plant are likely to be formally commissioned by mid-June 2016.The state-owned company, which has been mining around 5 million tonne at Kumaraswamy, has recently expanded capacity of the mine by an additional 7 million tonne. NMDC caters to the iron ore needs of nearly half of the countryôs steel mills.

Source: The Economic Times, 10th May, 2016

FINANCIALS

Foreign banks appoint Avista to study JSPL loan recast

A group of foreign banks to which Jindal Steel and Power (JSPL) owes $550 million has appointed Singapore-based Avista Advisory to evaluate a recast of the loans as suggested by the company, JSPLôs proposal to restructure the debt, submitted to banks in April, included a revised pricing and an extended tenure. The promoters have indicated to lenders they will provide additional security in the form of shares in some overseas arms. A banker at one of the foreign lenders involved in the negotiations confirmed that banks are evaluating the recast proposal and have appointed Avista Advisory. ñSuch negotiations take time and all options need to be evaluated by us,ò he added. JSPLôs consolidated gross debt stood at Rs 43,806 crore at the end of March 2016. The firm reported a loss of Rs 1,902 crore in 2015-16, on the back of a loss of Rs 1,278 crore in 2014-15. Revenues in 2015-16 fell by 8 % to Rs 17,812 crore while interest expenses were Rs 3,280 crore.

Source: The Financial Express, 11th May, 2016

STEEL PERFORMANCE

Banks Relived with MIP Sop for Steel Firms

Several state-run and private banks can heave a sigh of relief, thanks to government's Minimum Import Price (MIP) for steel which has boosted sales for domestic firms. The cash flows that have improved phenomenally for some steel companies have saved them from getting an NPA tag. Indian government imposed MIP in the range of $341 to $752 per tonne on 173 steel products for six months in February this year. This has been aimed at curbing rising imports at predatory prices from countries like China, Japan, Korea and Russia. "Steel industry is heaving a huge sigh of relief so that is a plus and hopefully that will help banks," Uday Kotak, MD, Kotak Mahindra Bank said. Steel prices domestically have increased since February giving relief to local steel companies who were hit by low prices and dumping by countries like China.ñMIP has been helpful in raising the price levels which were ridiculously low and due to which Indian companies were bleeding literally to the point of sickness,ò Ravi Uppal, MD & CEO, JSPL said. Data provided by Indian Steel Association shows that MIP has also helped to curb steel imports. Overall steel imports in April were lower by 34% over March this year and 15% lower as against last year. Indian steel manufacturers have raised prices by nearly 20% by Rs 4,000-5,000/tonne since MIP was announced in early February, analysts say. The rise in global steel prices have also aided to better cash flows aiding Indian companies to get back on their feet.

Source: The Economic Times, 13th May, 2016

Rlys removes dual freight rate for iron ore transport

Indian Railways has abolished the dual freight rate policy for transportation of iron ore to boost freight traffic volumes. This is also in response to a long-standing demand from industry for uniform rates. Currently, transportation of iron ore meant for exports attracts a freight rate that is Rs 300 per tonne higher than the rate for domestic use in steel and cement industries. The dual freight rate policy had fuelled diversion of the ore meant for domestic use to exports. The Comptroller and Auditor General of India had, in May 2015, observed that the government lost Rs 29,000 crore over five years as a result of the dual freight rate policy, unearthing the iron ore freight scam. India produced 135 million tonnes (mt) iron ore in 2015-16, compared to 129 mt in 2014-15. Production has started picking up after years of decline on the back of allegations of large-scale illegal mining in principal-producing states, leading to a ban on mining. The ban was partially lifted in Goa by the Supreme Court in 2014.

Source: Business Standard, 12th May, 2016

COMPANY NEWS

Tata Steel's UK biz gets 7 proposals

Tata Steel on Monday said it has received seven expressions of interest (EOI) for its UK business, which is up for sale. Tata Steel has taken forward only those proposals which are for all of Tata Steel's UK business and not in parts. "We have been pleased with the response to the initial stage of the global sales process for Tata Steel's UK business. Today's announcement by Tata Steel Europe marks another important stage gate in this process. The expressions of interest received have been through a robust initial assessment process with inputs received from the UK Government whose views have been considered by the Board. We believe that the bids being taken forward offer future prospects of sustainability for the UK business as a whole. The sales process will continue as announced earlier in an expedited and robust manner to deliver greater clarity for all key stakeholders such as employees, customers and suppliers," Koushik Chatterjee, group executive director (finance and corporate) stated through a press note.

Source: Business Standard, 10th May, 2016

Tata Steel mulls transfer of UK pension to insurer

Tata Steel Ltd. is considering transferring its UK pension liabilities to an insurance company, two people with knowledge of the matter said. Potential bidders of the companyǿs UK steel unit donǿt want to be saddled with the pension liabilities, the people said, who asked not to be identified because the talks are private. Tata would move the pension assets to an insurance company and let it manage the investments and liabilities, they said. Tata Steel announced plans in March to sell its UK operations, putting 15,000 jobs at risk and raising the alarm for British politicians. The company is trying to negotiate the sale of its big Port Talbot plant in South Wales along with other assets around the UK European steelmakers are struggling with prices that have fallen by more than 50 percent since 2008 and global supply glut. The pension plan has assets of about £15 billion and higher liabilities, they said. Tata would pay as much as a billion pounds to the buyer, they said.

Source: The Financial Express, 12th May, 2016