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

October 26 – November 01, 2019

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RAW MATERIAL

Coal India sets lower profit target; Co may fall short on output

Coal India aims at a net profit of Rs.14,864 crore for this fiscal- lower than Rs.17,462 crore it had secured a year ago- and a marginal rise in its gross revenue to Rs.1.5 lakh crore from Rs.1.4 lakh crore. Analysts are, however, sceptical about the company meeting its production target set for the year. The state run miner is also working to boost its net revenue from operations to Rs.1 lakh crore from Rs.92,896 crore in 2018-19

Source: Economic Times, November 1, 2019

JSW Steel to bid for Odisha, K'taka mines even as it cuts capex guidance for FY20

Even as JSW Steel cut its capex guidance for FY20, the company is looking at bidding for a majority of the 20 iron ore mines in Odisha to secure raw material for its greenfield and brownfield projects. The company is also looking to bid for mines in Karnataka, where it has already secured nine iron-ore mines. Jayant Acharya, director, JSW Steel, said the company was bidding for mines given the 20 mtpa greenfield project in Odisha. "The mines in Odisha will primarily help the company secure the future raw material needs of the new plant in Odisha, but it will be taken to other plants as well to meet the requirement," Acharya said. JSW Steel has undertaken steel capacity expansions at the Dolvi plant to 10 mtpa from 5 mtpa, and at Vijayanagar Works to 13 mtpa from 12 mtpa, which would increase the requirement of iron ore from current 32.4 mtpa to 43.2 mtpa. JSW steel meets around 8-9% of its total requirement from captive mines, while the rest is sourced from NMDC and other miners. In H1FY20, JSW Steel's captive iron ore mines volume was around 2 million tonne and it is expected to cross 3 million tonne in H2FY20.

Source: Financial Express, November 1, 2019

COMPANY NEWS

SAIL may replace NMDC in steel-making joint venture with Australian company

Public sector steel major SAIL may replace fellow PSU mining company, NMDC, in a steel-making joint venture with an Australian technology company. In May 2018, two Indian PSUs – NMDC and NLC India Ltd – signed an agreement with Environmental Clean Technologies of Australia to use the Australian company's 'Matmor' technology to make steel with cheap lignite rather than costly coking coal. It was proposed that the joint venture company, in which ECT would hold a 49 per cent stake with the other 51 per cent shared equally between the Indian partners, would set up a pilot project at Neyveli, Tamil Nadu, to produce steel with lignite, investing approximately ₹150 crore. The joint venture failed to take off as NMDC backed out. It is now reliably learnt that SAIL could step in. SAIL and NLC India officials are in Melbourne today to see if the JV can be revived.

Source: Business Line, October 31, 2019

Tata Steel in pact with WEF for responsible sourcing

Seven mining and metals companies, including Tata Steel from India, have partnered with the World Economic Forum (WEF) to accelerate responsible sourcing of raw materials. Geneva-based WEF, which describes itself as a public-private partnership for international cooperation, said the new ‘Mining and Metals Blockchain Initiative’ will explore the building of a blockchain platform to address transparency, the track and tracing of materials and the reporting of carbon emissions or increasing efficiency.

Source: Business Line, October 26, 2019

No respite from tough decisions for Tata Steel’s Europe subsidiary

Tata Steel has no option but to continue taking tough decisions for its Europe operations to keep its overall business growing, brokerages and rating agencies said. Dutch media outlet NH Nieuws recently reported that Tata Steel Europe, a subsidiary of Tata Steel India, has decided to cut 2,500 jobs, or 25 per cent of its workforce in Europe to save $930 million in costs. The final plan on job cuts will be ready by November, it said. “Performance of Europe operations is going nowhere and it continues to need a lot of support from India operations. In such a scenario, it makes sense to cut down fixed costs (such as headcount) to curtail cash loss and rein in the business condition,” said a senior analyst with a ratings agency on condition of anonymity. In June 2018, Tata Steel decided to merge its European operations with ThyssenKrupp — giving it ultimately 45 per cent stake in the merged entity. But the merger idea did not go well with the labour unions of ThyssenKrupp, who feared job losses. Besides, investor groups, which held 18 per cent stake in the German company, also did not approve the plan and its share price lost half value in the last one year. In May this year, Tata Steel's plans to merge its European operations with ThyssenKrupp collapsed following objections from the anti-trust authorities of the European

Commission. Meanwhile, Tata Steel responded through statement saying, "Like all European steelmakers, Tata Steel Europe continues to experience challenging market conditions, made worse by the use of Europe as a dumping ground for the world's excess capacity." "We launched a transformation programme in Tata Steel Europe in June to strengthen our business. We are aiming to develop a simpler and leaner organisation, capable of sustainably financing high levels of investment, which are essential to our long-term success," Tata Steel spokesperson was quoted as saying.

Source: Business Standard, October 30, 2019

Liberty plans to bring mining & steelmaking biz under one fold

British Indian steel tycoon Sanjeev Gupta plans to consolidate his steelmaking and mining interests into a single company, which he says will emerge as the eighth largest in the world outside China. Liberty Steel Group will be created as a single entity comprising interests accumulated worldwide by his Gupta Family Group (GFG) Alliance entity. "Producing a single setoff accounts and single board will make us transparent to customers, suppliers, employers and the financial markets. We will be like normal listed company for governance – except we are privately owned", Executive Chairman, Sanjeev Gupta explained. In July Liberty Steel announced the completion of its acquisition of seven more steelworks and five service centres across seven European countries from Lakshmi N Mittal led ArcelorMittal.

Source: Business Standard, October 30, 2019

Tata Metaliks profit dips 51% to Rs.23 crore

Tata Mtaliks, a pig iron manufacturer and supplier, reported a 50.78 per cent decline in net profit to Rs 23.39 crore for the quarter ended on September 30, 2019. The company had posted a net profit of Rs 47.53 crore in the corresponding quarter of the previous fiscal, Tata Metaliks Ltd said in a regulatory filing to the BSE. Its total income declined to Rs 517.06 crore in the second quarter of the current fiscal as against Rs 548.49 crore in the corresponding quarter of the previous fiscal.

Source: Financial Express, October 30, 2019

Tube Investments posts 58% rise in Q2 profit

Aided by an all-round performance, Murugappa Group company, Tube Investments of India has reported a 58% growth in its next profit for the quarter ended September 30, 2019, to Rs.90 crore compared to Rs.57 crore a year ago. Revenue, however, declined 18% to Rs.1,113 crore compared to Rs,1,364 crore a year ago due to slowdown in the automotive sector.

Source: Financial Express, November 1, 2019

FINANCIAL

Steel majors run into debt hurdles after ill-timed bets

India's biggest steelmakers may be suffering from buyer's remorse as assets they bought from bankrupt rivals stretch their bottom lines while market conditions have worsened. Less than 18 months after scooping up these distressed assets in the hopes of extracting value and boosting market share, the steelmakers are struggling to meet sales and production targets because of a slowdown in the key construction and auto sectors. Tata Steel Ltd, JSW Steel Ltd and others are also wrestling with falling revenues amid high debt loads. Steel prices were high and demand was booming then. Now, confronted with falling prices and slower consumption, steelmakers are facing the risk of credit downgrades, job losses and cuts in capital expenditure. A deepening credit crunch in India's shadow banking industry following the collapse of a major infrastructure lender in 2018 has sharply dented spending on cars and real estate in India. Domestic steel consumption in September was at its lowest since the start of the fiscal year 2019/20, according to official data. A synchronised global economic slowdown amid the U.S.-China trade war has compounded the problem, quashing global steel consumption and intensifying competition among exporters.

Source: Financial Express, October 30, 2019

POLICY

Pradhan invites Japan steel firms to invest in India

Union Steel Minister Dharmendra Pradhan on Friday met officials of Japanese steel companies Nippon Steel and Daido Steel in Tokyo and invited them to invest in India. Pradhan, along with senior officials of the ministry, is in Japan to attend the two-day Global Forum on Steel Excess Capacity (GFSEC). His meeting assumes significance as steel companies in Japan have shown interest in investing in India. While Daido Steel has a good presence in India through its joint ventures and various subsidiaries, Pradhan said he discussed with the company's officials ways to further strengthen cooperation through technology transfer and sharing of best practices to make the local steel industry more cost-effective. Pradhan also met officials of Nippon Steel Corporation and apprised them about India's large market with a growing economy and steel consumption. As per estimates, India is the world's third largest steel consuming country. The government aims to increase the per capita steel consumption to 160 kg by 2030.

Source: Business Standard, October 26, 2019

India to spend Rs.1.4 trillion for development of infrastructure: Pradhan

India will spend about $1.4 trillion on its infrastructure development in the next five years, Union Steel Minister Dharmendra Pradhan said on Saturday. Pradhan was speaking at the Global Forum on Excess Capacity (GFEC) Tokyo which was attended by representatives several other countries. "I wish to emphasize that with rapid economic and infrastructural development in India, the demand of steel has seen substantial increase and is expected to increase further in the future as embarks to become a $5 trillion economy by 2024," he said while addressing the forum. He said that the country is committed to spending about $1.4 trillion on its infrastructure development in the next five years. All this, Pradhan said, augurs well for the steel demand in the country. India is determined to raise the per capita consumption of steel from its current low of 72 kg per capita to 160 kg per capita by 2030, he informed. The minister met senior management of

Japanese steel majors JFE Steel Corporation, Nippon Steel and Daido Steel on Friday and invited them to invest in the growing Indian steel sector.

Source: Business Standard, October 27, 2019

STEEL PERFORMANCE

Steel exports still attractive amid hopes of demand revival at home

The steel export market continues to look lucrative for primary producers, even if India demand picks up in the second half of the financial year. “With China closing down inefficient capacities, the common variety of steel is not available in the global market. This is good news, as China was simply dumping this grade across the globe. Due to this, export will continue to look attractive for Indian players,” Sushim Banerjee, director-general at the Institute of Steel Development & Growth, told. At its earnings conference on Wednesday, JSW Steel said its export in the September quarter had surged 68 per cent year-on-year, to 1.09 million tonnes, about 31% of the consolidated sales.

Source: Business Standard, October 26, 2019

Decline in steel price to lift pipe industry

Profit margins of steel pipe manufacturers are likely to surge in the second half of the current financial year. This is because of a sharp decline in steel prices and a surge in orders, following the Centre's increased focus on infrastructure development for the transportation of water, oil, and gas. Companies manufacturing steel, other pipes and allied products have reported steady improvement in their profit margins over the past four quarters, with about half a dozen leading producers posting 4.6 per cent cumulative profit margins in Q1FY20, from around 2 per cent in the same period last year. Analysts believe the improvement has continued in Q2 as well. A report from Edelweiss Research suggests 20-25 per cent decline in the prices of hot rolled coil (HRC) and steel raw materials. Since steel pipes manufacturers mostly sell their products on long-term contracts for delivery in 9-12 months, the price decline benefits them till the next contract is signed with consumer industries. Companies like Man Industries, Jindal Saw, Surya Roshni and others have reported up to 30 per cent increase in orders in the past three months from their customers in the water, oil and gas sectors. The Rs 50,000 crore steel pipe industry contributes around 8 per cent to India's overall steel production of 100 million tonnes.

Source: Business Standard, October 26, 2019

Core sector output contracts 5.2% in Sept

In worrying news for the economy, the production of the eight core infrastructure industries fell sharply, by 5.2 per cent, in September (year-on-year) as all sectors, with the exception of fertilisers, posted a contraction in output during the month. The fiscal deficit in the first six months of 2019-20 reached almost 93 per cent of the full-year target with worrying signs emerging on the tax mop-up front. The eight infrastructure industries, including coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity, account for 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).

Source: Business Line, November 1, 2019