Steel In The News

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

CONTENTS

A Weekly News Report by Joint Plant Committee

September 16 – 22, 2017

HIGHLIGHTS OF THE WEEK

1. Govt. to steel firms: Check price rise, can't exploit country
2. Profitability of steel mills may improve in near term: ICRA
3. Tata Steel on Wednesday announced a plan to form an equal joint venture with Germany's Thyssenkrupp AG.
4. Tata Steel's shareholders stand to benefit from the merger of the flat steel businesses of Tata Steel Europe and Thyssenkrupp AG.
5. With a significant portion of debt in Tata Steel's European business set to be transferred to the proposed 50:50 joint venture with German industrial major Thyssenkrupp AG, the former will be looking to restructure the remaining debt on its balance sheet to more sustainable levels.
6. JSW look for partners in Bhushan Steel bid
7. JSW Steel gets nod for 2 iron ore mines in Karnataka
8. Tata Steel Ltd's acquisition of a 51 per cent stake in Creative Port Development Pvt Ltd (CPDPL), the entity that was awarded the rights to develop and operate a greenfield port at Subarnarekha in Odisha's Balasore district, will have to be ratified by the State government.
9. Usha Martin Eyes Debt Reduction Through Sale of Wire Ropes Units
10. With the steel sector showing prospects of improvement in financial health, commercial banks are hopeful of taking a lower haircut on resolution of stressed assets in the sector.

RAW MATERIALS

JSW Steel gets nod for 2 iron ore mines in Karnataka

JSW Steel has got all statutory clearances for two out of fine iron ore mines won in Karnataka, a company official has said. The company had participated in the auction of iron ore mines last year. "For two, we have got all the clearances," the official told PTI requesting anonymity.

Source: Business Standard, September 19, 2017

COMPANY NEWS

Usha Martin Eyes Debt Reduction Through Sale of Wire Ropes Units

Usha Martin, the beleaguered steel company caught in the midst of a bitter tussle between two of its promoters, has appointed a consultant to sell wire and wire ropes business to reduce its Rs.3,300 crore debt burden. “We have hired a consultant who will prepare a road map for the company”, UML Managing Director Rajeev Jhawar said after the company’s annual general meeting in the city. While the company had earlier individually explored the option to sell its steel and wire & wire ropes businesses, it subsequently zeroed in on just selling wire and wire ropes busiess, he said. Jhawar, who owns nearly 25% stake in the company, said Roayal Bank of Canada had been engaged as merchant banker, which is expected to submit its report in two months. The wire ropes division contributed 30-35% to the comapany’s total revenue, amounting to around Rs.1,300 crore. The steel division on the other hand generated the balance two-thirds of the revenue. In a rare move, State Bank of India-led lenders of UML in April this year got Prashant Jhawar removed suspecting foul-play in the company’s efforts to sell assets to salvage its deteriorating finances. Subsequently, former Sebi and LIC chairman, GN Bajpai was appointed the new chairman of the company.

Source: Economic Times, September 22, 2017

Tata Steel acquisition of Subarnarekha port company ‘requires Odisha govt nod’

Tata Steel Ltd’s acquisition of a 51 per cent stake in Creative Port Development Pvt Ltd (CPDPL), the entity that was awarded the rights to develop and operate a greenfield port at Subarnarekha in Odisha’s Balasore district, will have to be ratified by the State government. This is because the concession agreement signed between CPDPL and the Odisha government in January 2008 to build the new port mandates a lock-in period for the promoters’ equity till it starts commercial operations. “CPDP and its subsidiaries shall hold not less than 51 per cent of total equity capital subscribed of the special project company which shall be locked till in-operation date," according to clause 2.4 of the concession agreement. The in-operation date refers to the date on which the commercial operation of the port would begin after the completion of development of the first phase of the port. BusinessLine has reviewed a copy of the concession agreement. Tata Steel and CPDPL did not respond to emails seeking comment. An official at the commerce and transport department of Odisha said the concession agreement did not provide for a change in ownership of the promoter company till the new port starts commercial operations. "We are yet to be notified of the change in management control of CDPD; nor have they applied for permission to carry out this change," the official said, asking not to be named because he is not authorised to speak to the media. The first phase of the port with a capacity to load 10 million tonnes (mt) of cargo was expected to be commissioned by 2012. The capacity can be scaled up to 50 mt subsequently. The construction of the port is yet to begin.

Source: Business Line: September 18, 2017

JSW look for partners in Bhushan Steel bid

Sajjan Jindal-led JSW Steel is in talks with multiple investors for its proposed Bhushan Steel bid. Discussions are on with Piramal-Bain Fund, JFE Steel Corporation and private equity (PE) firm KKR. An email sent to JSW Steel officials went unanswered, while KKR didn't respond. A Piramal group spokesperson said, "We don't comment on market speculation." Sources said JSW Steel was likely to bid "aggressively" for Bhushan Steel. The PE players, who would provide the funding, could exit a few years later, while JFE Steel could be a technology partner and may even explore equity participation. JFE Steel provides technical help to JSW Steel for auto applications and has 15 per cent stake in the company. The management of Bhushan Steel would be with the JSW Steel if the consortium wins the bid. JSW Steel has been looking to grow its capacity to 40 mt from the current 18 mt. It has already announced a capex of Rs.26,800 crore to increase its steelmaking capacity to 23 mt by March 2020.

Source: Business Standard, September 20, 2017

STEEL PERFORMANCE

Profitability of steel mills may improve in near term: ICRA

The profitability of domestic steel mills is likely to improve in the near term due to firm prices of the metal and substantial export growth, a report said on Tuesday. Buoyant global steel prices have benefited Indian mills to increasingly tap overseas markets, as reflected in a 57 per cent Y-o-Y growth in exports during Apr-Aug 2017, helping the domestic steel industry operate at a capacity utilisation of above 80 per cent in the current fiscal. This is expected to improve the profitability of domestic steel mills in the near term, said the report by rating agency ICRA. Domestic steel prices have registered a healthy growth of 14 per cent during the last three months due to a sharp recovery in international steel prices and improvement in local demand growth. Steel prices have reported a healthy growth of 14 per cent since June 2017, aided not only by a sharp recovery in international steel prices but also by an improvement in domestic demand growth to 4.4 per cent in Apr-Aug 2017, from 2.6 per cent per cent in FY17, ICRA said. Chinese steel production grew at a healthy rate of 5.1 per cent in Jan-Jul 2017 and kept the global steel capacity utilisation rates above 72 per cent in the last five months against 68.2 per cent in December 2016, ICRA said.

Source: Business Standard, September 20, 2017

‘India to hit 170 mt steel production level in 2019’

India will achieve more than 50% of its 300 – million tonne steel production target by 2018-19, Union steel Minister, Chaudhary Birender Singh has said. The minister has also assured stakeholders that there will not be any shortageof raw materials for steel making.

Source: Financial Express, September 18, 2017

Excessive protectionism hurting steel users: SUFI

Excessive protectionism in the country's steel manufacturing industry is hurting the user segment and affecting quality of products as well as growth in the country's steel consumption, according to Nikunj Turakhia, president of the Steel Users Federation of India (SUFI). Protectionism has to be done in a way that the user industry is not affected. The user should get steel at the right price and there should be a level playing field, he said. Steel prices have been going up and have almost reached peak levels, he added. For instance, hot roll steel price has gone up from $480 to $620 in a space of three months and this should come down, he said. Turakhia said while auto makers have to meet higher standards, steel makers are not ready to supply the same, though they claim to have capabilities. The standards imposed on the imports of certain grades of steel need to be re-looked at as it is a non-tariff barrier to trade, he said. This is an aberration caused by the steel quality control order, and there is a need to exempt international standards such as Euro, American or Japanese standards from this order, instead of imposing specific Indian standards, he said. As imports of these products have come to a standstill, component makers either use lower quality material or are not supplying to their buyers at all, Turakhia said. The demand from automotive segment accounts for 10% of the steel market demand and is slated to grow at 7 to 8%. The construction and infrastructure sector, which accounts a large share of the steel market, is not demonstrating much growth on the ground despite spate of project announcements, Turakhia said. Apart from Tata Steel and JSW, none of the steel makers are doing well and there is no investment into products or facilities happening in the sector, he said.

Source: Financial Express, September 16, 2017

FINANCIAL

Tata Steel plans to rejig part of debt to sustainable levels

With a significant portion of debt in Tata Steel's European business set to be transferred to the proposed 50:50 joint venture with German industrial major

Thyssenkrupp AG, the former will be looking to restructure the remaining debt on its balance sheet to more sustainable levels. Koushik Chatterjee, group executive director, Tata Steel, said the debt was roughly at around $10-11 billion at the start of the current financial year, of which $2.8 billion will be transferred to the JV. Of the balance debt, some portion of around $1.5-2 billion of working capital support lines will also unwind and be replaced by new lines, while the remaining debt will remain with Tata Steel. The two companies have said in terms of liabilities, Tata Steel Europe will transfer 2.5 billion euro to the JV, while Thyssenkrupp Steel Europe will transfer about 3.6 billion euro of its steel pension liabilities to it.

Source: Financial Express, September 21, 2017

Monnet Ispat: IRP calls for expression of interest

The process for finding a suitable buyer for the sick steel plants under the Bankruptcy and Insolvency Code has begun. The corporate Insolvency Resolution Professional (IRP) appointed for Monnet Ispat and Energy has called for expression of interest from buyers. The last date for submission of EoI by buyers is September 25. Earlier, JSW Steel showed keen interest to buy the company and was the lone bidder, but the process was scrapped as it involved huge haircut for the banks. With the process of finding a buyer becoming more transparent with no legal hurdle, some of the private equity firms may also join hands with Monnet Ispat's promoter Sandeep Jajodia to place their bid. Once the EoI is submitted, the resolution professionals will shortlist the eligible candidates and provide them with additional details to prepare their revival plan. The request for resolution plan would be called for separately from shortlisted candidates.

Financial bid

Along with this, they have to submit their financial bid within the stipulated period. The resolution professionals, in consultation with the winning bidder, would prepare the final resolution and submit it to the National Company Law Tribunal. The entire process needs to be completed within 180 days, and under special circumstances, an additional 90 days will be granted. The assets of Monnet Ispat put on the block include a steel-making plant of 1.5-million tonnes per annum, 0.80-mtpa sponge-iron facility, 2-mtpa pellet plant, 0.96-mtpa sinter plant and 230-MW captive power plant in

Chhattisgarh. It also own a coal benefication facility of 7.5-mtpa in Chhattisgarh and Odisha.

Source: Business Line: September 18, 2017

Bhushan Power & Steel IRP seeks resolution plans from applicants

The resolution professional (RP) of Bhushan Power & Steel on Thursday sought resolution plans from potential applicants, according to an advertisement. “The RP hereby invites all prospective investors, lenders and other interested parties who meet the qualification requirements available on the website of the corporate debtor, to put forward resolution plans,” it said

Source: Financial Express, September 22, 2017.

Govt. to steel firms: Check price rise, can’t exploit country

The government has asked steelmakers to make efforts to keep prices below Rs 40,000 per tonne as it cannot permit them to "exploit the country". "The best range for domestic price is between 35-40 (Rs 35,000 per tonne to Rs 40,000 per tonne). If it goes beyond 40 (Rs 40,000), then yes, we will be checking. As the steel ministry, we cannot allow Indian steelmakers to exploit the country," Steel Secretary Aruna Sharma told PTI in an interview. "So, that is the balance we have to constantly strike. That is very important," she asserted. The government has recently taken steps to ring fence the steel industry from the onslaught of cheaper imports, which stirred up a hornet's nest. Over the last 2-3 months, the steel prices have gone up by around Rs 6,000-6,500 per tonne due to various factors, including a rise in prices of raw materials such as iron ore and coal, said an analyst. Internationally too, the steel prices have hardened nearly USD 150 per tonne, the analyst said, adding that at this level, there is room for price hike in future. Defending the protectionist measures "as the right thing to do", the steel secretary maintained that the government is not against imports. "What we say is you can't use India as a dumping ground. That's all. You can't do at a throwaway price," Sharma warned.

Source: Financial Express, September 18, 2017

GLOBAL STEEL

Tata Steel forges merger with Thyssenkrupp, secures a lifeline for European assets

Ending uncertainty over its European assets, Tata Steel on Wednesday announced a plan to form an equal joint venture with Germany's Thyssenkrupp AG. The non-cash transaction framework to combine the flat steel business of the two companies in Europe and the steel mill services of the Thyssenkrupp group will create a behemoth that will ship about 21.3 million tonnes of flat products a year with a turnover of €15 billion (Rs. 115,000 crore), an EBITDA of €1.5 billion, and employing some 48,000 workers. Of this, Tata Steel's European operations will contribute annual shipments of 9.8 million tonnes, a turnover of €7.3 billion and employ some 18,000 workers. The proposed joint venture that will create Europe's second largest steel maker (after ArcelorMittal) provides Tata Steel an opportunity to stem further bleeding of its heavily loss-making European operations by transferring some €2.5 billion of term debt and about 18,000 workers to the merged entity to be based in Amsterdam. Tata Steel Europe has a debt of €3 billion, including working capital loans, of which €2.5 billion (Rs. 17,000-18,000 crore depending on the exchange rate) will be moved to the merged entity along with another about €4 billion of pension and other legacy liabilities. The capital structure of the new entity — Thyssenkrupp Tata Steel — where both shareholders will contribute debt and liabilities, will be done in a manner that will help it "sustain downturn and service its obligations" on a standalone basis. The joint venture — for which a memorandum was signed — will facilitate cost synergies of about €400-600 million a year through integration of sales and administration, research and development, optimisation of procurement, logistics, service centres and other support activities.

Source: Business Line, September 21, 2017

MISCELLANEOUS

Banks to gain as steel sector shows sign of growth

With the steel sector showing prospects of improvement in financial health, commercial banks are hopeful of taking a lower haircut on resolution of stressed assets in the sector. Steel industry, which accounts for a major share of the stressed assets in the books of banks, has been reeling under the pressure of excess capacity and low capacity utilisation. According to Rajnish Kumar, Managing Director of State Bank of India, the steel sector has been showing signs of improvement. The demand and capacity utilisation is also expected to go up aided by higher government spend. “In last six months, the scenario in steel sector is looking up, and if the government spends on infrastructure and affordable housing goes up, then there are chances that the sector will see a revival,” said Kumar, while speaking at a banking colloquium organised by CII on Saturday. The improvement in steel industry scenario could translate into lower haircuts for the bank. “I think haircut will reduce with the revival of steel sector,” he added.

Source: Business Line: September 18, 2017

A positive for Tata Steel shareholders

Tata Steel’s shareholders stand to benefit from the merger of the flat steel businesses of Tata Steel Europe and Thyssenkrupp AG. The contribution from Tata Steel’s European operations to Tata Steel’s consolidated business is likely to improve going ahead. The stock of Tata Steel has rallied around 10 per cent over the past month. The merged entity is expected to contribute about Rs. 57,500 crore to Tata Steel’s consolidated financials. For FY17, Tata Steel Europe as a whole contributed Rs. 52,085 crore to the topline of the consolidated entity. Similarly, EBITDA of the merged entity is assessed at €1,565 million per annum or Rs. 11,960 crore, which will translate to a contribution of Rs. 5,980 crore to Tata Steel’s consolidated EBITDA. Tata Steel Europe’s EBITDA in FY17 was Rs. 4,705 crore.

Source: Business Line, September 21, 2017