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

July 23 – 29, 2016

HIGHLIGHTS OF THE WEEK

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3. Continuation of minimum import price (MIP) on steel beyond the scheduled expiry on August 5 looked almost certain with both the industry and the steel ministry being on the same page on the issue.
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RAW MATERIALS

SAIL seeks to acquire coking coal assets overseas

State-run Steel Authority of India (SAIL) is looking for coking coal asset acquisitions abroad to reduce its dependence on imports, the company noted in a recent presentation to the new steel minister, Chaudhary Birender Singh. Although the fundamentals for overseas purchase are conducive now with the fall in coking coal prices, sources said SAILôs precarious financial condition could prove to be a stumbling block. SAIL had consumed 15.6 million tonne (mt) of coking coal to produce 12.4 mt saleable steel last fiscal. As much as 86% of the requirement was met through imports, mainly from Australia. The remaining 16% was met through indigenous sources. SAIL has just 0.5 mt of captive coking coal capacity. With the ongoing Rs 72,000-crore modernisation and expansion programmes, which are nearing completion, SAILôs saleable steel production capacity would go up to 20.23 mt. In sync with that, SAILôs coking coal requirement would go up to 21 mt a year, of which roughly about 95% will have to be met through imports, SAIL said in the presentation, adding, ñnew linkages/acquisitions are being exploredò to plug the gap.

Source: The Financial Express, 29th July, 2016

COMPANY NEWS

JSW Steel upbeat on demand

JSW Steel expects domestic steel demand to grow about 6 per cent in FY17. ñDespite temporary challenges, the countryôs long-term outlook for the steel sector continues to be bright. Indiaôs steel sector has now risen to be the third-largest producer of crude steel in the world and we expect the domestic steel demand to grow by about 6 per cent in FY17,ò said JSW Steel CMD Sajjan Jindal in the companyôs annual report.

Source: Business Line, 25th July, 2016

VISA Steel Reopens Odisha Steel Melt Unit

VISA Steel said it has resumed operations at its Steel Melt Shop, Ladle Refining Furnace, Vacuum Degassing & Rolling Mill facilities at its Kalinganagar plant in Odisha on Monday, July 25, 2016. VISA was unable to run these units due to acute scarcity of raw material at viable prices for a year. VISA plans to make Special Steel Long Products by from Hot Metal

Source: The Economic Times, 27th July, 2016

POLICY

Steel industry urges PM to put off quality control order

Industry bodies from the metal and stainless steel sector have approached Prime Minister Narendra Modi and Steel Minister Chaudhary Birendra Singh seeking their intervention to shelve the Steel Quality Control (QC) Order, 2016. Terming the order "arbitrary", the Metal and Stainless Steel Merchant's Association (MSSMA), All India Stainless Steel Industries Association (AISSIA) and Process Plant & Machinery Association of India (PPMAI) claimed that the QC order has been implemented without discussions with end users. Major industry bodies and end users have strongly stood up against the Stainless Steel Product Quality Control (QC) Order, 2016, the associations said in a joint statement. Last month, the Steel Ministry came out with the order to check sale of defective and sub-standard stainless steel products used for making utensils and various kitchen appliances. The associations have written to the Prime Minister and the Steel Minister to intervene and keep the quality control order in abeyance as well as convene an open house with representatives of the industry for discussion before implementing it. According to the statement, the QC order makes it mandatory to register with BIS and prohibits manufacturing, import, storage, sale and distribution of stainless steel products by trade and industry without such registration. "We strongly believe that this might not be the real intention of the government as stainless steel flat products are the basic raw material for so many products," it added.

Source: The Financial Express, 28th July, 2016

Steel MIP: Ministry, industry bat for its continuation beyond Aug 5

Continuation of minimum import price (MIP) on steel beyond the scheduled expiry on August 5 looked almost certain on Thursday with both the industry and the steel ministry being on the same page on the issue. MIP was imposed on February 4 for 173 products in the range of $341 to $752 a tonne mainly to rein in galloping imports from China, Japan and Korea. Sources in the steel ministry said the continuation was required for more than one reasons. It will ensure curtailment of unfair and predatory pricing of steel by overseas mills and easing of financial stress in the steel sector. These have proved beneficial in the past six months and will continue to extend support to the domestic steel industry to tide over the present condition. The industry got a huge breather with the imposition of MIP in February ð imports started declining, prices zoomed and capacity utilisation of the domestic steel industry improved in sync with the rise in sales. Imports were earlier eating out the share of the domestic industry in their home turf. As the scheduled expiry date for MIP was approaching, all domestic steel makers started pitching for the continuation of the measure as ñMIP does stop people from selling steel in India at a lossò. They were also of the view that if MIP was withdrawn, the domestic industry would be badly impacted. Steel minister Chaudahary Birender Singh, who had a meeting with industry associations here on MIP on Thursady, said, ñThere was almost unanimity among the steelmakers that MIP should be repeated.ò Though the minister refrained from commenting whether his ministry would recommend for the continuation or not, but said if continued, he would also want a six-month road map from the industry to become competitive as ñthese things (MIP) are not going to help ultimatelyò.

Source: The Financial Express, 29th July, 2016

GLOBAL STEEL

Beijing slaps Japan, EU with steel duties

China on Sunday said it has started imposing anti-dumping tariffs on certain steel imports from the European Union, Japan and South Korea, as Beijing itself comes under fire for similar trade practices. The measures are intended to prevent the sale of the product at below cost, a practice known as dumping, it added. The worldôs second largest economy, which makes more than half the worldôs steel, finds itself under attack by EU countries for allegedly flooding world markets with steel and aluminium in violation of international trade agreements.

Source: Business Standard, 25th July, 2016

PROJECTS

JSW Steel targets 15 mtpa sales this fiscal

JSW Steel plans to focus on delivering 25 per cent increase in sales volume and reduce cost of production in the current fiscal. ñWe are also aiming to reduce our cost of production even further, with economies of scale and consistent focus on efficiency improvement,ò he said.In this regard, he said, the company has initiated an array of cost-saving projects in areas such as logistics, repairs and maintenance, stores and spares, improving yields, and process efficiencies. ñWe have setup a Logistics Centre of Excellence to optimise and reduce overall logistics cost for both inward and outward freight movement,ò he said.

Source Business Line, 27th July, 2016

FINANCIAL

JSW Steel posts multi-fold jump in net profit

JSW Steel reported a sharp increase in its consolidated net profit to R1,109 crore in the April-June quarter from R21.19 crore a year ago, thanks to a big saving in costs of nearly R1,325 crore. The companyôs net sales for the quarter was up just 2.19% year-on-year at R12,720.19 crore. Realisations for the quarter were flat year-on-year at R35,992 per tonne. During the quarter, JSW Steelôs saleable steel volume rose about 8% to 3.34 million tonne (mt). Total expenses in the quarter fell 11.3% to R10,447.85 crore. Ebitda (earnings before interest, taxes, depreciation, and amortisation) margin in the quarter was 28.4% compared with 16.6% a year ago. Exports were higher by 39% in the quarter, the company said. According to Bloomberg consensus estimates, the net profit of the company was expected at R742 crore on revenues of R12,311 crore. Seshagiri Rao, joint managing director, JSW Steel, said, ñAfter a sharp drawdown of inventories in the earlier quarters, the company replenished the finished goods stock in the current quarter to bring inventories to normalised levels. As a result, crude steel production stood at 3.87 mt while saleable steel volume was 3.34 mt. Cost reduction and volume growth were the drivers for the growth in the quarteré There is pressure on prices as demand is not good, so there could be some price reductions in the current quarter.ò

Source: The Financial Express, 28th July, 2016

STEEL PERFORMANCE

Steel companies set to miss export obligations under EPCG scheme, seek relaxation in norms

A glut in the global steel market combined with stiff tariff barriers imposed by various countries have ensured that domestic steel companies are well short of meeting their export obligations under the Export Promotion Capital Goods (EPCG) scheme. The increase in cost of production and a stable rupee have further dampened the steel firmsô exports. Under the EPCG scheme, the Centre allows duty-free import of capital goods including spare parts, but under the condition that on completion of the project, the importing company will export eight times the value of duty saved over a period of six years. While Indian steel companies including Tata Steel have taken the zero duty benefit of importing capital goods required for their projects, they have not been able to fulfil the export obligation due to poor market conditions. A Mumbai-based steel company executive said that considering that that the last four years have been bad for steel exports, the industry has requested the Centre to extend the timeframe for meeting the export obligation under the EPCG scheme. It has sought an extension of the payback period, preferably by five years, and a reduction in export obligation to the amount of duty saved instead of the current level of eight times the duty saved. It has also sought the removal of the 15 per cent interest penalty, as the default on obligation is mostly due to external factors.

What the industry wants

- Increase in payback period, preferably by 5 years
- Reduction of export obligation to the amount of duty saved (presently it is 6-8 times of the duty saved)
- Removal of ï or reduction in the provision of ï 15% interest per annum levied on the duty saved from the date of clearance of goods in case of unfulfilled oblications

Source: Business Line, 25th July, 2016

Flat steel output up 48% in April-June: Essar Steel

Ruias-promoted Essar Steel today said its flat steel production rose by 48 per cent to 1.22 million tonnes (MT) during the April-June quarter this fiscal from 0.82 MT during the year-ago period. Iron ore pellet production too grew by 58 per cent to 2.02 MT against 1.28 MT during the quarter under review, Essar Steel said in a statement. ñBy the end of

FY 2016-17, Essar Steel India expects to record a marked increase in its capacity utilisation and produce 80 per cent of its rated capacity,ò it added.

Source: The Financial Express, 28th July, 20