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 Report by Joint Plant Committee

April 30 – May 06, 2016

HIGHLIGHTS OF THE WEEK

1. This week has recorded a sharp rise in spending by the government and public sector companies on infrastructure projects in tune with the governmentôs focus with renewed vigour on infrastructure.

2. JSPL is seriously considering disinvesting some of its assets with an aim to improve liquidity and pare its whopping Rs 46,000-crore debt burden this fiscal.

3. JSW Energy plans to acquire Jindal Steel and Powerôs 1,000-MW thermal power plant at Raigarh for up to Rs 6,500 crore, subject to conditions.

4. Admitting that steel industry in India is passing through "stress" for some time due to rising imports, the government assured that it will take necessary steps to promote and safeguard the sector.

RAW MATERIAL

Coal India cuts output for the first time in over a year

Coal India Ltd., the worldôs biggest miner, saw production and shipments of the fuel fall year-on-year for the first time in 15 months as sluggish demand caused stockpiles to swell. Output in April dropped 3.4 percent from a year ago to 40.09 million metric tons, while shipments during the month fell 2.5 percent to 42.45 million, Kolkata-based Coal India said in a stock exchange filing. Production and shipments were the lowest since September and dropped from the previous year for the first time since January 2015. Production tumbled 32 percent from a record in March, when it reaches its annual peak as producers rush to meet targets. Output then hits a seasonal low around July as monsoon rains hinder production. State-run Coal Indiaôs production has outpaced the nationôs demand for the fuel over the past year as cheaper imports threaten to lure its customers. That has spurred buyer-friendly marketing policies at the state-owned miner, which controls more than 80 percent of the nationôs production. Lower production and shipments were not necessarily an ñominous signò and could help ñreduce inventory and oversupply,ò Pritesh Jani, an analyst at Mumbai-based Religare Capital Markets Ltd., said in e-mailed comments.

Source: The Financial Express, 4th May, 2016

Iron ore stockpile up on lack lustre demand

Lack lustre demand from steel industries, pellet makers and other end-use industries has scaled up the iron ore stock in the key producing states of Odisha, Jharkhand and Goa, to 140 million tonnes (mt) as on end-March, from 128 mt a year before, estimated an industry source, though the final figure is yet to be collated. The idle iron stock in these states is around 90 per cent of the countryôs total production of 155 mt in 2015-16. The ore stock (of lumps and fines) in Odisha was 76.9 mt, 24.7mt in Jharkhand and 26 mt in Goa. The total is a little less than India's current annual production.

Source: Business Standard, 5th May, 2016

FINANCIALS

JSPL Looks to Divest Some Steel Assets to Pare Debt

JSPL has said it has identified some of its steel business assets for divestment in an attempt to improve liquidity and pare its whopping Rs 46,000-crore debt burden this fiscal. ñWe have identified some other assets in our steel business which we think can improve our liquidity. We are working on a feverish pitch on these deals and we hope to clinch a few in the next one or two quarters,ò Ravi Uppal, group CEO at JSPL, told ET hours after his firm announced sale of a 1,000 MW power unit in Tamnar, Chhattisgarh, to JSWS Energy late on Tuesday. The company has identified a clutch of small, medium and large assets, ranging from Rs 200 crore to 500 crore, for sale Uppal said. He, however, refused to name any of the targeted assets, citing non-disclosure agreements. JSPL made a beginning for asset sales with its subsidiary Jindal Power Limitedôs 1000 MW power unit to JSW Energy. The deal, clinched at an enterprise value of Rs 6,500 crore plus net current assets as on closing date, was initially stuck but the two sides finally managed to resolve the wrangle on Tuesday after a board meeting of JPL. While Rs 500 crore will come into JSPL immediately, the rest of the amount will come in as equity after pre precedent conditions are met. ñWe will utilise part of the proceeds from the power unit sale to improve our liquidity and meet our growing working capital needs, while the balance will be used to meet some of our debt burden,ò Uppal said. He said 2016-17 will be a big year for JSPL in utilising its assets. ñWe should be able to get an idea about our earnings by the end of the first quarter and the3 extent to which we can reduce our debt, which remains a top priority,ò he said.

Source: The Economic Times, 5th May, 2016

STEEL PERFORMANCE

Centre admits steel industry under stress

Admitting that steel industry in India, one of the fastest growing steel producing nations, is passing through "stress" for some time due to rising imports, Government today assured Rajya Sabha that it will take all steps to promote and safeguard the sector. "The concern of the member is justified. It has come to the notice of the government that the imports from China, Japan and Korea have increased, which is creating trouble for the domestic industry and also causing losses to it. ñThe steel industry is passing through stress this time. Government is fully aware of it. Steps have been taken and steps that are required will be taken in future as well," he assured the House. Replying to another question whether average steel production of India was less in comparison to other developed or developing countries, the minister said India's per capita consumption of total finished steel stood at 59 kg compared to the world per-capita consumption of 217 kg during 2014. "There has been a total growth of 8 million tonne in steel production in last two years both by public and private companies. This is a good indication. The demand for steel will grow as the focus on infrastructure grows," he said listing a number of measures by the government.

Source: The Financial Express, 5th May, 2016

Steel Regains as Issuers Back to Debt Market

Steel makers who were shut out of debt and equity markets after a commodities collapse in 2015 are finding their way back now that metal prices have jumped to their highest level in a year. JMC Steel has been meeting with investors to gauge their appetite for a potential debt sale.

Source: The Economic Times, 6th May, 2016

COMPANY NEWS

JSW Energy to acquire JSPL's 1,000-MW plant for Rs 6,500 cr

JSW Energy plans to acquire Jindal Steel and Powerôs (JSPL) 1,000-MW thermal power plant at Raigarh in Chhattisgarh for up to Rs 6,500 crore, subject to conditions. The ófamily dealô ïï JSW Energy Chairman Sajjan Jindal is JSPL Chairman Naveen Jindalôs brother ïï will help JSPL retire a part of its Rs 42,500 crore debt. JSW Energy Joint Managing Director Sanjay Sagar said on Wednesday that the acquisition cost would be pegged to the enterprise value of Rs 4,000 crore, but could go up to Rs 6,500 crore if JSPL secures fuel and enters into a long-term Power Purchase Agreement that guarantees a minimum return on investments. The deal must be completed by June 30, 2018, he said. JSW Energy will also extend a Rs 500-crore loan to JSPL after securing due approvals, Sagar said. JSW Energy currently has an installed capacity of 4,531 MW; of this, 3,140 MW is from thermal plants, and 1,391 MW from hydropower. The company is targeting 10,000 MW of capacity by 2020.

Source: Business Line, 5th May, 2016

MISCELLANEOUS

Spending on infrastructure picked up steam in FY16

Spends by the government and public sector companies on infrastructure projects rose sharply in 2015-2016. While the value of tenders floated rose 58% to Rs 6.24 lakh crore, contracts worth Rs 3.4 lakh crore were awarded, an increase of 33%, Emkay Research estimates. However, the increases came off a low base in 2014-15 when there was a fall in the value of contracts given out partly because the government was struggling to rein in the fiscal deficit and consequently curbed expenditure. The renewed focus on infrastructure last fiscal saw the government upping spends. The government has outlined big plans for the construction of roads and also intends to invest heavily in railways. Indian Railways achieved a capital expenditure of Rs 94,000 crore in FY16, up 44% year-on-year, with IR cutting the timeline for approving projects to six months from 24 months earlier. The government hopes to award 10,000 km of roads in FY17 and has increased the allocation by 25% over that in FY16.

Source: The Financial Express, 4th May, 2016