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

July 02 – 08, 2016

HIGHLIGHTS OF THE WEEK

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2. Steel Authority of India Limited focuses on becoming the least cost producer of steel.

3. Tata Steel excels in the country recording a net profit of Rs 4,901 crore as against a standalone loss of Rs 3,498 crore by JSW Steel and Rs 4,137 crore by SAIL.

4. NMDC pares high grade iron oreôs prices by 5.5 per cent.

5. Essar has developed high performance bulletproof steel.

6. Tata Steel may ñpauseò its plans to sell off most of troubled UK units, including the mammoth Port Talbot steelworks in Wales, as Britainôs business minister is set to hold talks with the senior management of the Indian steel giant in Mumbai to achieve a long-term solution.

RAW MATERIALS

NMDC slashes high grade iron ore's prices by 5.5%

Countryôs top iron ore miner NMDC today said it has cut down prices for high-grade ore by 5.5 per cent to Rs 1,700 per tonne as compared to the previous month. However, prices of low-grade iron ore remain unchanged at Rs 1,460. The prices of iron ore, with effect from July 3, 2016, has been fixed for lump ore (higher grade iron ore at Rs 1,700 per tonne), NMDC said in a filing to the BSE. On June 2, the countryôs largest iron ore producer had slashed prices for higher grade lumps by 10 per cent to Rs 1,800 per tonne compared to May. NMDC said the prices for lower grade iron ore fines remain unchanged at Rs 1,460 per tonne. Since April, the state-run company has slashed iron ore lump prices by 14 per cent and those of fines by 22 per cent. Last month, credit rating agency ICRA had said that Indiaôs iron ore prices are unlikely to recover in the near future given the high inventory levels as well as increasing production. ICRA has estimated Indiaôs iron ore output in the current fiscal to be in the range of 170-175 MT.
Source: The Financial Express, 5th July, 2016

COMPANY NEWS

At home, Tata Steel outperformed peers

There are two sides to Tata Steel, a struggling European operation at the centre of attention since the $12-billion acquisition in 2007 and a consistently profitable Indian business that has managed to outperform not only its other half by far but also peers in the domestic market. In terms of profits, Tata Steel India has always been ahead of JSW Steel and Steel Authority of India Ltd (SAIL). The contrast got starker in financial year 2016, when the steel major recorded a net profit of Rs 4,901 crore as against a standalone loss of Rs 3,498 crore by JSW Steel and Rs 4,137 crore by SAIL. Tata Steelôs coal security comes from west Bokaro division and the Jharia coalfields with estimated reserves of 287 million tonnes (mt). About 65 per cent of coal requirements are, however, met through imports; iron ore needs are met by the Noamundi, Joda, Khondbond and Katamati mines. According to Narendran, raw material linkages help but the advantage is limited, given the raw material prices are low and the taxes on captive raw materials in India are high. ñWhat drives our competitiveness is our relentless pursuit of cost efficiencies across the value chain. Today, only a few other steel companies who have a fully integrated value chain and operate in countries like Russia and Brazil and have benefitted from a weak currency over the last year or so, have a better cost position than us,ò he added. Tata Steel Indiaôs stellar performance in FY16, comes at a time when competition from Chinese imports is growing at about 200 per cent. Sales of 9.54 mt were the best ever for the steel major. ñDomestic steel prices in India declined compared to previous quarter and the impact of the MIP (minimum import price) did not reflect in the market prices. There was strong growth across product/market segments,ò Narendran said. The stabilisation and ramp-up process of the three-million-tonne Kalinganagar plant is currently underway. The facility will produce flat steel for high-end applications, enabling the company to expand its product portfolio in the shipbuilding, defence equipment, energy & power, oil & gas, infrastructure and aviation sectors.

Source: Business Standard, 4th July, 2016

Essar's flat steel Q1 output up 48%

Essar Steel India Ltd (EStIL) has recorded 48 per cent growth in flat steel production at 1.22 million tonnes in the first quarter of the current fiscal compared to 0.824 million tonnes year ago. ñThe total production stood at 1.22 million tonnes (in April-June quarter), compared to 0.824 million tonnes in the corresponding period last year,ò EStIL said in press release. The pellet production also grew by 58 per cent to 2.02 MT during the quarter, compared to 1.28 MT in the year ago period.

Source: The Financial Express, 5th July, 2016

Tata Steel Q1 hot metal output up 17% at 3 MT

Tata Steel today said its hot steel production rose by 16.66 per cent to 3.01 million tonnes (MT) in the first quarter of the current fiscal. The company had recorded hot metal output at 2.58 MT in the first quarter of 2015-16. For the April-June period of 2016-17 its crude steel production rose by 7.69 per cent to 2.52 MT from 2.34 MT a year ago. Saleable steel production rose by 5.85 per cent to 2.35 MT during the quarter under review, compared with 2.22 MT in the year-ago period, the company said in a statement.

Source: The Financial Express, 5th July, 2016

SAIL Aims to Become Least-Cost Steel Producer

Steel Authority of India has set its sights on becoming the least cost producer of steel. The company has managed to lower its cost of production by nearly Rs 2,000 per tonne.Following its Rs 62,000 crore modernisation and expansion programme, the company has targeted a production of 17 MT this year which is tipped to go up to 20 MT by 2017-18, an almost 40% rise over earlier production level. Despite an indifferent steel market, SAIL is betting on improved demand from rural sector, a pick up in infrastructure, automotive, capital goods and construction sectors and a big push in steel demand from the North East to sell higher volumes during the year. "We have set a target of becoming the lowest cost producer. At the same time, we also want to be one of the most customer-centric companies by developing close, long-term bonds with our customers. For this, we have to re-orient our strategies in tune with customer needs," PK Singh, chairman, SAIL said. On its part, SAIL aims to step up research and development activity in a bid to develop high end products that will largely eliminate need for steel imports in the near future. SAIL has already been supplying the Defence and Space sectors by developing and producing hi value, niche steels used in aircraft carriers and for the country's moon mission or 'Chandrayaan' project.

Source: The Economic Times, 7th July, 2016

FINANCIAL

Bhushan, Electrosteel might be candidates for debt recast

Lenders are likely to consider Electrosteel, Bhushan Steeland Visa Steel for debt recast under the Scheme for Sustainable Structuring of Stressed Assets (S4A). The combined debt burden of these three steel companies is around ~54,400 crore, according to data from Capitaline compiled by Business Standard Research Bureau. Lenders would have to subject the stressed loans of these companies to independent techno-economic viability study, said a senior public sector bank executive. The assessment would be done by a professional agency. Only after these loans pass the viability norms can lenders consider debt recast. Last month, the Reserve Bank of India came out with a scheme for resolution of bad loans of large projects. The scheme (S4A) will cover those projects that have started commercial operations and have outstanding loan of around ~500 crore. S4A envisages determination of the sustainable debt level for a stressed borrower and, then, bifurcation of the outstanding debt into sustainable debt and equity/quasi-equity instruments, which are expected to provide upside to the lenders when the borrower turns around.

Source: Business Standard, 5th July, 2016

Lenders explore Essar Steel debt recast under S4A norms

Lenders to Essar Steel are exploring the possibility of restructuring the R30,000 crore worth of companyӳ loans under the sustainable structuring of stressed assets (S4A) norms, two sources with direct knowledge of the matter. Sources added that Essarӳ lenders have appointed MECON, a government run engineering and steel sector consulting company to conduct a techno-feasibility study into Essarӳ operations based on which the lenders will take a final call. Sources added that a final report was submitted to the consortium of lenders led by SBI on June 30 and the report is understood to be inclined towards restructuring Essarӳ loans under the S4A provisions. Significantly, the appointment of MECON in April was a parallel process initiated by Essarӳ lenders, even as they were looking for potential buyers for a majority stake in Essar Steel, said a senior banker directly involved in the negotiations. When contacted a senior Essar official, confirmed that that company has been in talks with lenders for restructuring its outstanding loans under S4A provisions but added that discussions are at a preliminary stage. ñWe have been in talks with the lenders to restructure the loans under CDR route for some time now but the S4A norms notified by RBI on June 13 has definitely come as a favourable option.

Source: The Financial Express, 5th July, 2016

Most Indian Stocks Drop as TCS, Tata Steel Tumble

Most Indian stocks dropped as trading resumed after a public holiday on Wednesday, with software exporters and material producers offsetting gains in finance and healthcare companies. Three stocks dropped for every two that climbed on the S&P BSE Sensex, which added 0.1% at the close after changing direction at least nine times. The gauge rose to an eight-month high on Monday before sliding 0.4% the following day. Tata Consultancy Services Ltd (TCS), the largest software exporter, and Tata Steel Ltd, were the biggest drags on the gauge, falling 2.2% and 4.8% each. The Sensex has rallied 19% from a low in February, approaching the 20% advance that defines a bull market. The gains have been powered by forecasts for above-normal rain after back-to-back droughts and as earnings recovered in the three months ended March after falling in four of the previous five periods. All eyes are now on the June-quarter reporting season that begins next week with Infosys Ltd on July 15.

Source: The Economic Times, 8th July, 2016

PRODUCTS

Essar develops bulletproof steel

Essar Steel said Wednesday it has developed a high-performance bulletproof steel, becoming part of an elite club of steel-makers. There is growing potential for the product as it can be used in light armoured vehicles and protective shields or structures. It is ideal for bullet-proofing of civilian vehicles and for security personnel, Essar said. The steel absorbs the impact of bullets travelling at speeds of 700 m/sec with barely a dent on the surface.

Source: Business Line, 7th July, 2016

PROJECTS

Tata Steel likely to 'pause' UK sale

Tata Steel may ñpauseò its plans to sell off most of troubled UK units, including the mammoth Port Talbot steelworks in Wales, as Britainôs business minister is set to hold talks with the senior management of the Indian steel giant in Mumbai to achieve a long-term solution. The company is holding its monthly board meeting tomorrow in which executives are expected to announce a ópauseô, according to BBC. The steel major is expected to proceed with the sale of its specialty steel making business, which employs 2,000 employees in the sites of Hartlepool, Rotherham and Stocksbridge and possibly shelve plans for the rest of its steelworks as a result of rising steel prices and uncertainty following Britainôs vote to leave the European Union, it said. UK business minister Sajid Javid is to fly out to Mumbai for talks with Tata chairman Cyrus Mistry ahead of the board meeting. Meanwhile, óITV Newsô claimed that only one bidder has been left with any serious chance of buying Tata Steel UK and that is Indian-origin businessman Sanjeev Guptaôs Liberty House. The news channel claims he has an ñunassailable leadò over the other contenders, including a management buyout team, Excalibur Steel UK. A Tata Steel spokesperson told PTI: ñThere has been no official comment on the subject so farò.

Source: The Financial Express, 8th July, 2016

STEEL PERFORMANCE

Steel re-rolling mills expect demand revival after monsoon

Bhavnagar-based steel re-rolling mills, that are going through a slump with almost 30 per cent dip in demand, hope for a revival post monsoons.The industry feels that with the government promoting affordable housing schemes, demand for re-rolled steel would rise around Diwali. The industry is currently operating at 70 per cent utilisation of processing plants, and hopes that would be able to achieve full capacity utilisation by the year-end. Moreover, upcoming government's infrastructure projects too will support the industry to come out of recession. Infrastructure, real estate and construction sectors are the key markets for TMT (Thermo Mechanically Treated) bars, MS (Mild Steel) channel angles and sections manufactured by these re-rolling mills. A year back the industry was in deep recession due to dull demand of recycled steel products and less availability of first grade steel for recycling. However, after January this year, number of ships arriving at Alang for melting which increase the supply of first grade steel and demand for MS channel angles and sections have grown.

Source: Business Standard, 6th July, 2016

MISCELLANEOUS

Steel, cement demand up on govt push to infra projects

There are signs of a pick-up in economic activity with steel and cement demand registering strong growth on increased government spending on rail, road and port projects.The pick up helped Tata Steel and Essar Steel report strong growth in sales during the first quarter of this year. The other large steel companies such as JSW Steel and SAIL are also expected to log in good growth in demand, said an analyst. The raise in steel demand has come as a major relief for the steel companies that have been reeling under debt burden. While Essar Steel registered 48 per cent rise in output in June quarter to 1.22 million tonnes (mt), Tata Steelȏs sales were up six per cent at 2.36 mt. Tata Steel said its hot metal production was up 16 per cent at 3.01 mt (2.59 mt), while crude steel output was up 8 per cent at 2.36 mt (2.23 mt). Essar Steel pellet production grew 58 per cent to 2.02 mt against 1.28 mt in the same quarter last year. It registered the highest-ever pre-painted galvanised iron production of 78,000 tonnes (50,000 tonnes), up 55 per cent. Import of steel from China at predatory pricing has been contained, leading to better sales realisations in India, said Essar Steel.

Source: Business Standard, 5th July, 2016

Bhushan Steel Lenders to Meet Soon, may Offer S4A Lifeline

A consortium of 30 banks led by the State Bank of India will meet early next week to decide if Bhushan Steel should be given a lifeline for a second time after it failed to repay monthly payment on a Rs 40,000-crore loan. The consortium will meet the top management of Bhushan Steel on July 12 at the bank's headquarters. "Lenders will have to decide whether to restructure the loan or to take legal action to recover dues," said a senior bank official who did not want to be named. Although the lead bank did not spell out the agenda for the meeting, bankers said they may consider exercising the scheme for sustainable structuring of stressed assets better known as S4A. This could be the first instance of lenders exercising S4A if all the lenders agree. Under this scheme, banks need to separate sustainable debt from unsustainable debt after the company has started commercial operations and is endorsed as commercially viable by external agency. Lenders could convert the unsustainable portion of loan into equity or equity related instruments. In effect, the borrower's stake will erode though it need not bring cash into the deal.

Source: The Economic Times, 8th July, 2016