Steel In The News

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

CONTENTS	Page
Highlights of the Week	2
Raw Materials	2
Company News	3
Financial	4
Policy	5
Projects	6
Steel consumption	7
Miscellaneous	7

A weekly News Report by Joint Plant Committee

June 25- July 01, 2016

HIGHLIGHTS OF THE WEEK

1. The Union Cabinet has during this week, approved the National Mineral Exploration Policy (NMEP).

2. The government has initiated a probe into dumping of certain steel items used in automotive and construction industry from China, in order to protect the domestic industry.

3. Sesa Iron Ore expects to make all its mines operational in Goa post monsoon.

4. Essar Steel Pune Facility (ESPF), Essar Steel Indiaӧs downstream galvanizing and pre-coated steel manufacturing unit, has turned around and is all set to cross the Rs 3,000-crore turnover mark with a capacity utilization nearing 100% this fiscal.

5. Loss-making Uttam Galva Steels, co-promoted by the Miglani family, could soon be sold to settle its debt.

6. The UKӧs decision to leave the European Union (EU) is not holding back Tata Steel from pursuing the sale of its plants in Britain.

RAW MATERIALS

Cabinet nod for new mineral exploration policy

In a bid to attract private sector investment into exploration of non-fuel and non-coal minerals, the Union Cabinet on Wednesday approved the National Mineral Exploration Policy (NMEP). To implement the NMEP in totality, an amount of Rs.2,116 crore is required over five years, said Minister for Steel and Mines Narendra Singh Tomar. The NMEP envisages acreages to be auctioned to private companies on a revenue-sharing model. Exploration companies will recoup their investments from a share of the revenue accruing to States after the mineral reserves are proven, the acreages are auctioned and production begins. If no mineral reserves are found, the exploration expenditure will be reimbursed on a normative cost basis.

Source: Business Line, 30th June, 2016

Sesa Iron Ore to make all its Goa mines operational

Sesa Iron Ore, a subsidiary of Vedanta Resources Inc, expects to make all its mines operational in Goa post monsoon. "Out of the 21 (mining) leases granted to us by the government, 10 are operational have been ramped up since August, 2015. Post-October, we will have to ramp up the remaining ones," Sesa Goa Iron Ore's CEO Kishore Kumar told PTI in an interview ahead of Vedanta's AGM on June 29, in Goa. Environment Clearance Limit for the company is 5.5 million tonnes spread over all the leases, he said. "It will be important for us to get our small leases also back in operation to achieve the limit. During the last financial year, our extraction was close to 3.2 million tonnes," Kumar said.

Source: The Financial Express, 26th June, 2016

COMPANY NEWS

Still interested in buying Tata Steel's UK business: JSW Steel

Sajjan Jindal-led JSW Steel will continue to have its interest in buying Tata Steelœs UK business, despite the uncertainties over Britainœs exit from the European Union. Vinod Nowal, deputy managing director, JSW Steel told FE when asked to comment on the possible Brexit impact on the steel industry. The optimism perhaps came from the belief that the global steel industry would unlikely to be impacted in the short-term particularly due to the fact that the Brexit could actually happen only a couple of years later and the fact that the UK is not a significant player in the global steel industry. World Steel Association (WSA), a global steel industry body, said that Brexit will have no direct or obvious consequences on the global steel industry. Joint Plant committee (JPC), a unit under the Indian steel ministry, said since the UK is neither a big exporter nor a big importer from India, there would be no immediate bearing on the Indian steel industry. With only over 10.9 MT production last year, the UK is not a significant player in the world steel market which produced 1,621 MT in 2015. Ranked at 18th among the major steel producing nations, the UK had exported only 45,000 tonnes steel to India in 2015-16 while India exported 39,000 tonnes to Britain in the same year.

Source: The Financial Express, 25th June, 2016

Essar turns around sick steel unit acquired from Ajmera

The Essar Steel Pune Facility (ESPF), Essar Steel Indiaœs downstream galvanizing and pre-coated steel manufacturing unit, has turned around and is all set to cross the Rs 3,000-

crore turnover mark with a capacity utilization nearing 100% this fiscal. Essar had acquired the loss-making Shree Precoated Steel Limited from the Ajmera Group in August 2009 for around Rs 600 crore and has turned around the unit into a ‗significant' profit-making business. It has also become the largest maker of pre-painted galvanized iron products in the country with a 51% market share in the domestic market. This business now accounts for around 15% of Essar's turnover. Despite a difficult year for the steel industry and dumping from China, the company was able to report a good recovery in performance, R V Sridhar, CEO, ESPF, said. The Pune plant is running at nearly 100% and is the only unit in the cold rolling segment in the country to run at full capacity, Sridhar pointed. ESPF was able to ramp up production and increase sales volumes by 71% to 4,62,000 tonnes and grow revenues by 45% to Rs 2,070 crore during FY16. Going by the run rate in the first quarter of FY17 the current year production is set to increase by 35% to 6,25,000 tonnes and a turnover of around Rs 3,200 crore, Sridhar said.

Source: The Financial Express, 30th June, 2016

FINANCIAL

JSW Steel plans to raise up to $ 2 bn

Sajjan Jindal-led JSW Steel will approach shareholders to raise up to USD 2 billion from global capital markets to meet its long-term capex requirement and loan refinancing, among others. The steelmaker will place the enabling resolution before its shareholders next month, the company said in a regulatory filing. It is in the interest of the company to raise long-term resources with convertible option so as to optimise capital structure for future growth, it said. The firm said it intends to raise additional long-term funding through issuance of non-convertible foreign currency denominated bonds not exceeding $2 billion in aggregate in the international capital market. The firm can also opt for issue of shares and/or fully convertible debentures/partly convertible debentures/ optionally convertible debentures/non-convertible debentures along with warrants and/or convertible securities other than warrants convertible into equity shares.

Source: The Financial Express, 29th June, 2016

Uttam Galva Steels on the block; stock soars

Loss-making Uttam Galva Steels, co-promoted by the Miglani family, could soon be sold to settle its debt. The company's shares rose 12 per cent to Rs.33 on Thursday on news of a possible buyout by an overseas steel company. Uttam Galva had earlier filed for BIFR protection to prevent lenders from initiating legal proceedings against the company. Global investors have evinced interest in acquiring stakes in debt-ridden steel companies as the prospects of metal demand in India appear to be better than in developed countries. As of March 31, the consolidated debt of Uttam Galva stood at Rs 3,739 crore, while standalone debt totalled Rs 3,525 crore. The company reported a consolidated loss of Rs 1,555 crore for the financial year ended March, against a net profit of Rs 21 crore logged in the same period of the previous year. Net sales dipped 1 per cent to Rs 8,337 crore (Rs 8,432 crore). Given the deplorable financials, bankers directed the promoters to infuse fresh equity into the company by attracting new investors. The company had appointed investment banker SBI Caps to scout for investors before lenders consider its proposal for a debt recast. In 2010, ArcelorMittal picked up 34.4 per cent in Uttam Galva Steels through a share-purchase agreement, followed by an open offer, in a deal valued at Rs 500 crore. It currently owns 29 per cent after a share issue in 2012-13. Interestingly, the Miglanisô Uttam Galva Group, through Shree Uttam Steel and Power, has signed an agreement with South Koreaôs Posco to set up a three-million-tonne per annum integrated steel plant at Satarda in Maharashtra with an investment of $3 billion. It has formed a joint venture, Posco Uttam Galva Metallics, and the first phase of 1.5 mtpa with an investment of $1.5 billion is expected to be operational by April 2019. In April, India Ratings and Research downgraded its rating to default from BBB+ due to delays in servicing debt since February.

Source: Business Line, 1st July, 2016

POLICY

Govt weighs options to further ease repayments of steel sector

The government is considering whether to ease the repayment mechanism further for cash- starved steel companies which are facing the crunch due to persistent slowdown. Earlier this month, RBI announced óScheme for Sustainable Structuring of Stressed Assetsô (S4A) that envisages determination of the sustainable debt level for a stressed borrower, and 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. The gross Non Performing Assets (NPAs) of public sector banks gross Non Performing Assets (PSBs) increased from 5.43 per cent as of March 2015 to 7.30 per cent last December ð that is, from Rs 2,67,065 lakh crore, to Rs 3,61,731 lakh crore. The steel sector is one of the highest contributors to the stressed assets of the banks which have total exposure of about Rs 3 lakh crore to the sector alone. If the proposal gets a headway, it would provide some respite to stressed companies such as JSPL and Essar Steel, among others, who are currently in dialogue with banks for loan recast. Steel companies are facing pressure from the lenders to ensure that loan repayment is not delayed. According to the latest Reserve Bank's Financial Stability Report, macro-stress test for sectoral credit risk revealed that in a severe stress scenario, among the select seven sectors, engineering, which had the highest Gross NPA ratio at 8.5 per cent as of September 2015. It could see their gross NPA ratio moving up to 14.5 per cent by March 2017, followed by iron & steel (from 8.4 per cent to 11.5 per cent) and cement (from 6.4 per cent to 11.2 per cent), it had said.

Source: The Financial Express, 28th June, 2016

Anti-dumping duty likely on certain steel items from China

The government has initiated a probe into dumping of certain steel items used in automotive and construction industry from China, in order to protect the domestic industry. SAIL, Rashtriya Ispat Nigam,Usha Martin and JSW Steel have filed a petition before the DGAD for initiation of anti-dumping investigation and imposition of the taxes on the alleged dumped imports of "wire rod of alloy or non-alloy steel" originating in or exported from China. The Directorate General of Anti-Dumping and Allied Duties (DGAD) said, at first look, it has found "sufficient evidence of dumping" of the products from that country. The period of investigation covers July-December 2015. The injury investigation period will also cover 2012-2013, 2013-2014, 2014-2015, April 2015-December 2015. Besides, it said the applicants have requested for retrospective imposition of the anti-dumping duty. The products under consideration in this investigation are bars and rods, hot-rolled, irregularly wound coils, iron or non-alloy steel or alloy steel, which are commonly known as wire rods.

Source: The Financial Express, 1st July, 2016

PROJECTS

JSW Steel gets green nod for Rs 35k-cr Jharkhand plant

JSW Steel has received the environmental clearance for setting up an integrated steel unit and captive power plant in Jharkhand with an investment of Rs 35,000 crore. The project would create up to 30,000 additional indirect jobs. As per the proposal, the company will set up a 10 million tonnes per annum (MTPA) capacity integrated steel unit and a 900 mw captive power plant as well as a township spread across over 3,800 acres in seven villages near Sonahatu block in Ranchi district. The green clearance has been given subject to some conditions based on the recommendations of the government's Expert Appraisal Committee (EAC), the official said. JSW has signed a pact with Jharkhand government for the project, which is estimated to cost Rs 35,000 crore and generate additional 20,000-30,000 indirect jobs, the official added. During the first phase, the proposed plant would have a capacity of about 5 MTPA of liquid steel. Among specific conditions, the company has been asked to earmark 2.5 per cent of the total cost of the project towards Enterprise Social Commitment based on public hearing issues and prepare a detailed corporate responsibility plan for next five years for the existing-cum-expansion project. The company has been asked to cover all permanent workers under Employees' State Insurance Scheme and provide housing for construction labour within the site with all necessary infrastructure. Besides, it has been asked to develop green belt in 33 per cent of the project area within the plant premises with 20-30 meters wide green belt on all sides along the periphery of the project area. The company has proposed to invest Rs 1,750 crore on pollution control, treatment and monitoring systems including Rs 14 crore for greenbelt development. The proposed project is in line with the government's National Steel Policy that has set a target to produce 110 million tonnes (MT) of steel by 2020.

Source: The Financial Express, 27th June, 2016

STEEL CONSUMPTION

Haryana to build steel silos for PDS foodgrains

Steel silos having capacity of 9.5 lakh tonnes would be constructed in the state to ensure safety of foodgrain to be distributed under the Public Distribution System (PDS). Haryana Minister for Food and Supplies Karan Dev Kamboj said here today that the Central Government has fixed a target to construct steel silos of 9.5 lakh tonnes capacity in the state. Out of the total, 5 lakh tonnes capacity steel silos would be created by the Food Corporation of India (FCI). FCI would create a capacity of three lakh tonnes steel silos in the first phase and two lakh tonnes in second. The minister added the remaining 4.5 lakh tonnes steel silos would be constructed by the state government. These silos would be constructed in public private partnership mode.

Source: Business Line, 1st July, 2016

MISCELLANEOUS

Brexit to not hamper Tata Steel’s sale process

The UKês decision to leave the European Union (EU) is not holding back Tata Steel from pursuing the sale of its plants in Britain. The company had announced restructuring of its European portfolio in March which included divestment of Tata Steel UK, in whole or in parts, after struggling to make it work for nine years. The company said it had extended financial support to the UK business but suffered asset impairment of £2 billion in the past five years. A month later, Tata Steel agreed to sell its Scunthorpe site to Greybull Capital. Its key UK operations centre around Port Talbot in Wales and around seven bidders are in the fray. Speculations have been rife about the impact of Brexit on the sale process. Around 70 per cent of the Wales exports are to the EU. The British government has offered financial support to help find a new buyer for Tata Steel UK plants as it is keen on avoiding job losses to the tune of 11,000. Asked whether Brexit would change the contours of the support offered, Chatterjee said the UK government had offered certain support which the company had disclosed to all bidders. He also pointed out that the leadership was changing in Britain but not the ruling party. On the company’s pension liabilities, he said it was a pound scheme and would remain so. The merger of Tata Metaliks and its subsidiary Tata Metaliks DI Pipes would enable it to operate as a single entity focused on the ductile pipes business. Addressing shareholders, Tata Metaliks Chairman Koushik Chatterjee pointed out the challenges in the pig iron business. Tata Metaliks annual report that the ductile iron pipe business of the company's subsidiary, Tata Metaliks DI Pipes, enhanced the company's performance further with a 20 per cent increase in production and sales along with operational improvement. On a consolidated basis, the company delivered its best ever performance with a net profit of Rs 123 crore.

Source: Business Standard, 30th June, 2016