Steel In The News

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

A Weekly News Report by Joint Plant Committee

October 22-28, 2016

HIGHLIGHTS OF THE WEEK

1. The steel ministry is not in favour of slashing export duty of 30% on high-grade iron ore, a key ingredient in steel making,
2. Indiaôs coking coal import is likely to rise by 5.7 per cent to 46 million tonnes, a record, in 2016-17.
3. Iron ore mining public sector major NMDC Limited and Mishra Dhatu Nigam Limited (Midhani), specialist in developing metals and alloys, have inked an agreement to work on tungsten ore mining and processing for use in strategic defence areas.
4. Steel Authority of India (SAIL) is targeting a 20% increase in production and sales this year with new mills in its five steel plants adding to overall capacity, even as the company's variable cost of production has come down by 10%.
5. Sajjan Jindal-led JSW Steel today reported a multi-fold jump in consolidated net profit at ₹ 726.46 crore for the quarter ended on September 30, 2016.
6. The Ministry of Commerce and Industry has recommended a minimum import price of $849 a tonne on various colour-coated steel products, imported from China and the European Union.

RAW MATERIALS

Steel ministry not in favour of lowering iron ore export duty

The steel ministry is not in favour of slashing export duty of 30% on high-grade iron ore, a key ingredient in steel making, a top government official said. ñWe are not in favour of reducing the export duty on higher grade of iron ore from 30%,ò steel secretary Aruna Sharma told reporters on the sidelines of an event organised by the Indian Chamber of Commerce in New Delhi. The mining industry has been pushing for a reduction in export of iron ore with Fecontent of over 58%, saying there is already a huge stock of unsold ore lying in Odisha and Chhattisgarh with no domestic buyers. Reducing the export duty will make iron ore viable to sell in the international market. Industry estimates that around 85 million tonne (mt) of the ore is lying unsold. On the other hand, domestic steel producers are pitching against the reduction in export duty, calling for preserving the natural resource for domestic use.

Source: Financial express 22nd September, 2016

Tata Steel, JSW to drive coking coal import to a record 46 million tonnes

Indiaõs coking coal import is likely to rise by 5.7 per cent to 46 million tonnes, a record, in 2016-17. There has been a sharp increase in demand from steel mills, which have scheduled the commissioning of 6.7 mt of additional output capacity. Last year, coking coal import growth was flat, at 43.5 mt. An ICRA report estimates 46 mt for 2016-17 and 49.2 mt for 2017-18. Tata Steel is to commission new capacities for 3.7 mt and JSW Steel for three mt. Following various protection measures imposed by the government, Indian mills would get room to raise production. Steel demand normally moves in line with growth in a coun try's gross domestic product. With the governmentõs increased focus on infrastructure development and investment on it, Indiaõs steel consumption is estimated to rise by at least seven per cent this year. Steel output was a cumulative 89.8 mt for 2015-16, a marginal increase from 88.2 mt the previous year. In Aprilï September this year, first half of the FY17 financial year, mills reported cumulative production at 47.8 mt, up from 44.6 mt in the corresponding period last year. Interestingly, the growth in production was not supported by demand from consumer industries. Data compiled by the Joint Plant Committee shows steel demand rose only 0.5 per cent between April and August; it then surged in September.
Source: Business Standard 27th October, 2016

NMDC, Midhani ink pact for tungsten ore mining

Iron ore mining public sector major NMDC Limited and Mishra Dhatu Nigam Limited (Midhani), specialist in developing metals and alloys, have inked an agreement to work on tungsten ore mining and processing for use in strategic defence areas. PK Satpathy, Director (Production) on behalf of NMDC, and SK Jha, Director of Midhani, signed the memorandum in presence of Narendra K Nanda, Director (Technical) of NMDC, among others at the NMDC Corporate Office, according to an NMDC statement. The tungsten metal is of strategic importance to the country, and is used in the manufacture of tungsten-based heavy alloy ammunition systems for armed forces. With a strong mining background, NMDC has been working on to acquire mineral assets abroad. And Midhani, with its expertise in metals and alloys, is expected to provide technical support and coordination for Ammonium Para Tungstate (APT). Their complementary strengths can facilitate in developing a venture for tungsten mineral assets in India and abroad.

Source : Business Line 25th October, 2016

Pellet makers a worried lot as ore prices surge

Pellet makers are grappling with a double blow, rise in the cost of key inputs like iron ore fines and furnace oil, and falling realisations in exports to China. With most pellet makers operating at depleted capacities and some even shutting operations, the latest increase in iron ore fines rate in Odisha is said to have stifled manufacturers. Most miners in the state have announced a price rise of Rs 100-200 per tonne for high grade fines (with iron content of 62 per cent and above) and others are expected to follow. The margins of pellet manufacturers are already under stress because of the rise in prices of furnace oil as a fall out of increase in global crude oil prices. Besides, falling export prices of pellets, especially of shipments to China, have added to their woes. Increase in furnace oil prices has triggered a Rs 50 per tonne increase in production cost. Price of pellets exported to China have dipped $6-7 a tonne. Manish Kharbanda, executive director and group head (mines & minerals) at Jindal Steel & Power (JSPL). He suggested that the Odisha government enforce iron ore production as per approved EC (environment clearance) limits to ensure greater supply in the market. JSPL runs a pellet unit at Barbil (Odisha) with a rated capacity of 10 mtpa. It is one of the largest buyers of ore. With input costs heading north, the average cost of production of pellets would now be in the range of Rs 2,900-3,200 per tonne. Most pellet makers are bleeding cash because of steep increase raw material prices. Revival in Chinese in the past two months have enabled exporters to find some comfort but exports were still unprofitable, especially after the recent crash in export prices.

Source: The Business Standard 22nd September, 2016

COMPANY NEWS

SAIL may report turnaround for Sept quarter

State-run steel maker Steel Authority of India (SAIL), which had reported net losses during the April-June period and the previous four quarters, might have witnessed a turnaround in the September quarter. Sources said SAILǿs sales turnover, backed by higher volume and better prices, for the April-August period of the current fiscal stood at Rs18,013 crore, up by 4% over the corresponding period last fiscal. During the June quarter, SAILǿs net sales stood at Rs9,082 crore and net loss was at R535 crore. Sales volume of the company increased by 13% to 4.9 MT during the April-August period over the same period last fiscal. It had sold 2.8 MT saleable steel during the April-June quarter of the current fiscal. In July and August, it sold 0.9 MT and 1.24 MT steel respectively. Sources said sales volume of the company had improved in September, but figure was immediately available. The company also did well on the production front during the April-August period.

Source: The Financial Express 26st October, 2016

SAIL Eyes 20% increase in production sales this year

Steel Authority of India (SAIL) is targeting a 20% increase in production and sales this year with new mills in its five steel plants adding to overall capacity, even as the company's variable cost of production has come down by 10%. SAIL is also adding a fresh capacity of three million at Rourkela Steel Plant by 2018 to produce the key material for its proposed automotive steel joint venture with the world's top steel producer, ArcelorMittal. The company is also taking up new projects to enhance its product mix and profitability, besides the modernization programme which is nearing completion, This includes installation of a new three million tonne capacity hot strip mill at Rourkela which will make plates of 2250 mm width. The latter is scheduled to be commissioned in 2018 and will help SAIL product high quality hot rolled coils including high strength grades to cater to the domestic automotive industry, he said, addressing the company's 44th annual general meeting. Industry watchers pointed out this upcoming mill is slated to provide the key material hot rolled coils for SAIL's proposed joint venture with ArcelorMittal for automotive steels. The SAIL chief justified the higher production volumes in a otherwise lacklustre steel market by adding that India is expected to see a more than 5% demand growth in both 2016 and 2017, according to a World Steel Association forecast. To beat the challenges of an indifferent steel market, SAIL is taking "conscious steps to improve customer centric processes for better sales and performance," Singh said. In particular the company is focusing on marketing in regions where it has natural freight advantage, increasing retail sales and leveraging SAIL's brand image. On an internal level, the company is reaching out to every employee, sensitizing and informing them about these new initiatives and strategies for adopting a customeroriented culture.

Source: The Economics Times 22nd September, 2016

JSW Steel posts multi-fold jump in Q2 profit at ₹ 726 cr

Sajjan Jindal-led JSW Steel today reported a multi-fold jump in consolidated net profit at ₹ 726.46 crore for the quarter ended on September 30, 2016. The company had posted a consolidated net profit after tax after share of profit of non controlling interest and share of profits of associates/joint ventures of Rs 56.26 crore in the same period last year. The consolidated total income from operations increased to ₹14,420.88 crore in July-September this year, from ₹ 11,992.96 crore in the corresponding quarter of previous fiscal, JSW Steel said in a filing to BSE. At the same time, saleable steel sales volume increased by 20 per cent Y-o-Y to 3.84 million tonnes as the company increased exports in a seasonally slow period of demand in the domestic markets (due to monsoon).

Source: The Financial Express 28th October, 2016

PROJECTS

Tata Steel's UK divestment, JV plan on track: Koushik Chatterjee

Bombay House, Tata Group's power centre, saw analysts frombrokerages and fund managers seekingclarity on the future of the company's lossmakingUK operations, after the return of Ratan Tata as interim chairman. Koushik Chatterjee, Tata Steelŝ executive director and group chief financial officer, sought to quell fears that the company would go back on its intentions to downsize, or exit the business, which has been a drain on the balance sheet since its acquisition almost 10 years back. He also dismissed former chairman Cyrus Mistry's claim that only a part of the potential $10billion impairment charge has been taken yet Analyst said Chatterjee claimed that the $10 billion figure quoted in Mistry'sleaked letter to the Tata Sons board was hypothetical and whatever was required hadbeen done already, adding that the CFO stressed that the sale of speciality business will be done soon. Tata Steeldecided in March to exit the UK's struggling business in whole or parts after theoperations remained unprofitable for almost a decade. However, the operations aresaddled with a huge liability of British Pension Scheme of 15 billion pounds for its 1.4 lakhemployees including the current and retired employees. The scheme has been a sticking point for many likely buyers. JP Morgan, Deutsche Equities, Credit Suisse, HSBC, Morgan Stanley were among the twelve brokerages invited by Tata Steel. Fund managers from HDFC Asset Management, Birla Sunlife Asset Management and Reliance Capital Asset Management were also invited apart from Life Insurance Corporation (LIC), Tata Steel's single largest shareholder after Tata Sons. Chatterjee also explained Tata Steelŝd wish to move the pension scheme to fixed defined contribution from defined benefit to lower uncertainly in payouts.

Source: The Economic Times 28th October, 2016

POLICY

Centre mulls MIP on colour-coated steel

The Ministry of Commerce and Industry has recommended a minimum import price of $849 a tonne on various colour-coated steel products, imported from China and the European Union. The preliminary finding submitted to the Finance Ministry follows an investigation over a complaint filed by JSW Steel and Essar Steel on rampant increase in import of colour-coated and pre-painted flat products of alloy or non-alloy steel. The quick action taken by the Centre reflects their commitment to stem the dumping of steel into the country. The Commerce Ministry has sought comments from interested parties ï including exporters, importers, and various industry users ï on the recommendations within 40 days. After examining the submissions made and issues raised, the Ministry has concluded that an injury has been caused by the imports of colour-coated steel from China and the EU at a price below the normal value of the goods. The purpose of anti-dumping duties is to eliminate the injury caused to the domestic industry by the unfair trade practices of dumping, so as to re-establish a situation of open and fair competition in the Indian market. Imposition of anti-dumping measures will not restrict imports from these countries in any way, and therefore, will not affect the availability of the products to the consumers.

Source : Business Line 25th October, 2016

STEEL PERFORMANCE

Demand may rise 5.3% in FY 17 : ISA

Driven by the construction and capital goods industries, Indiaȇs steel consumption is expected to grow 5.3% to 85.8 million tonne(Mt) this financial year from 81.5 mt in 2015-16, industry body Indian Steel Association (ISA) said on Wednesday.
ISA, which represents the integrated steel producers, expects demand for the metal to rise 5.6% to 90.6 mt in 2017-18, it said in a statement. Domestic demand is forecast to consistently inch up in all the eight quarters during 2016-17 and 2017-18, it said.

Source: Financial express 22nd September, 2016

Steel companies to feel the heat from surge in coking coal price

Better times for the steel industry, led by the imposition of the minimum import price, anti-dumping and safeguard duties, might be getting over soon, as 40 million tonnes (mt) of steel production will be impacted by the coking coal price surge in the third and fourth quarters. Since July, coking coal spot prices have increased from $90 a tonne to $245 a tonne and 40 per cent of Indiaȇs current steel production of 90 mt that uses the blast furnace technology, will be affected. That includes all major players, Tata Steel, SAIL, JSW Steel, Bhushan Steel and Essar Steel, to an extent. Indian Steel Association Secretary General Sanak Mishra pointed out around 60-70 per cent of the industry's coking coal requirements were imported. In the next two to three months, this increase will reflect in steel prices. But, prices internationally, too, will have to move up. So far, there has been an increase of $15-20 a tonne. Indiaȇs installed capacity is 116 million but the production during last year was 90 mt. The installed capacity has grown about 19 per cent from 97 mt in FY12 and almost the entire expansion has happened through the blast furnace route. Coking coal accounts for 35-50 per cent of the cost of producing steel with this method. Steel prices, since the imposition of minimum import price, has increased by Rs 6,000, led largely by a recovery in international prices, but the sharp increase in coking prices is now threatening to wipe out the gains. The reason for the price surge is that China, which relies mainly on domestic supply, has started importing coking coal to curb pollution levels, curtailing its own production. Also, there is supply disruption in Australia.

Source: Business Standard 24th October, 2016

FINANCIAL

Ministry to banks: Guide steel units out of their stressed state

With RBIös schemes for speedy resolution of distressed assets yet to show results, the Steel Ministry has under-scored to banks the urgency of guiding steel units out of their current stressed state. The Ministry wants long-term measures drawn up for turning around the steel sectorös fortunes, said a senior public sector banker privy to the development. According to the Reserve Bank of India, a mapping of the risk profile of select sectors as at end-March showed that the iron and steel industry was not only highly leveraged but also bent by the interest burden. Despite the levy of of Customs/safeguard duties and imposition of floor prices, import of iron and steel had risen in 2015-16 in volume terms, impacting the domestic industry. As per the latest RBI data on industry-wise deployment of gross bank credit, iron and steel sector loans amounted to ₹3,10,900 crore on August 19, 2016 against ₹3,11,500 crore as on March 18, 2016. For speedy resolution of distressed assets, the RBI, had over the last two yearscome up with a variety of schemes by which óa more sensible capital structure can be crafted for projectsö. Bankers say the effectiveness of each of these schemes in turning around distressed assets through improvements to operational efficiencies and creating the right capital structure is yet to be proven.

Source : Business Line 24th October, 2016

Ruias' Essar Steel revival plan gets Farallon Support

The Ruias of the heavily indebted Essar Group have told lenders that American hedge fund Farallon Capital Management has offered ñbridge equityò to the tune of Rs 1,500 crore to help bolster efforts to revive Essar Steel, said multiple sources aware of ongoing negotiations. Under the plan, Farallon is supposed to take a quasi-equity exposure in an offshore vehicle controlled by the Essar promoters. This entity will in turn invest the money in Essar Steelsô equity. The investment will be against shares pledged by Essar Group founders Shashi and Ravi Ruia, who will repay the hedge fund once the Rosneft¬-Essar Oil deal is completed. Farallon will receive a fixed return on its investment if the deal goes through. With $21.5 billion of assets under management, San Francisco-headquartered Farallon manages equity capital for institutions, including colleges, endowments, charitable foundations, pension funds and ultra high networth individuals. Having invested Rs 847 crore in seven Indiabulls Real Estate projects in 2007, it exited with a 42% gain in six years. In 2008, Farallon teamed up with steel magnate Lakshmi Mittal to buy 37.5% of Indiabullsô power unit for about $400 million. Essarœ steel business is sadded with Rs 44,000 crore of debt amid sluggish sales. The group owns a 10 million tonne steel plant in Gujarat.

Source: The Economic Times 26th October, 2016

JSW Steel to raise up to Rs 2,000 cr via NCDs

Sajjan Jindal-led JSW Steel today said its board has given approval for raising funds up to Rs 2,000 crore through issuance of non-convertible debentures. "The board has approved the raising of funds not exceeding Rs 2,000 crore in the aggregate, through the issuance of redeemable non-convertible debentures either by way of a public issue or... Private placement," the company said in a filing to BSE filing.

Source: The Financial Express 28th October, 2016

MISCELLANEOUS

Mahindra, MSTC to generate wealth from waste

It was a little over four months ago when Mahindra Intertrade and the government-owned MSTC(formerly Metal Scrap Trading Corporation) signed an MoU to set up the countryœ first auto shredding facility. At present, auto shredding here is an unorganised activity where decades-old vehicles are dismantled in a way which is hardly conducive to the cause of a clean air. Mahindra Intertrade began research on this subject nearly two years ago and it was a happy coincidence that teams at MSTC were working on something similar too. It, therefore, made sense for the two to come together and jointly pool their strengths to take the story to the next level. ñWe have a big reach in the country and can handle manufacturing business effectively. They have a reach in terms of auction. The most important message is transparency to the customer,ò Clearly, here was a business waiting to be tapped and Mahindra Intertrade and MSTC now plan to set up a state-of-the-art plant which can effectively meet the needs of vehicle recycling. At present, the two are looking at either Maharashtra or Gujarat to kick off their operations but this is only the beginning of a much larger story.

Source: The Business Line 23rd September, 2016