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

September 24 – 30, 2016

HIGHLIGHTS OF THE WEEK

1. The Visakhapatnam steel plant (Rashtriya Ispat Nigam Ltd) has incurred a net loss of ₹ 1,421 crore during 2015-16.
2. Tata Steels plans to add 6 million tonne steel output to its existing 13 mt capacity across two facilities at Jamshedpur and Kalinganagar through brownfield expansion over the next few years
3. The commerce ministry has recommended imposition of anti-dumping duty on imports of steel wire rods from China to protect the interest of domestic players from cheap in-bound shipments.

RAW MATERIAL

Vedanta Sesa Goa eyes synergistic integration of biz

Vedanta Sesa Goa, the iron ore producing arm of Vedanta Ltd, will look at expansion in its iron ore beneficiation plants as well as revival of its Bellary Steel plant.ñAcross the value chain, we are looking at a possible expansion of the value added business (beneficiation of iron ore) in Goa as well as the Bellary Steel plant, which we acquired about four years back,ò Vedanta Sesa Goa CEO Kishore Kumar told *Business Line*. The move is part of the companyôs decision to achieve greater integration amongst its businesses, which comes as it continues to operate under capped conditions in Goa. The State government has allowed it to produce only 5.5 million tonnes per annum (mtpa) of iron ore. This was after the Supreme Court allowed iron ore mines to resume production in Goa last year but with a cap of 20 mtpa across the State. Kumar said the cap will be reached by December, and this will force the company to shut operations unless the Goa government relaxes the limit. The company further said it expects a positive decision from the State government. As part of its overall integration plan, the company recently signed a concession agreement to modernise the Mormugao port in Goa.

Source: The Business Line 26th September, 2016

COMPANY NEWS

Vizag steel plant posts net loss of ₹ 1,421 cr

The Visakhapatnam steel plant (Rashtriya Ispat Nigam Ltd) has incurred a net loss of ₹ 1,421 crore during 2015-16, according to a press release. It was stated by RINL Chairman and Managing Director P Madhusudan at the 34th annual general meeting of the company here on Thursday. The company has achieved a sales turnover of ₹12,271 crore, recording a growth of 5 per cent in value and 39 per cent in volume over the last year. Due to low steel prices, the net realisation was 24 per cent lower than the previous year, severely affecting the finance, resulting in a net loss of ₹1,421 crore, he explained. The CMD said the company had completed its expansion to 6.3 mtpa of liquid steel in 2015-16 and taken up modernisation of the existing assets, which will increase its capacity to 7.3 mtpa. With efforts focussed on stabilisation of new units, the plant is set to register significant growth in production in the years to come.

Source: The Business Line 30th September, 2016

GLOBAL STEEL

China Bid to End Steel Glut Failing as Rally Revives Mills

China canôt seem to avoid producing more steel than the world needs. After the government said in February it would cut production capacity by as much as 13 percent, a rebound in prices from the lowest in more than 12 years proved too much of a temptation in a country that supplies half of the worldôs steel. While the rally was fueled by expectations for less supply, the improved profit margins that came with it encouraged idle mills to restart. Output has swelled in 2016, reaching record levels. Failure to reduce capacity by the target -- 150 million metric tons over the next five years -- spells trouble for an industry that saw widespread losses in 2015. Chinese exports are near all-time highs, while regulators in the U.S., Europe and India impose punitive tariffs to protect their domestic markets. And with most of Chinaôs producers owned by local governments, uncompetitive mills known as zombie enterprises remain a drain on its economy.

Fall behind

For now, attempts at reform are behind schedule. The goal for this year was to cut capacity by 45 million tons. But by the end of July, the reductions were at 21 million, according to the National Development and Reform Commission, prompting calls for efforts to be accelerated. Some producers were reluctant to close mills because rising prices this year have boosted profits by more than 50 percent, according to Bloomberg Intelligence.

Source: The Financial express 28th September, 2016

British Steel back in Profit : Junck

British Steel has returned to profit by boosting efficiency after being hived off as a loss making division from Indiaôs Tata Steel in April, executive chairman Roland Junck said Thursday. Investment firm Greybull Capital LLP bought Tataôs Long Products Europe division in Scunthorpe, northern England for 1 pound after the Indian conglomerateôs decision to sell up in Britain. British Steel plans 50 million pounds ($65 million) in capital investment for the current financial year to next March. The firm, with 4,800 employees, produces more than 2.8 million tonnes of steel evey year and has been working with new and existing customers, including Caterpillar, Toyota and the UKôs Nwtwork Rail.

The British steel industry was at a disadvantage compared with European rivals and Britainôs decision to leave the European Union has not made things any easier, he said.

Source: The Financial express 30th September, 2016

PROJECTS

Tata Steel plans Odisha plant expansion

Tata Steel is planning to initiate second phase expansion at Kalinganagar plant in Odisha to double its capacity to 6 mtpa, but has no proposal to set up another Greenfield steel plant. ñSometime in the next six months a proposal will be sent to our board for its approval to start the second phase work at Kalinganagar, while the focus now is to achieve full 3 mtpa capacity in first phase,ò MD (India and South East Asia) T V Narendran said.

Source: The Business Standard 28th September, 2016

Tata Steel plans to add 6 mt in capacity through brownfield expansion

Tata Steels plans to add 6 million tonne steel output to its existing 13 mt capacity across two facilities at Jamshedpur and Kalinganagar through brownfield expansion over the next few years.
Of the proposed expansion, 1 mt would be added to the 10 mt steel mill at Jamshedpur, and the capacity of the newly commissioned Kalinganagar steel project would be ramped up by 5 mt. The company faced many hassles in putting up a greenfield project at Kalinganagar, which took more than a decade to become operational after signing of an MoU due to protracted agitation by locals over land acquisition and other bottlenecks.Tata Steel has received environment clearance for the expansion at Jamshedpur. Similarly, it is planning to set up a 5 mt module in the second phase at Kalinganagar, which is up by 2 mt from the 3 mt initially planned for phase-II at this site. Overall steelmaking capacity at Kalinganagar will go up to 8 million tonne.

Source: The Business Standard 30th September, 2016

FINANCIAL

Banks drop plan to sell Essar Steel loans

The consortium of lenders to Essar Steel has decided recast the ₹44,000-crore exposure to the company rather than take a 50% haircut by selling it to Asset Care and Reconstruction Enterprise (ACRE), which is backed by Hong Kong-based SSG Capital. ñWe are not comfortable taking such a big haircut by selling to an ARC and prefer a recast plan which would mean a smaller haircut,ò a senior banker explained. Essar Steel had, at a recent meeting, requested banks to convert ₹ 12, 200 crore of loans into preference capital and equity shares. While ₹ 9,000 crore was sought to be converted into preference shares to be redeemed after 12-18 years, the company requested the remaining ₹ 3,200 crore be converted into common equity. For the remaining ₹ 31, 800 crore, the company has sought a prolonged repayment period. Senior bankers told FE such a deep restructuring proposal, if approved by the consortium, would amount to a haircut of around 28%. In July, FE had reported lenders were exploring the possibility of restructuring ₹31,000 crore of loans via the scheme for sustainable structuring of stressed assets (S4A) norms. They had in April appointed MECON, a government-run engineering and steel sector consultant, to conduct a techno-feasibility study into Essarôs operations. At the same time, they had not ruled out the option of looking for a buyer for the company. Essar Steel reported gross revenues of ₹ 4,482 crore in the three months to June, up 12% year-on-year. Flat steel production in Q1FY17 was 1.22 million tonnes, up 48% over the same period last year. The management hopes to increase capacity utilisation substantially by March next year, producing 80% of its rated capacity.
Private sector lenders HDFC Bank, ICICI Bank and Federal Bank have already sold their loans to Essar Steel worth ₹ 2,200 crore. Other lenders in the 20-member consortium include State Bank of India, IDBI Bank and Punjab National Bank, among others.

Source: The Financial express 28th September, 2016

POLICY

Anti-dumping duty likely on certain Chinese steel products
The commerce ministry has recommended imposition of anti-dumping duty on imports of steel wire rods from China to protect the interest of domestic players from cheap in-bound shipments. In its preliminary findings, the directorate general of anti-dumping and allied duties (DGAD) has recommended the duty. The DGAD has suggested that for certain Chinese companies, the duty should be the difference between the landed value of the steel products and USD 499 per tonne while for others, it should be the gap between the landed value and USD 538 per tonne. The duty was recommended on imports of ówire rod of alloy or non-alloy steelô, which is used in many applications and sectors such as automotive components, welding electrodes, fasteners, including nuts and bolts, nails, railway sleepers, general engineering, binding wires for construction industry and armoured cables. Steel Authority of India, Rashtriya Ispat Nigam, Usha Martin and JSW Steel had jointly filed the application to probe the dumping of these products from China.

Imports of these steel products have drastically increased to 4,95,732 tonnes during the period of investigation (July- December 2015) from 1,60,582 tonnes in 2012-13. India has already slapped anti-dumping duty on certain cold-rolled flat steel products from four nations, including China and South Korea.

Source: The Financial express 30th September, 2016

MISCELLANEOUS

Steel firms gear up for another hike in prices

Domestic steel producers, including Essar Steel, Jindal Steel & Power, Sajjan Jindal-led JSW Steel and Steel Authority of India (SAIL), are gearing up for a second consecutive price hike in October, on the back of increased cost of coking coal and other raw material. Companies had raised steel product prices by ₹ 2,500 per tonne from September 1, taking hot-rolled steel to ₹ 39,000 per tonne and cold-rolled steel to ₹ 42,000 per tonne. Todayôs average steel price stands ₹ 28,000 per tonne, which is far lower than the average price in December 2014 at ₹ 39,000 per tonne. This kind of pricing picture calls for another hike, said industry officials. Coking coal prices have doubled since beginning of August and are expected to remain volatile going ahead, hurting steel companiesô operating costs. State-owned SAIL is expected to raise prices of hot-rolled coils by ₹ 1,700 per tonne, while HR-plate price would be hiked by ₹ 1,120 per tonne, said a source close to the development. Calls made to Tata Steel went unanswered.

While domestic steel industry remains engaged in mulling the quantum of October price hike, demand for the commodity is expected to catch pace in coming months, thanks to a rise in construction activity. Domestic demand for steel is expected to grow 5.3 per cent in the current fiscal to 85.8 million tonne as consumption from construction and capital goods is seen higher, supported by higher infrastructure spending, ISA has said in its recent report.

Source: The Business Standard 28th September, 2016