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

August 03 - 09, 2019

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RAW MATERIALS

Steel ministry kicks off study on anomalies in iron ore exports

The steel ministry has set in motion a study on whether higher grade iron ore is being exported by passing off as lower grade material or pellets. Inferior grade ore with iron content up to 58 per cent and pellets are currently exempted from export tax while richer grade ore attracts 30 per cent duty. The ministry has decided that consultancy firm Mecon will commission a study on the possibility of export of high grade iron ore lumps or fines (iron or Fe content above 58 per cent) either in the garb of low grade ore or as iron ore pellets, which enjoy export duty waiver regardless of the ore content. At present, iron ore with Fe content up to 58 per cent is exempted from export duty. At the end of March, iron ore stockpile at mines is estimated to have reached over 150 million tonnes. Odisha and Jharkhand contribute nearly 80 per cent to the inventory.

Source: Business Standard, August 07, 2019

Odisha iron ore auction may get only a tepid response

The Odisha government may not be able to generate big revenue from the eight iron ore mines that will be put on the block next week given the weak financials of steel companies. Moreover, most of the steel companies have drawn major expansion plans and have already committed huge capex for the same. As per the Mining and Mineral Development Act, about 24 operational merchant mines will shut operations in March, 2020 and will be put on the block. The eight iron ore mines, which will be auctioned next week in Odisha, have reserves of about 573 million tonnes. JSW Steel, one of the few large steel companies with limited captive iron ore sources, may not commit a huge premium for Odisha iron ore blocks, said sources close to the company.

Source: Business Line, August 09, 2019

COMPANY NEWS

Steel ministry says Ircon flouted government policy

Ircon International, which is executing various rail projects entrusted by the ministry of railways, has been rapped by the steel ministry for ‘flouting’ a government policy that seeks to protect domestic steel firms from cheaper imports. Under the Domestically Manufactured Iron & Steel Products (DMI&SP) policy, government agencies are mandated to use local steel in preference to imports to encourage domestic manufacturing. A waiver is granted by the ministry of steel when the product required is not available, domestically. Hard-pressed to meet deadline of commissioning of the Udhampur-Srinagar-Baramula section, Ircon placed an order with an Austrian company for 2,100 tonne head-hardened rail for Banihal-Arpinchala section of the project, apparently without seeking the waiver. Ircon will issue tender for the balance requirement of 4,900 tonne next year. “The global tender by Ircon and placement of order of 1080 (hard hardened) without waiver from MoS has gone against the very spirit of this (DMI&SP) policy (which is approved by the Union Cabinet) and was viewed with concern by the standing committee,” reads the minutes of a meeting of the standing committee, headed by the steel secretary, held on July 12. The standing committee overseas the implementation of the policy. “Ircon stated that for the balance quantity of 4,900 tonne, which will be required next year, they will seek exemption,” it said. The committee has asked SAIL to start producing hard hardened rails and other Indian manufacturer to gear up qualifying the tender criteria.

Source: Financial Express, August 06, 2019

SAIL extends deadline for submission of EoIs for sale of 3 loss-making units

Steel Authority of India (SAIL) has extended the deadline to August 20 for submission of expressions of interest (EoIs) from potential bidders for outright sale of its three loss-making units — Alloy Steel Plant (ASP), Salem Steel Plant (SSP) and Visvesaraya Iron and Steel Plant (VISP). Sources said the extension had been granted, from August 1 earlier, due to investors' apathy towards buying out those three units which had incurred a cumulative loss of Rs.2,300 crore in the past five years. SAIL had attempted outright sales of these units even in 2017, but that did not fructify for want of buyers. ASP, SSP and VSP are located in West Bengal, Tamil Nadu and Karnataka, respectively. These three units have a total of 2,100 permanent employees. SAIL had proposed to transfer these units to winning bidders, to be chosen through a competitive bidding process, on a going concern basis by way of slump sale through business transfer agreement. The proceeds may not contribute much to the government's RS.1.05-lakh crore disinvestment target for the current fiscal. The Cabinet Committee on Economic Affairs had on October 27, 2016, approved "in-principle" strategic disinvestment of these units on recommendations of the Niti Aayog. The board of SAIL gave its in-principle approval for the same on February 9, 2017, though the final approval for divestment of 100% stake came in its different sittings.

Source: Financial Express, August 06, 2019

KIOCL beats production target

Against a target of 4.9 lakh tonnes, KIOCL Ltd. produced 6.1 lakh tonnes of iron ore pellets in the first quarter of FY20. Its sales volume rose 31 per cent YoY. KIOCL's revenue from operations stood at Rs.598.44 crore during Q1 of FY20 (Rs.398.18 crore). Its profit after tax stood at Rs.16.64 crore, against a loss of Rs.3.63 crore in Q1 19

Source: Business Line, August 09, 2019

Tata Steel takes scrap route to grow long products business

With limited scope for organic expansion of long products capacity, Tata Steel, the country's oldest producer of the alloy, will be setting up multiple recycling units in the West, South and North to grow in the segment. "We will be using the distributor-production modal to scale up long product capacity and hence will not be putting any capital. We will be underwriting the capacity and hence there will be no risk but at the same there is a brand promise," T V Narendran, chief executive officer and managing director, told Business Standard. Currently, of the total consolidated capacity of 33 million tonnes, Tata Steel has only 3-million tonne long-capacity at Jamshedpur and another one million tonnes via the recently acquired insolvent asset of Usha Martin. Jamshedpur could see an addition of another 2 million tonnes long product capacity leaving no further room to add more capacity at the facility. Steel long products are used in infrastructure and construction segment, an area where the government is laying immense thrust to up investments. "The plan is to build steel long product centres where iron ore is less and scrap is in abundance. Also, the unit should be closer to the market as it will keep logistics cost lower," said Narendran.

Source: Business Standard, August 06, 2019

Tata Steel Q1 profit plunges 64% on lower realisation, higher costs

Tata Steel has reported 64 per cent fall in its consolidated June quarter net profit at ₹702 crore, against ₹1,934 crore logged in the same period last year, due to a sharp fall in realisation and higher raw material cost. Income from operations was up marginally at ₹35,382 crore (₹35,106 crore). Overall operational cost increased to ₹34,459 crore (₹32,547 crore) as interest cost jumped to ₹1,806 crore (₹1,658 crore) besides sharp rally in raw material prices and pile-up of inventory. The consolidated financials of the company does not include the performance of NatSteel Holdings and Tata Steel Thailand as it has been classified as asset for sale. The company's profit from India was down 33 per cent to ₹1,539 crore (₹2,318 crore) while income was down at ₹16,091 crore against ₹16,405 crore. Consolidated EBITDA per tonne of the company was down 26 per cent to ₹8,725 against ₹11,740 logged in same period last year. EBITDA in India also dipped 20 per cent to ₹12,908 against ₹16,068. Gross debt of the company was higher at ₹106,636 crore against ₹100,816 crore logged in the March quarter. During the quarter, steel prices across geographies declined with weakening economic activities and uncertainty around the ongoing US-China trade conflict.

Source: Business Line, August 08, 2019

Jindal Stainless Q1 profit tumbles 26%

Jindal Stainless Ltd (JSL) has reported a 26 per cent fall in profit after tax to ₹67 crore for the first quarter of 2019-20. The company had reported a net profit of ₹91 crore in the corresponding quarter of the previous financial year. Net revenue during the period under review stood at ₹3,067 crore, 2 per cent lower than ₹3,138 crore net revenue reported in the same quarter of the preceding fiscal. Commenting on the first quarter performance, Managing Director of JSL, Abhyuday Jindal, said, "Our performance in the first quarter indicates our strong financial position. The outlook for the business remains positive with the outlay of significant investments by the government in the Union Budget for railways and infrastructure. However, we continue to face a challenge from high levels of imports, particularly from Free Trade Agreement-countries like Indonesia and Vietnam. In the wake of these emerging business challenges, we have carried out an internal restructuring to sharpen our key focus areas."

Source: Business Line, August 06, 2019

FINANCIAL

Tata Steel calls off $327 million asset-sale deal with China's HBIS

Tata Steel subsidiary, TS Global Holdings' bid to sell-off its struggling overseas subsidiaries Tata Steel (Thailand) Public Company and NatSteel Holdings Pte has hit a roadblock due to delay in getting regulatory approvals. TS Global Holdings said it had terminated the definitive agreement signed with HBIS Group Co to divest its equity stake in Tata Steel (Thailand) Public Company and NatSteel Holdings Pte for $327 million. According to the agreement signed in January, HBIS was to acquire 70 per cent stake in both the companies and the rest to be owned TSGH. The completion of the deal would have helped transfer major portion of its debt in South-East Asia business to the new joint venture company. The transaction was subject to regulatory approvals. Tata Steel said, "We have been informed by HBIS that they have not been able to procure the requisite approvals from the Hebei government (Northern China province), one of the key conditions precedent for the proposed transaction." Both parties have, therefore, decided not to extend the definitive agreements, it added.

Source: Business Line, August 07, 2019

Tata Steel to sell 70% in Thailand arm Synergy Metals

Tata Steel has agreed to divest 70% of its stake in Tata Steel Thailand to Dubai-based Synergy Metals and Mining Fund. A memorandum of understanding for the transaction was signed, a day after Tata Steel terminated agreements to sell its Southeast Asian units including NatSteel and Tata Steel Thailand to China's Hesteel. The agreements, signed in

January, were scrapped after Hesteel was unable to obtain regulatory approvals from the Hebei provincial government, one of the key conditions for the deal. Tata Steel had also said it would “immediately” start looking to divest its stake in the businesses to other investors as it seeks to exit non-core subsidiaries and use the proceeds to cut group-level debt and increase focus on the domestic market. According to the MoU approved on Wednesday, the Thailand business will be run as a 70:30 partnership.

Source: Economic Times, August 08, 2019

Tata Steel plans to slash Capex by 25%

Tata Steel plans to cut its projected capital expenditure of Rs.8000 crore this financial year by 25% by going slow on the 5 million tonne expansion projects at Kalinganagar phase 2 analysts said. The move was prompted by weak market conditions and lower cashflows. Tata Steel’s Capex was Rs.2,450 crore in the first quarter of FY20. The company which is India’s one of largest steel producres, also expects realisation to be lower byRs.3,000 per tonne in the second quarter because of higher exports on account of subdued domestic demand.

Source: Economic Times, August 09, 2019

POLICY

Offshore mining for public sector only

The government has abandoned a plan to allocate offshore mining leases to the private sector through the auction route. Instead, it will reserve them for the public sector. The plan to amend the Offshore Areas Mineral (Development and Regulation) Act, 2002, to pave way for allocation of offshore leases through auction was attempted through a 2017 Bill. The objective of the Bill was “to put in place a mechanism for grant of composite licence, exploration licence-cum-production lease, or production lease, on the basis of auction through competitive bidding for the sake of introducing a transparent and non-discriminatory regime for grant of operating rights in the offshore areas”. However, there has been no progress since then. The OAMDR Act, 2002, governs all offshore minerals barring crude oil and other hydrocarbons. The OAMDR Act, 2002 does not provide for auctioning of the minerals, unlike the Mines and Minerals (Development and Regulation) (Amendment) Act, 2015, which makes auction mandatory for all non-coal minerals in onshore areas. The auctioning provision under the

MMDR (Amendment) Act also could not be extended for offshore minerals. However, Section 29 of the OAMDR Act, 2002, empowers the Centre to make any “enactment so extended shall have effect as if the offshore area or the part thereof, as the case maybe, is a part of the territory of India”. The UPA government had in 2010 allocated 62 exploration mineral licenses in the offshore area, but these were to be annulled subsequently following a raging controversy over the process of allocation.

Source: Financial Express, August 04, 2019

Duty likely on certain types of steel from Brazil, China, Germany

The government may impose an anti-dumping duty of up to USD 3,263 per tonne on imports of a certain type of steel from Brazil, China, and Germany for five years, according to a government notification. The commerce ministry’s investigation arm DGTR has recommended the duty after concluding its probe on alleged dumping of ‘High Speed Steel of Non Cobalt Grade’ being imported from these three countries. This steel is used for making high-speed steel-cutting tools. It has concluded that the product has been exported to India from these nations below its normal value, which was resulting in dumping of the product. The domestic industry has suffered material injury due to the dumping, the Directorate General of Trade Remedies (DGTR) has said in a notification. “The authority (DGTR) considers it necessary to recommend imposition of anti-dumping duty on imports” of the goods from these countries “for a period of five years,” it said. The anti-dumping probe was conducted following a complaint from Graphite India Ltd. It had asked for imposition of the duty on the imports. The recommended duty ranges between USD 1,902.34 and USD 3,263.68 per tonne. The final decision to impose the duty will be taken by the finance ministry. A country conducts anti-dumping investigation on the basis of applications filed by the domestic industry with prima facie evidence of dumping of goods in the country.

Source: Financial Express, August 03, 2019

MISCELLANEOUS

Essar Steel insolvency: operational creditors can challenge changes: SC

The Supreme Court on Wednesday gave a week’s time to the operational creditors of bankrupt Essar Steel to challenge the new amendments to the Insolvency and Bankruptcy Code, which granted more powers to the lenders.

A bench led by justice RF Nariman deferred the hearing on a batch of appeals till August 19 so as to decide the issue in light of fresh challenges following recent amendments. “You can challenge a legislation as soon as it is passed,” the apex court bench said, while requesting attorney general KK Venugopal to be present in the court to assist it on the next date of hearing. It also allowed former promoters of Essar Steel (the Ruia family) to challenge the recent amendments in the insolvency code after they informed the court on Wednesday of their intention to do the same. The apex court had on July 22 put on hold ArcelorMittal’s takeover of Essar Steel, after the lenders had sought a stay on the National Company Law Appellate Tribunal’s (NCLAT) ruling that reduced their share of sale proceeds from 90% to 60% and also put the financial creditors and operational creditors at par in settlement of claims. Justice Nariman had also asked the parties to maintain status quo with regard to the acquisition of Essar Steel.

Source: Financial Express, August 08, 2019

Two arrested for attack on SAIL Chairman

Delhi police on Thursday arrested two persons for allegedly attacking SAIL Chairman Anil Kumar Chaudhary. The incident took place near HUDCO Complex here last night, when Chowdhary was attacked by four unidentified men while on his way home in his official vehicle. SAIL said he was brutally attacked at around 10.30 pm on Wednesday when his car was intentionally hit by another car occupied by four people. The company said Chaudhary was taken to the AIIMS Trauma Centre and has since been discharged from hospital.

Source: Business Line, August 09, 2019