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 10 - 16, 2019

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RAW MATERIALS

JSW Steel not to bid aggressively for iron ore blocks in Odisha

JSW Steel has decided not to bid aggressively for Odisha iron ore blocks in the next auction, owing to weak steel demand. JSW Steel bid aggressively for three category-B iron ore blocks in Karnataka last month, and is unlikely to pay a premium for the Odisha blocks, said a senior JSW Steel official. The bidding will be in two phases — the third week of August and September. Eight mines with reserves of around 573 million tonnes (mt) are expected to come up for auctions in August. A JSW spokesperson was not immediately available for comment.

Source: Business Standard, August 11, 2019

COMPANY NEWS

Steel guild asks PM to merge NINL with SAIL

Neelachal Ispat Nigam Ltd (NINL) which is in the dumps following its lead promoter MMTC's decision to exit the public sector steel unit, has elicited support from a confederation of steel executives. Kolkata-based Steel Executives Federation of India (SEFI) has written to Prime Minister Narendra Modi, demanding the merger of loss accumulating NINL with the bigger PSU steel maker Steel Authority of India Ltd (SAIL).

Source: Business Standard, August 14, 2019

SAIL Q1 net dips 81% to Rs.103 crore

Steel Authority of India Ltd (SAIL) on August 9 reported an 81.39 percent decline in consolidated net profit at Rs 102.68 crore for the first quarter ended June 30, 2019. The company had posted a profit of Rs 551.96 crore in the same period a year ago. Revenue from operations declined to Rs 14,820.89 crore during April-June period as compared with Rs 15,907.53 crore in corresponding period last year, SAIL said in a regulatory filing. "The domestic steel industry has witnessed subdued demand during the first quarter of the financial year compared to corresponding period last year," SAIL Chairman Anil Kumar Chaudhary said in a separate statement. However, he said, with the government announcing planned investments in steel intensive sectors including infrastructure and construction, a positive impact can be expected for the industry for the rest of the financial year. During June quarter, SAIL's crude steel output was at 3.930 million tonne (MT) as compared to 4.945 MT in the same period of 2018-19.

Source: Financial Express, August 11, 2019

NMDC Q1 profit rises 21% to Rs.1,179 crore

State-run NMDC posted 21 per cent rise in profit at ₹1,179 crore for the first quarter ended June 30, against ₹975 crore clocked in the corresponding quarter of last year.The iron ore mining company posted revenues of ₹3,264 crore (₹2,422 crore). In absolute terms, this is the best result in the last 5 years and if revenues from Donimalai are excluded, this is the best ever turnover for Q1 since inception, NMDC said. During the first quarter, the company achieved total iron ore production of 8.43 million tonnes, up 21 per cent,against 6.98 million tonnes. The average sales realisation was ₹3,705 per tonne (₹3,536 per tonne). N Baijendra Kumar, Chairman and Managing Director, NMDC, said “The company created new benchmarks both in physical and financial performances in spite of closure of Donimalai mine in Karnataka and challenges at Bailadila Complex in Chhattisgarh.” He hoped NMDC would surpass its targets set for FY20.

Source: Business Line, August 14, 2019

Tata Steel to simplify structure, cut arms count here, Europe

Tata Steel has embarked on an exercise to restructure and simplify its group structure by cutting down and reorganising its subsidiaries in Europe and India. “In Europe, we have some 300 subsidiaries. The clean-up has already started and we are looking to reduce them by 100 to 120 this year,” said Tata Steel chief executive TV Narendran. At one point in time, Tata Steel Europe had 300 legal entities. Some of them were created in the 1880s and are 100-150-years-old. “They have old liabilities and issues which need to be sorted out,” he said, adding, “The journey is a bit tedious.” In India, where Tata Steel has 30 subsidiaries, the exercise will have more to do with operating companies. These will be reorganised in four areas to bring simplicity and leverage the synergy and scale. The four areas could be long products, downstream, infrastructure and utilities and mining assets, Narendran said. He also confirmed that Tata Steel has decided to slash its overall capex plans for the year by 25% to beat the impact of a slowdown in steel sales.

Source: Economic Times, August 12, 2019

JSPL sells Botswana coal mine for $150mn

Naveen Jindal-promoted Jindal Steel & Power Limited (JSPL) has sold off its Botswana coal mine, one of its major international ventures. The asset has been sold to Maatla Energy for $150 million. The sale is part of the company’s plan to monetise its global assets to pare debt at the group level. JSPL has a total outstanding debt of Rs 40,000 crore as on March 2019. Responding to an emailed query, a company spokesperson was silent on the buyer’s name, but confirmed the sale of the project. “The Company has entered into a share purchase agreement to divest its stake in the Botswana project for a consideration of around $150 million. Since the transaction is progressing at this time, the Company would not like to further comment on it, till the transaction consummates. Any proceeds from this divestment will be used to pare down debt,” said the emailed reply to Business Standard. However, a regulatory filing made by JSPL to the Competition Authority to Botswana revealed the proposed acquisition of 97.44 per cent of the issued share capital in Jindal BVI Ltd (“Jindal BVI”) from, Jindal Steel & Power (Mauritius) Limited by Maatla Energy Limited (“Maatla Energy”).

Source: Business Standard, August 14, 2019

JSPL reports Rs.87-crore loss in June quarter on higher raw material costs

Jindal Steel and Power (JSPL) on Wednesday posted a consolidated loss of Rs 87.4 crore for the quarter ended June. Losses were driven by higher raw material costs as seaborne iron ore prices remained strong because of concerns over supply disruption. The company had posted a profit of Rs 109.9 crore in Q1FY19, after 14 loss-making quarters. At the time iron ore prices were $64/MT, compared with $109/MT at the end of Q1FY20. JSPL reported revenues of Rs 9,945.6 crore for the quarter, recording a rise of 3% year-on-year (y-o-y). Earnings before interest, taxes, deprecation and amortisation were Rs 2,139.4 crore, falling 3.4% y-o-y. The company’s Ebitda margin was 21.5%, down 140 basis points year-on-year. The company had gained Rs 108.7 crore under ‘work in progress and stock in trade’ in the first quarter of FY19, compared with expense of Rs 45.6 crore under this segment in Q1FY20, contributing to lower Ebitda. The company’s fuel cost continued to stay high after the cancellation of coal blocks by the Supreme Court in 2014. It is also paying higher interest as it borrowed Rs 3,300 crore to pay the additional coal levy. JSPL has claimed Rs 608.6 crore from the government for investments made in cancelled coal blocks but the Union coal ministry has made an interim payment of Rs 22.7 crore only.
Source: Financial Express, August 16, 2019

FINANCIAL

Tata Steel trims capex in India, Europe on rising economic headwinds, low cash flow

Tata Steel hopes to grow its consumer, or B2C, business and take it up to 30 per cent of its total turnover from the current 15 per cent in the next five year. Tata Steel is looking at an over 33 per cent reduction in capex across Indian and European operations, following the global economic slowdown and reduced cash flows. The capital expenditure, which was estimated at ₹12,000 crore for this fiscal, will be reduced to ₹8,000 crore. According to TV Narendran, CEO and MD, the capital outlay for the India business was initially set at ₹8,000 crore, while the remaining ₹4,000 crore was set aside for European ops. "We are looking to recalibrate the capex by 20-25 per cent between Europe and India. The original capex was ₹12,000 crore for this fiscal, we are cutting it down to ₹8,000 crore," he told reporters after the launch of the company's steel retail store 'steeljunction', here. The cut (in capex) is likely to be spread equally across Europe and India, he said, refusing to divulge details.

Source: Business Line, August 12, 2019

STEEL PERFORMANCE

India's steel production grows better than global output

India's crude steel production has grown more than the world output during the first six months of calendar year 2019 compared to the same period of 2018. During the first half (January-June) of 2019, the production of the metal grew by five per cent to 56.96 million tonnes (mt) compared to 54.23 million tonnes recorded in the same period of 2018, according to World Steel Association (WSA). World crude steel production was 925.1 mt in the first six months of 2019, up by 4.9 per cent compared to the same period in 2018. Asia produced 660.2 mt of crude steel, an increase of 7.4 per cent over the first half of 2018. The EU produced 84.7 mt of crude steel in the first half of 2019, down by 2.5 per cent compared to the same period of 2018.

Source: Business Standard, August 13, 2019

POLICY

Centre sets up panel for truce between SAIL, Rlys

The government has set up a three-member committee to resolve a dispute between the Indian Railways and state-run Steel Authority of India (SAIL) over issues such as the quantity and supply of high-quality steel rails. The panel will give its recommendations during this quarter. The steel major has expressed confidence in its ability to provide 1.3-million tonne rails to the Railways during the current financial year (FY20), an increase of 37 per cent over the previous year. During the last financial year, SAIL supplied around 985,000 tonnes of rail worth Rs 5,900 crore. Doubts over the quality of rails supplied by SAIL arose after a recent study conducted by the Transportation Technology Transfer (TTT) team from the University of Illinois said the tensile strength of the existing track was “not adequate” for 25-tonne axle load operations. This, along with an alleged shortage of supply, was reportedly causing concerns for the Railways in going ahead with its massive infrastructure expansion plans, including track renewal and setting up of new lines, along with “Mission 25 Tonne”. A SAIL official did not comment on the dispute, but said the rails were supplied after stringent inspection by RITES, a Railways-appointed third-party inspecting agency, and there have not been any instances of rejection in the past years. It also claims to be fulfilling all the quality parameters of the Rail Manual issued by the Research Designs and Standards Organisation (RDSO) of the Railways.

Source: Business Standard, August 11, 2019

Steel firms seek parity in coal block, other auctions

Steelmakers have asked for a level playing field in auctions of coal and iron ore blocks. Although electronic auctions of both coal and non-coal blocks are governed by the same legislation - Mines and Minerals Development & Regulation (MMDR) Act 2015 - steel producers feel there is a glaring disparity between the eligibility norms for bidders. While in case of coal blocks, the capacity of the end use plant and quantum of coal is considered, there are no such riders for auctions of non-coal blocks, including iron ore. Steel makers have sought the PMO"s intervention to establish parity between coal and non-coal block auctions. Under Coal Block Allocation Rules 2017, a company would be eligible to bid for any Schedule II coal mine, or an operating coal mine, if it has incurred expenditure of at least 80 per cent of the project cost of the unit, or phase of the specified end use plant, for which the concerned company is bidding. If the end use project is being commissioned in phases, the other phase or unit will also be eligible provided a minimum of 40 per cent of the expenses have been incurred. In contrast, for non-coal block auctions, the Mineral Auction Rules of 2015 mandate that a particular mine, or mines, may be reserved for specific end use. According to the model tender document, companies with installed plants are eligible for bidding. However, the document does not mention the requirement of capacity of end use plants.

Source: Business Standard, August 11, 2019

Steel imports: DGTR against safeguard duty reimposition

The Directorate General of Trade Remedies (DGTR) is learnt to be not inclined to accede to the steel industry's demand for re-imposition of safeguard duty on imports of various hot-rolled coil (HRC) products and sheets, as it reckons the conditions for such a remedial step don't exist right now. The safeguard duty, imposed in March 2016, had expired in phases between March and May, 2019. While the duty on coils was initially 20% of the landed value, that on sheets and plates was 8% ad valorem, minus anti-dumping duty payable. "The DGTR is not convinced with the industry data and is unlikely to reimpose safeguard duty since the prevailing situation of the domestic industry is not as same as in 2016, when the government had to initiate a series of measures to rein in rising predatory imports," said a source, on condition of anonymity. The domestic steel industry had in February sought for a safeguard duty of 25% ad valorem on a wide range of products in order to "curtail cross-dumping of products" in Indian market by a host of countries such as Indonesia and Russia after the US and EU set up tariff and quota barriers. Safeguard duty is generally imposed in the event of a sudden surge in imports which causes or threatens to cause serious injury to the domestic industry. "Imports have to be sudden, sharp and significant enough. It is a temporary, product-specific measure and applied to all imports irrespective of the source," the source added.

Source: Financial Express, August 14, 2019

MISCELLANEOUS

Steel makers face risk of lower prices, weak demand

Fundamentals for the steel sector are likely to weaken in FY20 under the twin impact of softer prices and higher input costs on the back of low demand. Domestic steel companies will be impacted by muted demand from auto sector, even though government projects in affordable housing and infrastructure are expected to improve the demand scenario, India Ratings and Research (Ind-Ra) has said in its latest sector report. "Overall, the fundamentals for the steel sector are likely to weaken in FY20, with the risk of softening of prices, elevated raw material prices and weak demand. However, the impact of these factors could be partly off-set by favourable demand-supply balance for industry participants, it said. On the domestic front, the Indian steel sector is likely to see robust demand from the affordable housing and infrastructure sectors, bolstered by various government schemes and projects. However, demand from the automobile sector is likely to be muted," it said. A key area to watch out for is the auction of mines by March 2020, where any delay could lead to disruption in domestic steel production in FY21, the Ind-Ra report added.

Source: Economic Times, August 16, 2019