Steel In The News

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

CONTENTS	Page

A Weekly News Report by Joint Plant Committee

July 06 - 12, 2019

HIGHLIGHTS OF THE WEEK

1. India has initiated a probe into alleged dumping of flat rolled products of stainless steel from 15 countries including China, the US and Japan
2. Rs.100-trn infra investments to buoy steel consumption
3. SAIL invites Expression of Interest to sell three loss-making units - Alloy Steel Plant, Salem Steel Plant and Visvesaraya Iron and Steel Plant.
4. NMDC shines as iron ore prices continue upward trend
5. Tata Steel is looking to ride India's electric vehicle revolution as the firm plans to create infrastructure, provide engineering solutions, and anchor partnerships for the project.
6. JSW gets letter of Intent for acquiring Asian Colour Coated
7. JSPL: Falling through of Tamnar unit sale of JSW good for firm
8. Rs. 3,800-cr fraud by Bhushan Steel:PNB
9. The recent ₹3,805-crore scam involving Bhushan Power and Steel unearthed by Punjab National Bank may complicate the acquisition of the company by JSW Steel.
10. Arcelor's takeover of Essar Steel Okayed

RAW MATERIAL

NMDC shines as iron ore prices continue upward trend

Shares of NMDC continue to gain on the bourses (up 4.4 per cent on Wednesday) even as the leading indices remain under pressure. Over the last six months too, the stock has beaten the BSE Metal index. Prospects remain firm as rising international prices of iron ore bode well for realisations of NMDC. The firm is India's largest producer of raw material, which is used to make steel. The ex-China price of 62 per cent Fe grade iron ore, which was close to $90 a tonne at the start of April and $100 a tonne in June, is now close to $120 a tonne. Analysts said weak iron ore exports from Brazil after disruption at Vale, along with declining inventory at Chinese ports, suggests that iron ore prices may sustain at over $100 a tonne in the near term. Domestic prices get support from the higher global price trend. Local demand, too, gets a boost in the absence of imports by manufacturers located in proximity to ports. NMDC is seeing strong demand momentum, helping it maintain volumes despite the disruption at its Donimalai mines in Karnataka.

Source: Business Standard, July 11, 2019

'NMDC fixed over-ambitious iron-ore production targets'

The Comptroller and Auditor General (CAG) of India has reported that NMDC

Ltd had fixed over-ambitious targets for production of iron ore. In its report on the operational performance of NMDC Ltd, CAG said the 75 million tonnes per annum (mtpa) production target by 2018-2019 and 100 mtpa by 2021-2022 were fixed without giving due cognisance to the adverse findings of the consultant appointed for the purpose. These targets were also set without taking into consideration the declining trend in domestic and international prices of iron ore, the CAG said. These targets were subsequently reduced to 50 mtpa by 2018-2019 and 67 mtpa by 2021-2022. Despite the lower targets, "The enabling action of setting up various projects and infrastructure facilities to achieve the targeted production capacity were not in sync with the envisaged timelines," the CAG noted. CAG also red-flagged delays in environmental clearances and rapped the company for undertaking risky investments.

Source: Business Line, July 9, 2019

COMPANY NEWS

SAIL invites EoIs to sell three loss-making units

In order to get rid of three operational loss-making units, Steel Authority of India (SAIL) has invited Expressions of Interest (EoIs) from potential bidders for outright sale of these units. A similar attempt in 2017 did not fructify for want of buyers. The three units – Alloy Steel Plant (ASP), Salem Steel Plant (SSP) and Visvesaraya Iron and Steel Plant (VISP) — have incurred combined loss of `2,300 crore in the last five years, causing a huge strain on SAIL's books. These three units have a total of 2,100 permanent employees. ASP, SSP and VSP are located in West Bengal, Tamil Nadu and Karnataka, respectively. They will be transferred 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. For VISP and ASP, the final approval came on August 11, 2017; while for SSP, it came on June 28, 2019.

Source: Financial Express, July 8, 2019

Tata Steel charging up to ride EV wave

Tata Steel is looking to ride India's electric vehicle (EV) revolution with charging infrastructure as the firm plans to create infrastructure, provide engineering solutions, and anchor partnerships for the project. While Indian Oil Corporation has partnered clean energy firm Fortum India for EV charging stations, Hindustan Petroleum is setting up charging stations with Tata Power. At the recent unveiling of Hyundai's Kona sport utility vehicle, the firm said it was collaborating with Indian Oil Corporation in Mumbai, Delhi, Chennai, and Bengaluru to set up charging stations. Tata Steel is actively looking for partners and has already started discussions with people. But the company is clear that it would not be in the business of running the charging stations.

Source: Business Standard, July 12, 2019

JSW gets letter of Intent for acquiring Asian Colour Coated

JSW has said it had received the letter of intent from the committee of creditors of Asian Colour Coated Ispat for acquiring the firm through the insolvency process. The lenders of Asian Colour Coated Ispat last week had approved JSW Group’s Rs.1,550-crore bid to acquire the steel firm.

Source: Business Standard, July 8, 2019

JSPL: Falling through of Tamnar unit sale of JSW good for firm

Jindal Steel & Power (JSPL) said the falling through of deal for sale of Tamnar unit (1000 Mw) to JSW Energy is good for the firm. JSW last week announced on the exchanges the termination of Rs.6,500 – crore deal with JSPL to acquire its 1000 Mw plant in Raigarh, Chattisgarh. ‘This benefits us as the power sector scenario is undergoing a turnaround for the stressed power plants due to some progressive steps initiated by the Ministry of Power, “BharatRohra, managing director and CEO, Jindal Power said.

Source: Business Standard, July 11, 2019

Posco continues to be cautious on India’s Greenfield steel plant

Having tripped on land and captive mines last time, Posco will tread cautiously when it comes to setting up a greenfield steel plant in India. Posco officials had visited Andhra Pradesh to explore the possibility of setting up an integrated steel plant but it was more of a recce. “The government wanted Posco to consider investing in a joint venture with RINL (Rashtriya Ispat Nigam) and we just went to check out. We have not decided on the specifics. Building a greenfield steel mill in India is not easy,” said G H Bang, managing director, Posco Maharashtra. Exploratory talks with state-owned RINL had, in fact, started last year when a delegation led by the South Korean ambassador was at the plant site but Posco is yet to firm up plans. What's possibly coming in the way is its past experience with regard to setting up an integrated steel plant in India.

Source: Business Standard, July 8, 2019

FINANCIAL

Rs. 3,800-cr fraud by Bhushan Steel:PNB

Public sector lender Punjab National Bank said it has detected a fraud of more than Rs 3,800 crore by Bhushan Power & Steel Ltd (BPSL) and has reported it to the Reserve Bank of India (RBI). PNB said Bhushan Power & Steel Ltd misappropriated bank funds and manipulated its books of accounts to raise funds from consortium lender banks. “On the basis of forensic audit investigation findings and CBI filing FIR, on suo moto basis, against the company and its directors, alleging diversion of funds from banking system, a fraud of Rs 3,805.15 crore is being reported by bank to RBI,” Punjab National Bank (PNB) said in a regulatory filing. “It has been observed that the company has misappropriated bank funds, manipulated books of accounts to raise funds from consortium lender banks. At present, the case is at NCLT which is in advance stage and the Bank expects good recovery in the account,” PNB added.

Source: Financial Express, July 7, 2019

Fresh scam at PNB may delay Bhushan Power resolution

The recent ₹3,805-crore scam involving Bhushan Power and Steel unearthed by Punjab National Bank may complicate the acquisition of the company by JSW Steel. JSW Steel had emerged the top bidder for the debt-laden company during the insolvency process. The key question is whether the new owner will be able to take control of the tainted assets. While Insolvency and Bankruptcy Code says that criminal proceedings against the stressed asset should be dealt separately, the recent Delhi High Court ruling that the money laundering law — Prevention of Money Laundering Act — prevails over the Insolvency and Bankruptcy Code when it comes to attachment of properties obtained from proceeds of crime. The money recovered from ‘tainted asset’ should be credited to the government, it said. The High Court passed the verdict on a batch of appeals by the Enforcement Directorate against the orders of PMLA appellate tribunal on the pleas of various banks. In the Bhushan Power case, after the end of criminal investigation if it is found that the company has diverted the PNB loan availed to its subsidiaries then the subsidiaries would become ‘tainted assets’. Any money recovered from the tainted asset has to be credited to the government and JSW Steel, in this case, cannot have any claim over the subsidiaries. However, JSW Steel, which had placed a value to these subsidiaries when it placed the bid for the stressed asset, would turn out to be a loser.

Source: Business Line, July 9, 2019

Essar Steel CoC likely to appeal in SC today

The State Bank of India-led committee of creditors (CoC) of debt-laden Essar Steel is likely to move the Supreme Court on Friday against the National Company Law Appellate Tribunal's (NCLAT) order that reduced their share of the sale proceeds and also put the financial creditors and operational creditors at par in settlement of claims. The lenders will challenge awarding of higher payout to Essar Steel's operational creditors and treating them on par with secured lenders as the NCLAT last Thursday modified a resolution plan cleared by the CoC. Besides, they will urge the apex court to set aside another part of the order that held that the creditors can only look at the viability of a resolution plan and have no role in deciding the distribution of funds. The tribunal had last Thursday approved ArcelorMittal's Rs 42,000-crore offer for Essar Steel and had rejected its former promoters' claim that the Arcelor was ineligible to acquire the steel firm.

Source: Financial Express, July 12, 2019

Arcelor's takeover of Essar Steel Oked

The National Company Law Appellate Tribunal (NCLAT) approved steel tycoon Lakshmi Mittal-led ArcelorMittal's Rs 42,000-crore bid for the acquisition of Essar Steel after it rejected a plea by the lead share holder of the debt-laden firm challenging the eligibility of the bidder. The NCLAT however, gave operational creditors equal status as lenders in the distribution of the ArcelorMittal's bid amount among the creditors of Essar Steel. Essar Steel was auctioned under the new Insolvency and Bankruptcy Code (IBC) to recover Rs.54,547 crore of unpaid dues of financial enders and operational creditors. The NCLAT said financial creditors 60.7% of their admitted claims of Rs.49, 473 crore. The rest would go to operational creditors.

Source: Economic Times, July 10, 2019

POLICY

India probes alleged dumping of stainless steel from 15 nations

India has initiated a probe into alleged dumping of flat rolled products of stainless steel from 15 countries including China, the US and Japan following complaints by domestic players. Commerce ministry's investigation arm DGTR has begun the investigation after finding evidence of dumping of the products from China, Korea, the European Union, Japan, Taiwan, Indonesia, the US, Thailand, South Africa, the UAE, Hong Kong, Singapore, Mexico, Vietnam and Malaysia. "The authority accordingly initiates an investigation into the alleged dumping, and consequent injury to the domestic industry," the Directorate General of Trade Remedies (DGTR) said in a notification.

Source: Financial Express, July 10, 2019

STEEL PERFORMANCE

Rs.100-trn infra investments to buoy steel consumption

The investment of Rs 100 trillion on infrastructure by 2024 is expected to catalyse domestic steel consumption. Besides, the plan to construct 19.5 million rural houses over the next three years will strengthen steel consumption, ratings agency Icra Research said in its Budget analysis. The review is predicated on the fact that construction and infrastructure sectors account for 50-60 per cent of the domestic steel consumption. "Additionally, increased tax incentives for affordable house purchases are a positive for long steel demand. The Government has set itself a target to provide drinking water to all households by 2024 under the flagship Har Ghar Jal Mission, which would benefit domestic steel pipe manufacturers", the report by Icra noted. The enhanced capital outlays towards roads, railways and urban infrastructure is expected to support domestic steel consumption growth of 7-7.5 per cent over the medium term.

Source: Business Standard, July 9, 2019

Steel, cement sectors pin hopes on housing and road spends

The steel and cement sectors are pinning hopes on a government push for more affordable housing and road spends to boost domestic consumption. The capacities in both cement and steel are under-utilised. The domestic steel industry is expecting tougher times ahead after a brief, but relatively comfortable run for the past two years. According to analysts, domestic steel consumption grew at 7.5 per cent in 2018-19, down from 7.9 per cent in 2017-18. The demand growth is from user industries such as infrastructure and construction, railways, and consumer durables during the year. According to ICRA Ltd the muted growth of steel consumption in 2018-19 is due to liquidity and fuel price-related headwinds faced by the auto sector during the second half of the financial year.

Source: Business Line, July 6, 2019

GLOBAL STEEL

Tata Steel plans to make Europe ops sustainable

After the collapse of its proposed partnership with ThyssenKrupp, Tata Steel does not plan to form a joint venture for the European operations in the near future. It will, instead, try to make the European operations sustainable on its own. "As a management, we are not keen on missing out opportunities in India because we have to keep sending cash to Europe. We have told the (Europe) team that the best way for them to control their future is to be cash-positive," T V Narendran, chief executive officer (CEO) and managing director (MD), told Business Standard. For the most part since acquiring the Europe operation, Tata Steel's business in India has been funding the former. Apart from the ThyssenKrupp deal not materialising, increase in raw material cost and the trade war between America and China will make the European operations difficult for the company.

Source: Business Standard, July 12, 2019

MISCELLANEOUS

Steelmakers plan for water security as crisis looms in India

India's steelmakers, more accustomed to securing raw materials such as iron ore and coal, are keeping another key resource in their sights: water. Two of India's biggest steelmakers -- JSW Steel Ltd. and Tata Steel Ltd. -- and metal producer, Vedanta Ltd. have flagged risks due to water shortages in the past month as the world's second-most populous country faces an unprecedented water crisis, with taps running dry in one of its biggest cities this year. Competition for the resource is set to grow in India, where nearly a third of the country is water-stressed, increasing costs and risks for companies. A delayed monsoon, which accounts for 70% of the nation's annual rainfall, has exacerbated the situation this year. India's second-biggest steel mill JSW Steel has built a new water reservoir with 1.3 thousand million cubic feet storage capacity at its plant in the water-scarce southern state of Karnataka to ensure adequate supply for uninterrupted operations, the company said in its annual report on July 4. Top producer Tata Steel is also investing in sewage treatment plants to process water for reuse and creating new rain water harvesting structures to improve the groundwater table. Water is used as a coolant in the steel making process and over 3 cubic meters of freshwater is required per tonne of crude steel produced, it mentioned in its annual report. Anil Agarwal's Vedanta, performed a water risk assessment at 25 of its most significant business locations and found that its operations in Rajasthan, Punjab and Tamil Nadu had a greater risk of shortages than elsewhere because of competitive pressures for water usage in those regions, the Mumbai-based company said..

Source: Financial Express, July 12, 2019