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

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COMPANY NEWS

NMDC to invest $1 billion on infrastructure, says official

National Mineral Development Corporation Limited (NMDC Ltd) is in the process of investing about USD 1 billion on infrastructure in the next three years to help ramp up iron ore production, a senior official of the public sector undertaking has said. Amitava Mukherjee, Director (Finance), said that the cost of the upcoming 3-million tonne capacity steel plant would go up to Rs 19,000 crore against the estimated over Rs 15,500 at the time of conception. The iron ore miner has already invested nearly Rs 14,500 crore on the plant. “The mine capacity is also being increased. We are investing about USD 1 billion...The production of steel-making would go from the current capacity of 146 million tonnes per annum to 300 MTPA, and I see a market in future in domestic ore consumption,” he said. “About USD 200 millions have already been invested in different projects. We expect all this (investment) to be completed by 2022 to 2023,” Mukherjee told PTI. “At Bailadilla in Chhattisgarh, the company is creating a rapid wagon-loading system for evacuation and setting up a new slurry pipeline. It is also in the process of doubling of railway line between Kirundul and Kothavalasa (KK line),” he said. The PSU is also setting up screening plants in Karnataka and Chhattisgarh.

Source: Business Line, May 14, 2019

Tata-Thyssen joint venture plan collapses

Tata Steel's plans to merge its European operations with German firm Thyssenkrupp's steel business suffered a jolt with both companies announcing on Friday they were not going ahead with the proposed joint venture (JV) following objections from the antitrust authorities of the European Commission. Tata Steel, which operates the Port Talbot plant in the UK and a large plant in the Netherlands, said the Commission discussed the proposed JV with both partners, and based on the feedback, it was clear the Commission was not intending to approve the plan as it expected substantial remedies in the form of sale of assets of the proposed venture. In a conference call with the media after market hours, T V Narendran, CEO & MD of Tata Steel, said the company would continue to work on improving performance, and be working on Plan B. "The business will keep running. We want to make sure we run the UK plant in a manner that is cash positive," he said. The Netherlands operations are self-sustaining.

Source: Business Standard, May 11, 2019

With thyssenkrupp no deal, Tata Steel back to square one

Tata Steel's stock fell over 6 per cent last Friday on news that the European Commission may not clear Tata Steel Europe's (TSE) JV with the German giant thyssenkrupp AG. For the companies, the economic logic of the joint venture would get diluted if the deal happens with Commission-suggested remedies that include further sale of European assets. This no-deal-TSE means continuance of high debt burden on the consolidated balance sheet, halt to restructuring of inefficient European operations and a long way to focus entirely on the healthy and profitable domestic business.

Source: Business Line, May 13, 2019

Tata Steel likely to opt for sizeable asset sale to cut debt

With the plan to merge Tata Steel Europe (TSE) with German giant Thyssenkrupp's steel unit in the continent abandoned, the brass at Tata Sons and Tata Steel may seek to recalibrate the latter's highly leveraged balance sheet through sizeable asset sales. This may include exiting some international markets, said top officials close to the development. The other immediate option would be to offload Tata Consultancy Services (TCS) shares as has been done before, one of the officials said. Analysts are concerned about the minimal options available to

Tata Steel, which has a total debt of over Rs 1 lakh crore. No Plan B in Place' Having banked on transferring TSE's debt of Rs 19,000 crore to the JV from its own balance sheet, Tata Steel's growth plans could get disrupted, they said. "About two years ago, the company had a rights issue, and if in trouble they could have another," said one of the persons. "At the current price of Rs 487, Tata Steel's share price is below the rights issue price of Rs 510 and significantly below the partly paid price of Rs 615 of shares issued in February 2018. The stock went to a high of Rs 720 then. This will really upset the minority shareholders who participated in the issue."

Source: Economic Times, May 13, 2019

For Tata Steel in Europe, it is not about growth but making business stronger: Narendran

Tata Steel has not given up on its plans of merging its business in Europe, a top company official said while terming the European Commission's feedback on the proposed joint venture with Thyssenkrupp as a "speed breaker". The company's aim is to make European business stronger for which it will continue to explore various business options including merger, Tata Steel Managing Director T V Narendran said. On May 10, Tata Steel and the German conglomerate decided to call off their proposed steel JV, expecting the deal to be rejected by the European Commission (EC) over "continuing concerns". Tata Steel and ThyssenKrupp had signed definitive agreements in June 2018 to combine their steel businesses in Europe to create a 50-50 pan European joint venture company which could have formed the continent's second-largest steel company after Lakshmi Mittal's ArcelorMittal.

Source: Business Line, May 16, 2019

FINANCIAL

Essar Steel CoC accepted Arcelor's lower bid: StanC

Standard Chartered Bank (StanChart) on Monday told the National Appellate Law Tribunal (NCLAT) that Essar Steel's Committee of Creditors had accepted Rs.39,500 crore from ArcelorMittal instead of Rs.42,0000 crore approved earlier. During the hearing on Monday, StanChart alleged that the CoC had clubbed the debt of Odisha Slurry Pipeline Limited with Essar Steel in the auction to recover unpaid loans, which would in effect reduce the up-front payment to be made by ArcelorMittal. This in turn, Senior Advocate Kapil Sibal appearing for StanChart said, would mean lower amount for the financial creditors who were not part of the core of CoC. "They short-changed us to benefit themselves. The plan proposed Rs 42,000 crore plus working capital and not Rs 35,000 crore plus working capital, which has been accepted by the CoC," Sibal told the NCLAT. An amount of Rs 2,500 crore, which should have been paid to Standard Chartered, has been diverted to lenders of Odisha Slurry Pipeline India Ltd, which owns the slurry pipeline, he said.

Source: Business Standard, May 14, 2019

Essar accuses ArcelorMittal of filing false avidavit for bidding

Lawyer Haren Raval counsel for Essar Steel Asia Holdings Ltd has alleged that ArcelorMittal India had knowingly filed a false affidavit pertaining to NPAs on October 18, 2018. Raval made these allegations during the National Company Law Appellate Tribunal (NCLAT) hearing of the Essar Steel bankruptcy proceedings. ArcelorMittal India, Raval said, had knowingly filed the false affidavit, saying that they had cured all the ineligibilities (NPAs of related entities) as directed by the Supreme Court in its October 4, 2018 order. This was contrary to the fact that Lakshmi Mittal continued to be a shareholder of a family holding company Navoday which was a shareholder of NPA entities, GPI Textiles and Gontermann Peipers. He further said that ArcelorMittal, in order to further their falsehood, had sold the shares in these companies, as reflected in shareholding pattern as on October 31, 2018.

Source: Business Line, May 16, 2019

Rs. 2,500 cr from ArcelorMittal's bid marked for Essar Steel's working capital:CoC to NCLAT

The lenders of Essar Steel May on Thursday informed the National Company Law Appellate Tribunal (NCLAT) that out of Rs 42,000 crore coming from the resolution plan of ArcelorMittal, Rs 2,500 crore has been marked as the working capital of the debt-laden firm. The Committee of Creditors (CoC) submission before a National Company Law Appellatre Tribunal (NCLAT) implied that only Rs 39,500 crore would be available for distribution among the financial creditors and operational creditors. Senior advocate Gopal Subramanium representing the

CoC informed the appellate tribunal that the actual upfront amount is Rs 39,500 crore and the rest Rs 2,500 crore has been committed as working capital for Essar Steel. In Monday's hearing, Standard Chartered, one of the secured financial creditors, claimed that bankers have clubbed Orissa Slurry Pipeline Ltd (OSPL) with Essar Steel in the auction to recover unpaid loans.

Source: Business Line, May 17, 2019

STEEL PERFORMANCE

Steel firms adjust to car sale slump

With India’s car sales last month being the worst in eight years, domestic producers of flat steel are approaching smaller Origibnal Equipment Manufacturers (OEMs). “The larger OEMs are not lifting the material. In the past three to four months, there has been a shift of 20-30 per cent of (steel) companies’ volumes to smaller OEMs, a director with the Bombay Iron Merchants’ Association said. Small OEMs are small vendors, which bring required steel material from distribution channels. In the current scenario, domestic players are pushing more material through the distribution channels that is being lifted by these small OEMs/vendors to use the steel in electrical or furniture products. JSW Steel and Tata Steel are the top producers of flat steel, meant for the automobile industry. The Society of Indian Automobile Manufacturers (Siam) said April was the 10^{th} month in a row (since July 2018) when car sales fell. The drop in April was 15.9 per cent from the same period last year, at 2,001,096 units. Industry officials said flat steel prices had not been hit but would be if this situation continues. “We have reoriented ourselves in both alternative segments and alternative markets”, said a senior official with one of the top producers.

Source: Business Standard, May 17, 2019

China may dump excess steel into Indian market

India fears China could soon start flooding excess steel into its market after the United States raised tariffs on Chinese products due to the escalating trade war between the world’s two largest economies, according to government sources and industry officials. As a result, the domestic steel industry has asked the government to put in so-called safeguard duties of as much as 25% to protect it from growing imports. These would be imposed on steel that the government determines has been dumped at country at prices below the cost of production. Since last year China and the United States have been locked in a trade conflict as Washington seeks to fix the trae balance, currently tilted in favour of Beijing. The two nations have raisedor threatened to raise tariffs on each other's goods, moves that could re-draw trade flows and that have threatened to derail the global economy.

Source: Financial Express, May 15, 2019

POLICY

Levy on steel: India likely to defer retaliation against US, again

India will likely defer its plan yet again by a month to impose retaliatory tariff worth close to $235 million on 29 American products, in response to the Trump administration's extra levy on supplies of steel and aluminium. The deadline to hold the tit-for-tat action is to expire on Wednesday. New Delhi's latest move comes after the US indicated that it could hold its proposed withdrawal of incentives on annual Indian exports of $5.6 billion under the so-called generalised system of preference (GSP) until the formation of the new government in India. The US' rollback of the export incentives worth $190 million a year was to kick in from around mid-May. Already, both the countries are engaged in negotiations to firm up a mutually-acceptable trade package. Last year, the US had slapped an additional 25% duty on steel and 10% on aluminium supplies from countries, including India. New Delhi had initially planned to slap the retaliatory tariff from August 4 last year. The repeated deadline extension suggests New Delhi is willing to engage Washington further for a meaningful outcome to the ongoing negotiations.

Source: Financial Express, May 15, 2019