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

March 30 – April 05, 2019

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COMPANY NEWS

SAIL crude steel output rises 8% in 2018-19

The Steel Authority of India Ltd (SAIL) Wednesday said its crude steel output grew by over 8 per cent to 16.3 million tonne (MT) during the financial year ended March 31. The state-owned steel maker had produced 15.02 MT of crude steel in 2017-18, the company said in a statement. "The country's largest public sector steel producer has shown much improved performance in 2018-19 in terms of production, techno-economics, sales etc. SAIL produced 16.3 MT crude steel in 2018-19, registering a growth of 8 per cent over CPLY (corresponding period last year)," it said. The total steel despatch from SAIL was at 14.86 MT during 2018-19.

Source: Business Line, April 4, 2019

ThyssenKrupp, Tata Steel submit solutions for JV

German steel giant ThyssenKrupp said on Tuesday that it has submitted a comprehensive package of proposed solutions to the European Commission to obtain clearance for the merger of the two steel majors Thyssenkrupp Steel Europe and Tata Steel Europe. The Commission opened an "in-depth" investigation into the proposed merger in October last year amid concerns that the deal may reduce competition in the supply of various high-end steels. Following an agreed extension last month for further negotiations, ThyssenKrupp confirmed that it had submitted a "substantial" offer to the European Commission – the executive arm of the 28-member economic bloc. "As we see it, our proposals cover all the concerns expressed by the Commission. The offer is extensive and substantial. At the same time, it is acceptable to the joint venture partners and no risk to the industrial logic of the joint venture," said Guido Kerkhoff, CEO of ThyssenKrupp. While the details of the proposals are yet to be revealed, the Indian and German steel majors are believed to have offered to sell assets in Belgium, Spain and the UK to win the EU's approval for the proposed joint venture. The European Commission is expected to review the latest set of proposals and announce its decision by June 5. The Commission said its initial market investigation raised several issues, relating in particular to combining both companies' offer of certain specialty flat carbon steel and electrical steel products. It expressed concerns that, following the transaction, customers would face a reduced choice in suppliers, as well as higher prices.

Source: Financial Express, April 3, 2019

JSW Steel plans to raise up to Rs.4,000 cr via dollar bonds

JSW Steel plans to raise $500-600 million (₹ 3,500-4,100 crore) through issue of dollar bonds to part-finance its expansion plans. The bond issue is expected to be announced early next week as the tenure, pricing and finer details are being finalised, said a merchant banker who is in the know of the development. The road-show for the bond issue should begin by Tuesday, he added. The company had embarked on a massive brownfield expansion programme with an investment to ₹ 44,400 crore by March 2020. The investment will create additional capacity of 6.6 million tonnes of crude steel and 3.3 million tonnes of downstream capacity. JSW Steel will invest ₹ 15,000 crore this financial year and ₹ 14,687 crore in the next. Post the brownfield expansion, its capacity will go up to 24.6 million tonnes a year from 18 mtpa. JSW Steel is taking several measures to rein in cost. It is commissioning an 8 mtpa pellet plant, a coke oven plant of 3 mtpa and a waste heat recovery boiler of 175 MW. The company has started iron ore mining from three captive mines in Karnataka and reduced dependence on imports and purchases from Odisha mines. The company recently tied-up $700 million (₹ 4,900 crore) by signing the largest-ever trade finance for supply of steel over the next five years to Duferco International Trading Holding SA, a global steel trader and distributor. The financing structure with Duferco International provides JSW long-term funding to complement its plans for future growth secured by committed exports of steel products to DITH. Both the dollar bond and the trade financing will help JSW Steel fund expansion without much stress on its balance sheet, said an analyst.Moreover, a committed export order will act as a natural hedge on the dollar funding and protect the exposure from rupee-dollar volatility, he said.

Nippon Steel to bolster overseas business, focus on India

Japan's Nippon Steel Corp, is set to bolster overseas operations, especially in fast-growing India, to bypass growing nationalism and capitalise on growth abroad as it faces shrinking demand at home. "India is the fastest-growing market in the world and our investment on Essar's operations will be our key project for this year," said Nippon Steel's new president, Eiji Hashimoto. Creditors of Essar Steel India approved a joint offer by ArcelorMittal and Nippon Steel for the debt-laden asset in October, and the two have drawn up plans to double output of the unit in coming years. "It's a big investment, but this deal was a bargain," Hashimoto told reporters in March. The deal also gives Nippon Steel access to a country that is difficult for foreign companies to enter amid a "Make in India" policy and that has often implemented safeguard duties on steel imports. From April 1 this year, the 63-year-old Hashimoto - with extensive overseas experience - took the helm of the world's third-biggest steelmaker, which changed its name from Nippon Steel & Sumitomo Metal Corp. Nippon Steel was intermittently the world's No.1 by market cap between 2013 and 2016, but its market cap now stand at $16.8 billion, behind peers Baoshan Iron & Steel at $23.4 billion, ArcelorMittal at $20.3 billion, Posco at $19.4 billion and Nucor at $17.5 billion, according to data on Refinitiv Eikon.

Source: Business Standard, April 1, 2019

STEEL PERFORMANCE

Steel firms in a tizzy as HR coils arrive from Iran

Dumping, impact of importing from sanctions-hit nations are concerns. The worst fears of steel companies on cheap imports from Iran seem to be coming true with three vessels carrying 75,000 tonnes of Hot Rolled (HR)coil arriving at Kandla port in Mumbai last month. Import from Iran is considered illegal as it is facing the US economic sanctions. Due to a glut in production and low domestic demand, Iran has been tapping into the Indian market directly and through the Jebel Ali port of the United Arab Emirates. Incidentally, all the three vessels carrying HR coils are loaded from Bandar Abbas, Iran, sources said. According to a steel company executive, the allegedly “illegitimate imports” from Iran come far below the reference price of $489 a tonne, almost $85 cheaper than that of China, the lowest cost producer. Imports of steel from Iran at a lower price is not only a loss to exchequer, but also a clear violation of the US sanctions as India is only exempted to import crude from Iran, he added. Sources said, Iran, all this while was tapping into India through the UAE and this is the first time that shipments have come directly from an Iranian port. In fact, he added shipments directly from Iran had come to a halt in the last few months after the US sanctions but have resumed despite the Indian Steel Association apprising the government on the latest trend. In a letter written to the Ministry of Steel, the Association has urged the government to stop the clandestine dumping of steel by Iran through UAE when domestic companies are facing multiple challenges. Referring to the drop in direct imports from Iran after economic sanctions and the rising steel shipments from UAE, the association said imports from Iran or transhipment from the UAE needs to be banned since it is in grave violation of the US sanction which can attract retaliatory measures by the US on India. The predatory pricing poses a serious challenge to Indian steel industry, it added. Steel imports from the UAE have grown at an alarming pace and are expected to go up over three times to 2.34 lakh tonnes (1.18 lt) this fiscal. Import of 1.75 lt of steel from the UAE in the first nine months of this fiscal has already surpassed imports of the whole of last year. On the other hand, shipments directly from Iran have come to standstill from 34,330 tonnes logged in FY18. Of the overall imports from the UAE, flat steel accounted for 65,000 tonnes. Conventionally, it is a net importer of flat steel products.

Source: Business Line, April 4, 2019

FINANCIAL

Deutsche, SBI oppose more cash to Essar operational creditors

The dispute among Essar Steel creditors on how to distribute cash from ArcelorMittal’s resolution plan has taken a new turn with Deutsche Bank opposing any move to deviate from what the lenders have approved and giving more cash to operational lenders. Last week in a meeting of the committee of creditors, lenders agreed to set aside Rs 1,000 crore more for operational creditors. This additional cash was to gain approval from operational creditors, who are opposing the distribution of Rs 42,000 crore (ArcelorMittal’s resolution plan) only among secured creditors while setting aside only Rs.200 crore for them. The operational creditors are claiming Rs. 4,700 crore. The additional cash to the operational creditors excluded Standard Chartered Bank, the biggest operational creditor to Essar Steel. In a letter to the lenders, the German Bank has warned this (additional cash) will discourage foreign investors from investing in India. Deutsche Bank and State Bank of India have filed a petition with the National Company Law Appellate Tribunal (NCLAT), opposing a suggestion of the National Company Law Tribunal (NCLT) to reconsider the distribution of proceeds in the ratio of 85 per cent for financial lenders and 15 per cent for operational creditors.

Source: Business Standard, April 1, 2019

Essar Steel debt: SBI moves apex court against NCLAT order

The ongoing resolution to the stressed Essar Steel debt took an interesting turn with State Bank of India on Monday moving the Supreme Court against the National Company Law and Appellate Tribunal (NCLAT) recent order directing the committee of creditors to consider more payment to Standard Chartered Bank from the ₹ 42,000-crore winning bid of ArcelorMittal. Incidentally, SBI decision to move the apex court comes even as NCLAT is slated to hear the outcome of committee of creditors (CoC) meeting on April 9. The CoC meeting was held late last week to consider NCLAT direction to consider more payment for operational creditors and Standard Chartered Bank. Though CoC agreed to set aside ₹ 1,000 crore more to the operational creditors, they refused to consider ₹ 3,487 crore disbursed by Standard Chartered as a secured credit. Moreover, Standard Chartered had extended the loan to Essar Steel Offshore, a subsidiary of Essar Steel. The promoters have pledged the shares of Essar Steel to claim the loan and now the foreign bank wants to consider it as secured on the basis of share pledge, said a banker. Earlier, Standard Chartered had informed NCLAT that it will get only 1.7 per cent of its dues or ₹ 60 crore if the approved ArcelorMittal plan is executed. On the other hand, it said other lenders will get 92 per cent of their debt. Last August, Essar Steel's lenders led by SBI, ICICI Bank, IDBI Bank, Edelweiss ARC, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India and Punjab National Bank raised objection to re-classification of Standard Chartered loan from unsecured to secured earmarked earlier as per the ArcelorMittal resolution plan.

Source: Business Line, April 2, 2019

GLOBAL STEEL

Indonesia wins $469mn arbitration case against Indian metal firm IMFA

Indonesia has won a $469 million arbitration case against India's Metal Ferro and Alloys Ltd (IMFA) after nearly four years of court battles, the country's attorney general Muhammad Prasetyo told a news conference on Monday. An arbitration court in The Hague, Netherlands, ruled in favour of Indonesia in the case, according to a notification the government received last week, said Prasetyo. IMFA officials were not immediately available for comment. IMFA filed a claim to the court in 2015, alleging that overlapping mining permits issued by authorities have disrupted its operation in Kalimantan, the Indonesian side of Borneo island. This is a second court victory announced by the Indonesian government in recent weeks, after the International Centre for Settlement of Investment Disputes, a U.S. arbitration tribunal, dismissed an effort by Churchill Mining PLC to revive a $1.3

billion claim against Jakarta over cancelled coal mining rights, also in Kalimantan. Churchill Mining was "extremely disappointed", its chairman of directors David Quinlivan said in a statement on March 19.

Source: Business Standard, April 2, 2019

MISCELLANEOUS

Tata Steel says logic of JV with ThysenKrupp holds strong

Tata Steel will remain in focus, as the company said it supports the logic behind a joint venture with Thyssenkrupp, days after the companies submitted proposals to the European Commission for a nod to the proposed partnership. However, steel workers at Thyssenkrupp expect far-reaching guarantees for jobs and plants even if a planned joint venture with Tata Steel falls apart. Last year, the two companies had agreed to combine their European steel activities.

Source: Business Line, April 4, 2019

MSTC to eAuction 13 of Nirav's Luxury Cars Seized by ED

After the paintings fetched the tax agencies over Rs.54 crore, now 13 of the high end cars seized by the Enforcement Directorate (ED) belonging to fugitive diamantaire Nirav Modi will soon go under the hammer. The e.auction will be conducted by government owned, Metal Scrap Trading Corporation, sources in the know told ET. The cars include a Rolls Royce Ghost, Porsche Panamera, Daimler Chraisler, two Mercedes Benz, a Toyota Fortuner, three Honda cars and an Innova which were seized by the ED on course of the money laundering probe against Modi. Both Modi and his uncle Mehul Choksi are wanted in the alleged Rs.13,570 crore fraud caused to Punjab National Bank (PNB).

Source: Economic Times, April 1, 2019