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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RAW MATERIAL

Expiring mine leases may hit steel sector hardest

The leases of 329 mines of private mining companies, including 48 operative and 281 non-operative mines spread across ten States, will expire in the next four months, leading to supply disruptions of key raw materials to various manufacturers. These mines are slated to be put on auction but may not fetch a good price given the global uncertainties and the prevailing low raw material prices. Also, debt-laden metal companies may not bid aggressively. Moreover, metal prices, which are in a down-cycle, are not expected to revive any time soon with the US-China trade war persisting despite the talk of imminent resolution. While the mining leases of private commercial miners are being cancelled, the government recently renewed, up to 2030, the leases of captive mines allotted to top corporates. Half of the 48 operative mines whose leases will expire in March are in Odisha, six each in Jharkhand and Karnataka, five in Gujarat, three in Andhra Pradesh, two in Rajasthan, and one each in Himachal Pradesh and Madhya Pradesh. Iron ore supply to the steel industry would be the worst hit since, of the 329 mines, 232 are of iron ore. Of these, 24 are operative. The majority of non-operative iron ore mines are in Goa, where there is a blanket mining ban. Working mines, mostly in Odisha and Jharkhand, handle 45 per cent of the iron and manganese requirements of steel plants in the eastern sector. The raw material supplies to steel manufacturers will also be disrupted at a time when India is looking to produce about 300 mt of steel in the next five years and become the second-largest producer in the world, he added.

Source: Business Line, November 8, 2019

Coal ministry not keen on acquiring coal assets abroad

Union coal minister Prahlad Joshi on Wednesday said that his ministry was not keen to acquire any coal assets abroad and aims to produce the required quantity in India instead to protect foreign exchange outflow. The country imported 235 million tonne last year and forked out 27.1 lakh crore. ” We want to cut on our import bill,” Joshi said. While Coal India (CIL) is in looking for assets in Russia, Canada and Australia, the minister’s statement has blown up a controversy whether it was against the decision of the ministry that CIL was in pursuit for assets abroad. “We are not thinking to acquire coal assets but we only want to freeze the order in advance to get coal at competitive prices,” Joshi said at the eighth Asian Mining Congress. However, CIL officials later clarified that CIL was only looking for coking coal assets abroad and was neither looking for any thermal coal assets nor it was keen to acquire any

Source: Financial Express, November 7, 2019

COMPANY NEWS

Tata Steel Q2 net rises 6% to Rs.3,302 crore on tax write-back

Tata Steel net profit was up 6 per cent at ₹3,302 crore in the September quarter of the current fiscal, against ₹3,116 crore in the same period last year, even as its total revenue plunged. The company’s turnover was down 15 per cent at ₹34,579 crore (₹40,897 crore). Profit was boosted by ₹4,365 crore write-back of deferred tax as the government cut the corporate tax by 10 per cent to 25 per cent. If not for the tax write-back, the company would have incurred a loss of ₹6 crore against a profit before tax of ₹5,411 crore logged in same period last year. EBITDA of the company halved to ₹4,018 crore (₹8,641 crore) while EBITDA per tonne was at ₹6,156 (₹12,713) as steel prices slipped to historic low. Steel prices declined by over $100 a tonne in key markets, amidst weak demand. On a standalone basis, the company’s net profit was at ₹3,838 crore (₹3,268 crore) on deferred tax write-back of ₹1,949 crore. Gross sales were down 18 per cent at ₹14,486 crore (₹17,580 crore).

Source: Business Line, November 7, 2019

How Tata Steel put its soul into Bhushan Steel

The Insolvency and Bankruptcy Code, a reform undertaken by the Narendra Modi government, came as a beacon of hope for banks and investors three years ago. While the law still evolves and litigations pile up, many companies have got a fresh lease of life through IBC. The first of a four-part series takes a look at how erstwhile Bhushan Steel is faring as Tata Steel BSL under a new command. When Tata Steel was done with the takeover of the ailing Bhushan Steel (BSL) in Odisha, ramping up Key Performance Indicators (KPIs) was the least of its concerns. BSL was debt-laden and stressed. But as an asset it was an immense value, given its facilities, competent workforce, and the range of customers. Tata Steel decided to focus on the nuts and bolts before worrying about KPIs. The first step was to start planning what had to be done with the re-christened – Tata Steel BSL- asset. Rajiv Singhal managing director at Tata Steel BSL recalls how the first 10 days post acquisition were marked by endless meetings to get to know everyone. Öur effort was to communicate, sit with the people and understand the challenges they are facing. Tata Steel BSL had a lot of baggage – the bizarre management structure of the previous promoters, lack of uniformity in policies and recurring accidents had punched a hole in the confidence of stakeholders. For Tata Steel, communicating its credo formed the cornerstone of its strategy. This helped instil confidence in the workforce and the insolvent steel plant had a future. While there was no juggling or redeployment of personnel at BSL after the acquisition, certain ad-hoc practices of the pevious management were replaced by Tata Steel’s transparent and uniform policies.

Source: Business Standard, November 4, 2019

JSPL share rises 11.3% on winning Chattisgarh coal block

Share price of Jindal Steel and Power (JSPL) went up 11.3% on Monday in the BSE, closing at Rs 137.25 after it became the highest bidder for the Gare Palma IV/1 coal block in Chhattisgarh. The coal mine, located about 30 km from its Raigarh steel plant, has the potential to produce 6 million tonne of the fuel every year. Against the reserve price of Rs 150/tonne, JSPL quoted Rs 230/tonne. The coal would be used to run the 840-MW captive power station and the 1.32-MTPA unit in the company's Raigath steel plant. "When the mine starts producing, we can cut our reliance on expensive coal procured through import or auctions conducted by the Coal India," VR Sharma, managing director, JSPL, told FE. "The final confirmation from the government is yet to come," Sharma added. The auctioned mine is part of the 27 blocks put up for bidding by the coal ministry after, in February 2019, the Cabinet allowed private companies to sell up to 25% of production from captive coal mines in the open market. The block earlier belonged to JSPL, before the apex court, in its September 2014 order, had cancelled the licences of 204 captive blocks, saying these had been allocated in an illegal and arbitrary manner.

Source: Financial Express, November 5, 2019

JSPL posts net loss of Rs.399 cr

Jindal and Power Ltd (JSPL) posted a consolidated net loss of Rs 399.31 crore for the quarter ended September 30. However, the company had posted a consolidated net profit of Rs 279.17 crore in the year-ago period, JSPL said in a filing to the BSE. These are after-tax figures. Its total income in the July-September 2019 quarter declined to Rs 8,940.33 crore, over Rs 9,983.16 crore in the year-ago period. In a statement, the company said the quarter ended September 2019 highlighted the strength in the diversified and the differentiated product profile of JSPL. Products like rails, structures, plates and other such value-added products helped the company partially offset the steep fall in prices and profitability during the reported quarter, it said. JSPL, on a consolidated level, produced 1.99 million tonnes of steel and related products and sold 1.82 million tonnes. The company produced 1.84 million tonnes of crude steel on the consolidated level and sold 1.70

million tonnes. The net debt for the quarter ended September 2019 was Rs 36,501 crore. The net debt reduced by Rs 1,471 crore, excluding the impact of foreign exchange quarter-on-quarter.

Source: Financial Express, November 6, 2019

After resolution, Monnet on path to recovery

The third of a four-part series on the Insolvency and Bankruptcy Code takes a look at how the steel firm's turnaround plan was to be undertaken in phases. The only facility operational at Monnet Ispat & Energy at the time of acquisition by AION and JSW Steel was the direct reduced iron (DRI) plant. A year later, the DRI plant is running at 100 per cent capacity, as is the pellet plant and the earnings before interest, depression, taxation and amortisation (EBIDTA) is positive amid a challenging environment. Monnet, which owed banks Rs.11,000 crore, was one of the 12 non-performing assets (NPAs) mandated for resolution under the Insolvency and Bankruptcy Code (IBC). A Rs.2,875 crore resolution plan, submitted jointly by AION and JSW Steel 9minority partner), was approved by the National Company Law Tribunal (NCLT) towards the end of July. Sources said that if the current market conditions persisted, the turnaround time for Monnet could get stretched though the pellet and DRI plants were operating at 100 per cent capacity. With falling global demand and a weak local market, a turnaround is not expected before the second half of the financial year. The plan is to take the steelmaking capacity to two million tonnes eventually and increase pellet production to 2.5 million tonnes. Also there are plans of entering the value added market with long steel products for applications in the automobile sector, energy, railways and general engineering.

Source: Business Standard, November 6, 2019

Wheels India Q2 net up at Rs.29 cr on tax write-back

Wheels India Ltd, a TVS Group company, reported a net profit to Rs 29 crore for the second quarter ended September 30, 2019 as against Rs 23 crore in the corresponding quarter last year. During the September quarter, the company had exercised the option to pay corporate income tax at 22 per cent plus applicable surcharge and cess. Accordingly, an amount of Rs 19.30 crore, arising from the re-measurement of the deferred tax liability, has been written back. But for this, the profit would have been in the range of Rs 10 crore. Revenue declined by nearly 34 per cent to Rs 593 crore (Rs 796 crore) due to severe slowdown in commercial vehicle and passenger vehicle segments affecting the automotive components demand. However, this was partially offset by strong growth in the industrial components business, said Srivats Ram, Managing Director, Wheels India.

Source: Business Line, November 5, 2019

Tata Steel arm divests stake in NatSteel Vina for Rs.36 crore

Tata Steel’s step-down subsidiary NatSteel Holdings (NSH) has executed definitive agreements with Vietnam-based Thai Hung Trading Joint Stock Company to divest its entire equity stake of 56.5% in NatSteel Vina (NSV). The agreement for the stake sale was executed on November 4, 2019, Tata Steel said in a notification to BSE. The deal size was Singapore $7 million, roughly ₹ 36 crore, for 56.5% held by NSH in NSV. The latter had a turnover of ₹ 453 crore in FY19 and its net worth as on March 31, 2019, was ₹ 65 crore, according to the notification. Vietnam’s Thai Hung Trading Joint Stock Company specialises in three businesses. This includes production of steel billets, steel formwork, forest products processing and construction. It is also involved in construction steel, and metal scrap in addition to investments in education and real estate. NSH is a whollyowned subsidiary of TS Global Holdings, which in turn is a wholly-owned arm of T Steel Holdings, a 100% arm of Tata Steel Limited.

Source: Economic Times, November 7, 2019

FINANCIAL

MSTC, Allahabad Bank tie up to develop e-auction platform

MSTC Ltd. has signed an agreement with Allahabad Bank for the development of a dedicated e-Auction platform directly linked with the

Indian Banking Association's portal (https://ibapi.net) for sale of non-performing assets (NPAs) through the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest) Act. "The e-Auction platform will be a one-of-a-kind solution, where a bidder once registered, will be able to participate in auctions for all banks. This move will help the banks monetise NPAs through a streamlined process, thereby, increasing revenue generation," MSTC said in a regulatory filing. MSTC is a Kolkata-headquartered Central Government of India company engaged in domestic and international trading. It specialises in the international trade of ferrous input materials and has imported millions of tonnes of ferrous melting scrap, old ships for breaking, sponge iron, hot briquetted iron, re-rollable scrap, etc.

Source: Business Line, November 6, 2019

POLICY

Govt policy targets making India self-sufficient in scrapped steel

The steel ministry has notified the Steel Scrap Policy assigning the tasks each ministry would do to increase avail availability of the scrapped material by another 7 million tonnes, which India currently imports. According to the policy, which was made public currently around 25 million tonnes of scrapped steel comes from the domestic unorganized industry and import of 7 million tonnes scrap costs about Rs 24,500 crore annually. Efficient use of scrap for steel production is crucial for India as 35- 40% share has been envisaged from scrap-based steel production in the journey of 300 million tonnes per annum by 2030. The policy said to meet this requirement around 70 collection and dismantling centres would be required.

Source: Times of India, November 8, 2019

MISCELLANEOUS

Maruti forms JV with Toyaota for scrappage centres

Maruti Suzuki will foray into the vehicle dismantling and recycling business through a joint venture with Toyota, further expanding their collaboration in the Indian market. The move is likely to give a boost to the government's upcoming scrappage policy, which will aim at scrapping older vehicles beyond their permitted life cycle so that demand for the new ones is generated. The joint venture will be formed with Toyota Tsusho India, a subsidiary of Toyota Motor Corp, and the resultant entity will be Maruti Suzuki Toyotsu India Pvt Ltd (MSTI). The JV will set up the first vehicle dismantling unit in Noida with a capacity to handle 2,000 vehicles per month, Maruti said in a statement. The JV, which will add more such units across India, will be responsible to procure and dismantle end-of-life vehicles (ELVs). Kenichi Ayukawa, managing director & CEO, Maruti Suzuki India, said the aim is to promote recycling and support in resource optimization and conservation, while using environment-friendly systems and processes. “A team of experts at MSTI will dismantle the vehicles using international technology and global standards,” Ayukawa said. The ministry of road transport and highways has been for long contemplating a policy for vehicle scrapping to reduce the number of old vehicles and create demand for the new units.

Source: Financial Express, November 7, 2019