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

November 23 - 29, 2019

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RAW MATERIAL

Coal India, ISRO tie-up to develop Satellite-based air pollution system

Coal India has tied up with the Indian Space Research Organisation (ISRO) to develop a satellite-based system to provide air pollution data online to the company and the government. In the recent past, five coal India subsidiaries were slapped a total fine of Rs.53,331 crores by states for producing in excess of available environmental clearance limits in at least 60 mines. If coal India has to pay the levis, its finances will be critically hit as the penalty far exceeds its reserves of Rs.38,000 crore. Coal India has used services of satellites for monitoring land reclamation and reforestation. Satellite based pollution monitoring system exists only at the National Aeronautics and Space Administration (NASA) in the US.

Source: Economic Times, November 26, 2019

Coal India to infuse Rs.56K cr into 66 projects

Coal India has firmed up plans to spend Rs.56,000 crore on 66 coal projects with an annual peak production capacity of 500 million tonnes. The projects are at various stages of implementation and according to a memorandum of understanding signd between Coal India and the Ministry of Coal over the state-run company's 2020 targets, almost 55% of the total capital outlay would be undertaken by South Eastern Coalfields (SBCL) which is working on 23 projects with a total peak production capacity of 192 million tonnes. ECL: is the largest coal producing subsidiary of Coal India, contributing almost a fourth of the total production at 157 million tonnes in 2018-19. The sanctioned capital for projects undertaken by SECL is around Rs.30,783 crore. Mahanadi Coalfields is currently working on 11 projects with a peak production capacity of around 156 million tonnes, entailing investment of Rs.8,519 crore. It was the second largest contributor to Coal India's production last year.

Source: Economic Times, November 28, 2019

Rs.4,973-cr revenue collected from auctioned coal mines

The government has collected Rs 4,972.738 crore in revenue from auctioned coal blocks since financial year 2014-15, Parliament was informed Monday.Of the total revenue garnered till October 31, the maximum of Rs 1,280.58 crore was mopped up in 2018-19. In 2017-18, the revenue stood at Rs 1,115.02 crore while in the preceding fiscal, it was Rs 1,018.117 crore. In 2015-16, the government collected Rs 663.774 crore in revenue while in the preceding year, the figure stood at Rs 241.294 crore, Coal Minister Pralhad Joshi said in a reply to the Rajya Sabha. Under Coal Mines (Special Provisions) Act, 2015, 31 mines have been allocated through auction so far, the minister said. Of the 31 mines, allocation of nine mines has been terminated for various reasons, Joshi said adding that of the remaining 22 mines, 13 have got opening permission and 11 are producing coal. The 11 mines have produced 32.34 million tonne of coal from 2015-16 till October 31, 2019, the minister said. While four producing mines are in Chhattisgarh, two each are in Madhya Pradesh, West Bengal and Maharashtra and one in Jharkhand, the minister said.

Source: Business Standard, November 26, 2019

Job cuts: Tata Steel begins talks with European Works Council

Tata Steel is planning to retrench 1,600 employees in Netherlands and 1,000 in UK as part of its proposal to lower employees cost and make the European operations sustainable. The company, which will axe another 350 jobs globally, started negotiation with its European Works Council on proposals to transform its business. In all, Tata Steel is expected to reduce employee strength by 3,000 of which about two-thirds would be in management and office-based roles, it said in a statement. The move aims to build a financially strong and sustainable European business, able to make the investments required to accelerate innovation and the company's journey towards carbon-neutral steelmaking. During the meeting, which marked the official start of the employee consultation process with the EWC, Tata Steel Europe shared initial proposals about its transformation programme. Its initiatives include increasing sales of higher-value steels by improving product mix and customer focus, achieve efficiency gains by optimising production processes, supported by the application of big data and advanced analytics and lowering employment costs by job cuts, reducing procurement costs through smarter sourcing and strengthening cooperation with companies within the Tata Steel group.

Source: Business Line, November 29, 2019

COMPANY NEWS

SAIL awaits ArcelorMittal's response to take JV forward

SAIL is awaiting a response from ArcelorMittal regarding setting up a joint high-end automotive steel plant in India for which its board had given the go-ahead about two years ago, a top company official of the state-run steel major said. SAIL chairman A K Chaudhary said this while replying to a question related to the progress in talks with ArcelorMittal for setting up a joint venture (JV). In December 2017, Steel Authority of India Ltd (SAIL) board had approved a proposal to enter into a JV with global steel giant ArcelorMittal for manufacturing high-end automotive steel. The definitive agreement in this regard, the company had said, will be finalised in due course subject to financial viability.

Source: Business Line, November 25, 2019

SAIL still scouting for buyer for Salem Steel Plant

Public sector steel major SAIL is looking at 100 per cent stake sale in Salem Steel Plant (SSP) and is scouting for a potential buyer, even as the unit has completed its capacity expansion and modernisation drive. SAIL had issued a global invitation for expressions of interest (EoI) on July 4; these were opened on September 10. Per the qualification criteria, the bidder should have prior experience in core sectors and must bring in technology, efficiency and investment in steel-making into the unit. This would lead to the creation Salem Steel Plant has completed a capacity expansion and modernisation drive (file photo) of more jobs and consequent prosperity in the region. It would also give a fillip to downstream industries in the region, Union Steel Minister Dharmendra Pradhan had said in a reply to a question in the Lok Sabha. In October 2016, the Cabinet Committee on Economic Affairs (CCEA) had given its in-principle nod for the strategic disinvestment of SAIL's Alloy Steels Plant, Durgapur, Visvesvaraya Iron and Steel Plant, Bhadravati, and Salem Steel Plant, Salem. Following this, in February 2017, the SAIL board had approved a stake sale plan for all the three units. While SAIL awaits a potential buyer, the Salem unit has been modernised and expanded at a revised investment of ₹2,371 crore to produce 180,000 tonnes per annum of stainless steel slabs. As part of the expansion programme, SSP has added a steel melting shop, a single strand slab caster and roll grinder for hot rolling mill, and a cold rolling mill complex.

Source: Business Line, November 26, 2019

Tata Steel raising up to $1.75 b loan via European unit

Tata steel is raising up to $1.75 billion (Rs 12,563 crore) in syndicated offshore loans through its European unit to lower borrowing costs in the first mega fundraising at India's biggest and the oldest maker of the alloy, which shelved a joint-venture proposal in the continent with Germany's Thyssenkrupp earlier this year. "Through this syndication, the company aims to reduce overall borrowing costs by 100 basis points," said a person aware of the likely coupon rate. The debt will likely have five -year maturities and the loans will be priced after adding a mark-up, or spread, above the US dollar based London Interbank Offered Rate (Libor). Net debt at Tata Steel increased by almost 4 per cent to Rs 1.07 lakh crore in the three months to September. The company is in the process of appointing up to a dozen investment bankers, four people with direct knowledge of the matter told ET. The proceeds would be used for refinancing and other business purposes.

Source: Economic Times, November 24, 2019

JSW Infrastructure opens 18-mt iron ore terminal at Paradip port

JSW Infrastructure Ltd, the port operating unit of Sajjan Jindal-led JSW Group, opened a new 18 million tonne (mt) capacity iron ore terminal at Paradip Port Trust on Monday mostly to handle third party cargo as it moves from a captive port operator to a commercial operator. JSW commissioned its new terminal at Paradip by loading approximately 60,000 metric tonnes of iron ore pellets on the bulk carrier MV IC Phoenix for one of the country’s leading pellet manufacturer, Brahmani River Pellets Ltd. JSW Infrastructure was awarded the rights by Central government-owned Paradip Port Trust to develop a fully mechanised iron ore export terminal on a Build, Operate and Transfer (BoT) basis for 30 years. The company invested about Rs 750 crore to build the facility. The 370 meters’ long terminal is designed to handle capsize vessels for iron ore and pellet exports and can load 100,000 metric tonnes per day. The high load rate is expected to significantly reduce the pre-berthing delays at Paradip as well as allow incremental cargo flow to the Port.

Source: Business Line, November 26, 2019

FINANCIAL

Tata Steel’s cost rationalisation plan for Europe credit positive: Moody’s

Tata steel’s cost-rationalisation plans for its European business is credit positive as it will support a turnaround in Tata Steel UK Holdings' less profitable operations, ratings agency Moody’s Investors Service said on Monday. On Nov. 18, Tata Steel outlined a programme to reduce costs and improve product mix at its European operations, which are held by wholly-owned subsidiary Tata Steel UK, Moody's said in a statement. "The planned cost rationalisation program is credit positive for both the companies because it will support a turnaround in Tata Steel UK’s less profitable operations that have dragged on Tata Steel's consolidated credit quality," the statement said. European operations accounted for 35 percent of Tata Steel's total shipments in the first half of 2019-20, but they generated only around 2.4 per cent of the steelmaker’s reported consolidated earnings before interest, tax, depreciation and amortisation. While Tata Steel’s cost-rationalisation plans are welcome, a timely and meaningful improvement in performance is key, Moody’s said.

Source: Business Standard, November 26, 2019

Analysts see Tata Steel stock rising in 2020 as firm revamps Europe biz

A revamp of its European operations, an improved product mix and a ban on cheaper steel imports to India may bolster the fortunes of Tata Steel Ltd.’s shares, the least valued stock on the South Asian nation’s benchmark equities gauge. Tata Steel shares have lost nearly half of their value since Jan. 2018 to trade at a price-to-earnings ratio of 4.7, the lowest on the S&P BSE Sensex Index. The company, which last year got more than 50 per cent of its sales abroad, last week outlined job cuts and other measures aimed at cutting costs in Europe, which it called a “dumping ground” for steel. Tata Steel has been closing and selling plants in the UK since the 2008 financial crisis to make its business there more profitable. It’s now focusing on India, and aims to ramp up capacity as demand is set to expand by as much as 7 per cent in 2020, according to the World Steel Association. That’s the most among the top 10 steel using countries.

Source: Business Standard, November 27, 2019

Essar lenders may get more than Rs.42,000 cr

Lenders to Essar Steel may get more than Rs 42,000 crore from the resolution process. Lenders and ArcelorMittal have mutually agreed to appoint Grant Thorton for an audit of Essar’s Ebitda (earnings before interest, tax, depreciation, and amortisation), which will flow to the lenders, said sources close to the development. Grant Thornton didn’t comment citing client confidentiality clauses. ArcelorMittal didn’t comment either. According to clauses of the request for proposal document, the Ebidta will flow to the lenders, said sources. The minimum guarantee is Rs.2,500 crore. As part of the bid ArcelorMittal was making an upfront payment of Rs, 39,500 croreand Rs.2,500 crore was being adjusted out of the profit generated towards working capital which works out to Rs. 42,000 crore.

Source: Business Standard, November 29, 2019

STEEL PERFORMANCE

India’s crude steel output falls 3.4% to 9.089 MT in Oct: Report

India’s crude steel output fell 3.4 per cent to 9.089 million tonne (MT) during October this year, according to World Steel Association (worldsteel). The country had produced 9.408 MT crude steel during the same month a year-ago, the global industry body said in its latest report. Global steel output stood at 151.494 MT in October 2019, 2.8 per cent down compared to 155.833 MT October 2018, it said. “While China’s crude steel production for October 2019 was 81.521 MT, a decrease of 0.6 per cent compared to 82.014

MT in October 2018, India produced 9.098 MT of crude steel in October 2019, down 3.4 per cent from 9.408 MT in October 2018," the report said.

Source: Financial Express, November 28, 2019

Domestic steel prices may see a Rs.1000/T recovery

Domestic steel prices could increase by over Rs 1,000 per tonne in December, the first rise in six months, propped up by a strong revival in international prices and improvement in demand from infrastructure and housing sectors, according to industry executives. "We are seeing signs of an improvement in demand since November and this has given us scope for price correction. However, we would prefer to calibrate the prices in step with a gradual recovery in demand," said a top marketing executive of a steel manufacturer based in eastern India. The sentiment was echoed by more executives working in other steel mills in the country. "Major steel players are looking at a moderate price recovery of Rs 1,000-1,500 per tonne in December on the back of a small price correction last month," said a senior executive of a Mumbai head quartered steelmaker. The October-March period traditionally represents two strong quarters for the steel industry, as construction activity generally picks up in the post-monsoon period.

Source: Economic Times, November 28, 2019

'Steel sector may face short-term disruption in iron ore supplies'

With the leases of 232 merchant iron ore mines expiring in March next year, the country may face a short-term disruption in supply of the main ingredient used in making steel, Acuite Ratings & Research Ltd said today. "The expiring leases can potentially curtail about 25-30 per cent of the country's iron ore production, taking into account the expiring leases of other states as well," Acuite Ratings & Research Ltd said in its latest report. Iron ore is the main ingredient used in making steel. Consequently, any significant delay with respect to auctions and more specifically lease transfers will affect iron ore supply and prices, thereby putting further pressure on sector profitability. Non-integrated steel companies, which do not have access to captive iron ore mines, will be relatively more vulnerable in the event of such delay. Therefore, a smooth transition in the lease transfers through the upcoming auction process along with the expected increase in pellet availability will be critical to offset the near term profitability challenges in the steel sector. "Indian government has initiated the process to auction 329 mines including 232 iron ore mines where the leases are set to expire in March 2020. This is a part of its initiative to address the issue of lower mine productivity, lack of adequate investment for mine development along with the need to bring in higher transparency in mine allotment," it said. "It is pertinent to note that 208 such mines are currently non-operative and transfer of the leases can lead to fresh investment and development, thereby enhancing domestic iron ore production significantly beyond the current levels of 220 million tonnes," it said.

Source: Financial Express, November 27, 2019

METALS

Sales revenue drops for non-ferrous metal firms

Sales of non-ferrous metal companies contracted by 4.7 per cent in Q2 of this fiscal on account of overall weakness in metal prices. Among the non-ferrous metal companies, aluminium firms witnessed 21 per cent contraction in sales. A study by CARE Ratings noted that the average prices of aluminium in Q2 of FY20 declined by 14 per cent compared to the year ago period. Aside from aluminium, average prices of other base metals such as zinc and copper fell by 7.5 per cent and five per cent respectively, negatively affecting the topline of companies. For metals sector, the contraction in net sales was broad based having repercussions across all segments. The sales of the overall metal sector plunged by 13 per cent in Q2 of FY20 as against 18.8 per cent growth registered in the corresponding period of last fiscal year.

Source: Business Standard, November 27, 2019

MISCELLANEOUS

L.N. Mittal's son Aditya may head new Essar Steel Board

Aditya Mittal scion of the LN Mittal empire, is likely to chair the board that will run Essar Steel, with directors drawn from the two acquiring partners - ArcelorMittal and Nippon Steel Corp of Japan. Top industry sources told ET that both companies are working on putting together a core strategy and integration team as the world's biggest maker of the infrastructure alloy gets ready to take Essar Steel into its fold, marking Arcelor-Mittal's first major foray into India. Nippon Steel is expected to send at least two members to the joint board, according to sources close to the discussions. The partners will share responsibility of running Essar Steel: While Nippon Steel will likely focus on operations, Arcelor-Mittal will take charge of marketing and customer relationships, sources said.

Source: Economic Times, November 27, 2019

GLOBAL NEWS

Global steel output falls in Oct 2019

Global crude steel production fell 2.8% year-on-year in October, figures from the World Steel Association has showed. Subdued economic growth in key consuming regions, China's capacity cuts to improve air quality during anniversary celebrations could be attributed as the reasons for fall in output.

Source: Economic Times, November 28, 2019

ArcelorMittal to negotiate on steel mill: Italy

Italian Premier Giuseppe Conte says steelmaker ArcelorMittal has agreed to try for a negotiated solution over the fate of a southern Italian steel plant. Conte and his economy and economic development ministers held four-hour talks ending Friday before midnight with ArcelorMittal's top executives. Union leaders on Saturday insisted that any deal must exclude layoffs. The French-Indian steelmaker, currently renting the mill, wants out of a contract obliging it to buy the Taranto plant. It cites production concerns and Italy's removal of immunity from prosecution in case of environmental damage. Conte said both sides have agreed to seek a delay of next week's court hearing over the contract dispute. He told reporters: Let's allow this negotiation to develop with the goal of agreeing on an industrial plan using clean technology. The company didn't immediately comment.

Source: Financial Express, November 24, 2019