Steel In The News

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

A Weekly News Report by Joint Plant Committee

October 19 – 25, 2019

HIGHLIGHTS OF THE WEEK

1. Q2 outlook bleak for steel firms
2. Auto slump: Tata Steel cuts Tarapur unit output by 15%
3. Sept quarter: Tata Steel BSL posts Rs.255- cr loss
4. JSW Steel net up 21% on tax write-back
5. Jindal Stainless and Braithwaite, join hands to develop FOBs, ROBs

RAW MATERIAL

CIL mining arm advances shift timings to reduce accidents

A series of fatal accidents at mines in Coal IndiaNSE -1.08 % has prompted one of its mining subsidiaries to advance mining shift timings by an hour to increase workers' alertness and reduce mishaps. This will be introduced at all subsidiaries if found effective. Coal India meets almost 70 per cent of the country's coal requirement and will produce almost 660 million tonnes of coal this year. "Analysis of incidents has revealed that physical well being and mental alertness of physical well being and mental alertness of employees play an important role in preventing accidents," a senior Coal India executive told ET. "The pattern of recent incidents indicates night shifts to be relatively challenging for safe operations. Employees are prone to lose their mental alertness towards the end of the night shift. This necessitated a relook at the shift timings." Following deliberations between unions and executives at Northern Coalfields, which contributes 20% of total production, it was inferred that poor mental alertness towards the end of the night shift was a major contributor to several accidents that occurred in the past.

Source: Financial Express, October 23, 2019

\

COMPANY NEWS

Auto slump: Tata Steel cuts Tarapur unit output by 15%

The deepening slowdown in the automotive sector has resulted in Tata Steel's cold rolled steel unit here cutting production by 15 percent since the past six months. The 3-lakh tonne plant at Tarapur in the Palghar district north of Mumbai, caters to nearly 30 per cent of Tata Steel's supplies to the automotive sector. The prolonged slowdown is also likely to impact sales from the plant this year as capacity utilization has come down to around 85 percent now, a senior company official has said, adding last fiscal, the plant had revenue of Rs 1,200 crore. "The slowdown in the auto sector has impacted us since the past six months. Our capacity utilisation, which used to be 100 percent till last fiscal has come down to 85 percent," Tata Steel's head of cold rolling complex (west) Ujjwal Desai told a select group of visiting reporters. He said the inventory at the factory has also piled up as dealers have not picked up the finished products. "We had witnessed a similar slowdown in FY01. However, we are hopeful that there would be a revival soon," he said, adding since September there has been a slight improvement in the demand sentiment. But revenue growth for the current fiscal may be impacted.

Source: Financial Express, October 19, 2019

JSW Steel net up 21% on tax write-back

JSW Steel has reported a 21 per cent increase in its September quarter consolidated net profit at ₹2,536 crore against ₹2,087 crore largely due to lower cost and write back of Rs 1,976 crore deferred tax. However, gross sales were down 20 per cent at ₹16,737 crore (₹20,891 crore). Given the sharp fall in demand and weak sentiments, the company has cut its planned capital expenditure by Rs 4,700 crore for this fiscal to Rs 11,000 crore from Rs 15,700 crore. The company has delayed expansion of cold rolling capacity at Vasind, tin plate capacity addition at Tarapur Maharashtra and colour coated capacity at Vallabh in Punjab. JSW Steel also expects it will fall short of both sales and production target by three per cent. It has given a production guidance of 16.95 million tonnes and sales of 16 mt at start of this fiscal. The company also availed Maharashtra government incentive of Rs 512 crore on the învestments made at its Dolvi plant.

Source: Business Line, October 24, 2019

Tata Steel subsidiary bags first lapsing merchant mine

TS Alloys Ltd, the wholly owned subsidiary of Tata Steel, has been declared the preferred bidder for the chromite lease now held by Misrilall Mines. The mine is among the scores of merchant mines whose lease validity ends by March 31, 2020. A source tracking the online auctions said, TS Alloys outbid many strong contenders, quoting a premium of 88.5 per cent over and above the reserve price.

Source: Business Standard, October 24, 2019

Jindal Stainless and Braithwaite, join hands to develop FOBs, ROBs

Jindal Stainless has joined hands with state owned Braithwaite & Co Limited (BCL), a company under Ministry of Railways, to develop stainless steel foot-over-bridges (FOBs), road-over-bridges (ROBs) etc. It comes at a time when Railways has decided on a massive modernization to replace aging infrastructure. It followed the collapse of the FoB at the northern end of Mumbai's Chhatrapati Shivaji Maharaj Terminus earlier in March this year, that took six lives and injured over 35 commuters and highlighted the glaring need for upgrading time-worn railway infrastructure across the country. Some 1,100 FOB projects have been sanctioned by the government, with nearly 300 in the pipeline. As per industry data, around 1,35,000 rail bridges exist in India, of which more than 25% are over 100 years old and need immediate replacement. Infrastructure in coastal areas and places like Mumbai and Kolkata are particularly vulnerable. Some 17,000 ROBs need strengthening or replacement while the number is around 50,000 for FOBs. The first such stainless steel foot-over-bridge is coming at Bhayandar station in Mumbai next year.

Source: Economic Times, October 24, 2019

JSW Steel: Subdued volumes and weak realisations dampen profitability

Given the subdued economic activity, the earnings of JSW Steel for the quarter ended September 2019 was expected to be weak. Revenue for the company fell by about 18 per cent to Rs.17,572 crore while net profit dell 73 per cent to about Rs.560 crore (even after adjusting the tax reversal made on account of recent corporate tax rate cut) when compared to the same period a year ago.

Source: Business Line, October 25, 2019

Sept quarter: Tata Steel BSL posts Rs.255- cr loss

Tata Steel BSL, formerly known as Bhushan Steel Ltd, on Thursday said it has posted a standalone net loss of Rs 255.89 crore for the quarter ended September 30. The company had posted a net profit of Rs 60.7 crore during the corresponding quarter of 2018-19, the company said in a BSE filing. Its total income during the September 2019 quarter fell to Rs 4,580.47 crore from Rs 5,907.47 crore in the year-ago period, the filing said. In May last year, debt-laden Bhushan Steel Ltd (BSL) was acquired by Tata Steel through its wholly-owned subsidiary Bamnipal Steel Ltd (BNPL) and was later renamed as Tata Steel BSL.

Source: Financial Express, October 25, 2019

JSW Steel confident of getting immunity in Bhushan Power case

JSW Steel is confident that it will get a favourable ruling in the petition seeking immunity from the ongoing criminal cases against promoters of Bhushan Power and Steel (BPSL) before taking over the stressed asset.

Hearing a petition filed by JSW Steel, NCLAT recently directed the Enforcement Directorate to lift the attachment of Bhushan Power and Steel asset as it is undergoing insolvency process. JSW Steel had emerged the highest bidder for the asset.

Source: Business Line, October 25, 2019

POLICY

Tata Steel to slash 25% work force in Europe

Tata Steel Europe, a subsidiary of Tata Steel India, has decided to cut 2,500 jobs, or 25 per cent of its work force, in Europe to save $930 million in costs, Dutch media outlet NH Nieuws reported. Quoting a memo to employees, the company said Tata Steel Nederland would have to contribute “a large part of this amount or €170 million in cost savings”. The job cuts will be across Tata Steel’s Europe plants in the Netherlands, France, England and Belgium, the media outlet reported, citing Central Works Council’s Vice-chairman Gerrit Idema. The worker union said it will intervene in the matter, considering that the Dutch operations are profitable. “We know that things are not well in the automobile industry and costs for storage are also falling but this was not expected,” the Union was quoted as saying. It said the final plan on job cuts will be ready by November. A Tata Steel spokesperson in India was not reachable for comment. But in an earlier interaction with the media, the Tata group had indicated that it would invest more in its India operations and expand capacity in Odisha’s Kalinganagar plant instead of Europe.

Source: Business Standard, October 22, 2019

FINANCIAL

JSW Steel raises Rs.2,000 crore via bond issue

Sajjan Jindal-headed JSW Steel has raised fresh funds of about ₹2,000 crore through a private placement of 10-year bonds at 8.79 payable semi-annually. The Committee of Directors of Board in a meeting held on Friday approved the allotment of 20,000, 8.79 per cent rated, listed, secured, redeemable, non-convertible debentures bearing a face value of ₹10 lakh each at par to the investors identified by the Committee aggregating to ₹2,000 crore, said the company in a statement. The fund will be used for meeting long-term working capital requirements, refinancing of existing debt, general corporate purpose and ongoing capital expenditure, it added.

Source: Business Line, October 19, 2019

JSW defers Rs.4.7K-cr capex plan to FY21

Citing a weak demand scenario in the Indian market, JSW Steel said it was cutting its earlier forecasts on capital expenditure, production and sales for the current financial year. At the September quarter earnings announcement, the management said that it now expects to achieve 97 per cent of its crude steel production and saleable steel sales guidance (forecasts). Both output and sales volumes dropped in the first half (April 1 to September 30). Its earlier expectation had been for 16,95 million tonnes (mt) of output with sales of 16mt.

Source: Business Standard, October 24, 2019

STEEL PERFORMANCE

Q2 outlook bleak for steel firms

The results season is here and market players are ready for some serious number crunching. In order to understand Q2 results of the top steel players, one should first look at earnings and the operational numbers of three private players – Tata Steel, JSW Steel and JSPL (steel business) in Q1. During the second quarter, the global steel demand was muted, and it weighed on steel prices across geographies, including India. The fall in prices of raw materials – iron ore and coking coal- gave some relief though. The April-June quarter of FY20 was an unpleasant period for steel players operationally. The net profits of Tata Steel, JSW Steel and JSPL in Q1 fell by 63 per cent, 57 per cent and 33 per cent respectively compared with profits in the year ago period. This was lead by weak growth in sales volumes, lower realisations and steep rise in raw material cost. While the revenue growth of companies – in the same order mentioned above, was – 1.27 per cent, -3.4 per cent and five per cent y-o-y, operating profits fell by about 14 per cent, 27 per cent and 2 per cent y-o-y. Data from ICRA reveals that steel prices in the first two months of the second quarter were lower by Rs.7,000 – Rs.8,000 per tonne compared to last year. One concern is that the prices are lower by Rs.2,700 – Rs.4,000 compared to the average steel prices in the first quarter of FY20. Meanwhile, a look into the trend of iron ore and coking prices show that they have softened in the September quarter. Consumption cost of coking coal may come down by $4-$5 per tonne. The import cost of iron ore came down from above $100 level in Q1 this fiscal year to $80-$90 per tonne towards the second quarter end.

Source: Business Line, October 21, 2019

Steel prices drop below dumping duty levels on muted demand

Steel prices dropped below the anti-dumping duty of Rs 34,719 a tonne due to weak demand in the country. In fact, the domestic hot rolled coil (HRC) prices fell to 34-month low of Rs 34,250 a tonne in second week of October raising huge concern to the industry, which was expecting a demand revival in the festival season. The anti-dumping duty is considered as the floor for domestic prices as steel imports cannot be done below that price level. The domestic HRC prices have fallen 16 per cent in this fiscal following lacklustre demand from the key end-user industries. As per the definitive anti-dumping duty imposed on certain flat steel products valid till August 2021, the threshold HRC prices stand at $489 tonnes (about Rs 34,719 a tonne). Jayanta Roy, Senior Vice-President, ICRA said the series of price cuts taken by domestic steel makers has pushed prices lower than the floor points, heightening concerns about poor demand. The difference between domestic and imported HRC prices has widened in recent months with the current local HRC prices were trading at a discount of 13 per cent to import prices. Steel demand growth in September quarter this year dipped to four per cent against 6.9 per cent logged in June quarter and 0.2 per cent lower compared to September quarter last year. India’s steel demand growth dropped to 5 per cent in first half of this fiscal much lower than 7.5 per cent and 7.9 per cent logged in the same period of previous fiscals. Moderation in steel demand is largely attributable to the weakness in the automobile and construction sectors. On the other hand, Roy said India’s steel exports, which fell by about 27 per cent in June quarter, jumped almost 34 per cent in September quarter.

Source: Business Line, October 24, 2019

MISCELLANEOUS

Hindalco Gross profit may slip 48% on lower volumes, fall in prices

Hindalco is likely to see a 48% year-on-year decline in earnings before interest, tax, depreciation and amortisation (EBITDA) in the quarter to September owing to the twin impact of lower volumes and a fall in aluminium and copper prices on the benchmark London Metal Exchange (LME), said an ICICI Securities research report on the company. Hindalco's (standalone with Utkal Alumina), EBITDA is set to decrease to around Rs 905.3 crore in July-September from Rs 1,737 crore a year ago, according to the report. n its quarterly preview of Hindalco's standalone results ICICI Securities said the company could see "a 15% quarter on quarter decrease in EBITDA due to a marginal decrease in copper EBITDA and a 22% decrease in aluminium EBITDA". It estimated EBITDA during July-September to be around Rs 609.1crore on standalone basis against Rs 717.4 crore in the year-ago period. LME prices decreased sequentially for both aluminium and copper, and so did volumes, it said

Source: Economic Times, October 19, 2019

India turns refined copper importer after 18 years

The closure of Vedanta's copper smelter in Tuticorin in Tamil Nadu has led to a rise in imports of the metal, making the country a net importer of refined copper ater 18 years. Care Ratings has said. During FY2018-19, exports fell by 87.4%, whereas imports increased by 131.2%, it said.

Source: Economic Times, October 22, 2019

Electric 2-wheeler sales crash on stricter Fame-II norms

Electric two-wheeler sales fell sharply in the April-June quarter, with only five manufacturers getting subsidies under a revamped government scheme to promote green mobility. Phase two of the subsidy scheme—FAME-India (faster adoption and manufacturing of electric vehicles in India)—has stricter localisation norms and is aimed at promoting domestic manufacturing of electric vehicles and components. The second phase, with an outlay of Rs 10,000 crore, became effective from April 1 this year.
Source: Economic Times, October 22, 2019