



Govt. prepares bailout for steel sector



(From L To R) Coal Secretary Anil Swarup, Economic Affairs Secretary ; Shaktikanta Das, Telecom Secretary ; J. S. Deepak, Steel Secretary ; Aruna Sundararajan and NHAI Chief Raghav Chandra at CNBC-TV18-mint's 'the Infra Ministerial' Event In Delhi on Monday.

Courtesy : livemint.com

The government is readying a financial package to help revive the steel sector and also prevent bank loans advanced to steel firms from turning bad. The steel and finance ministries are working on a package for the steel sector that will be finalized in the next two months, steel secretary Aruna Sundararajan said.

A number of options are being considered, including bringing in international investors to invest in domestic steel companies, Sundararajan.

"There are a broad range of proposals that include banks taking certain equity as redeemable preference shares and then giving the companies enough time to redeem them. There are other proposals, where we are looking at bringing in financial investors who can hold some of these stakes for a period of time, and then when the company comes back to health, they can disinvest," Sundararajan said. "We are also looking at bringing in certain external or international investors who can pump in fresh equity into these companies. There has been a fair degree of interest from international investors," she added.

The government's move comes after similar efforts in the roads and power sectors. And it comes even as the banking system faces considerable stress from non-performing assets. Rating agency Crisil Ltd. estimates that the significant stress in the corporate loan book of the state-run banks could result in weak assets ballooning to Rs.7.1 trillion by 31 March 2017, or 11.3% of the total loan book, from around Rs.4 trillion as on 31 March 2015, or 7.2% of the loan book.

"Over the next few quarters, Crisil expects slippages to NPAs to remain high, driven by stretched cash flows of highly

leveraged corporates (mainly in the vulnerable sectors such as infrastructure, metals and real estate), continued proactive recognition of stressed assets by banks, and limited ability of banks in the current environment to recover from exposures to large corporates that have slipped into NPAs," a report by the agency said.

Sundararajan pointed out the government had already started taking steps to ease the troubles faced by the steel industry. "The biggest support that the steel industry has been asking is for the minimum import price. Already, even though it is early days yet since it was announced, we are seeing a much better sentiment in the market. Prices are going up and banks and companies' financial health is improving," she said.

The government has announced a minimum import price on 173 steel products for a period of six months to protect the domestic industry from cheap Chinese imports.

"There are companies that are over-leveraged. Those kinds of companies have to bring in some kind of discipline. For others, we are looking at what can be done in terms of a broad financial package. We are in consultation with the department of financial services," said Sundararajan.

Indian Govt. take measures to protect domestic steel



Steel being a deregulated sector, the role of Government is limited to that of a facilitator for the growth of steel industry in the country. Production, import, export etc. of various steel items are, therefore, solely depend on the decision of individual steel manufacturer and the Government has not imposed any quantitative restrictions on them.

As per available information, presently there is surplus in global steel market. Due to the excess capacity in many of the leading steel producing countries like China, Japan, Russia, Korea etc. these countries export steel products into growing markets like India, even at below cost of production, resulting in the prices of imported items being much lower than their domestic prices.

In order to protect domestic steel sector against cheap steel imports, the Government has taken the some steps: To ensure that only quality steel is produced or imported, Government has notified Steel & Steel Products Orders. To increase availability of Coal and Iron ore for the domestic steel industry.

Government has also notified the Coal Mines Amendment Act, 2015 to streamline coal block allocations. Apart from this the Government has notified the Mines and Minerals (Development and Regulation) Amendment Act, 2015 streamline grant of Mining Leases.

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