

Steel industry: From sprint to jog

Export duty hikes will slow the unprecedented growth of last two years and domestic demand may not pick up the slack

ISHITA AVAN DUTT
Kolkata, 31 May

Major economies pledged money in under-invested infrastructure in the last two years to beat the Covid-19 pandemic-induced slowdown, fuelling a rally in steel prices not seen since the Beijing Olympics-led boom in 2008.

Steel firms across the world rode the tailwind and posted unprecedented profits. In India, a two-year sprint was tripped in its tracks on May 21 when the government announced a 15 per cent export levy on steel.

The announcement was among a slew of measures taken to tame steel and its raw material prices as part of a larger move to combat soaring inflation.

On the raw material front, the 5 per cent and 2.5 per cent import duties on coke and coking coal, respectively, have been withdrawn to lower the cost of steel production.

Export duty on iron ore fines and lumps with iron content of 58 per cent and above has been raised from 30 to 50 per cent to improve domestic availability — measures aimed at easing raw material prices and softening the export duty blow.

Coking coal and iron ore are two key ingredients for steelmaking. At current prices, they account for about 90 per cent of the raw material cost, and about 90 per cent of the coking coal requirements are imported.

The shocker for the industry, however, was the 15 per cent export duty, hitting 95 per cent of India's finished steel export basket. Several brokerages immediately downgraded the sector or put it under review, and frontline steel stocks crashed, begging the question: Is the steel story over?

The unabated rally that saw domestic flat steel hot rolled coil (HRC) prices increase 88 per cent — on the back of an increase in



METAL METTLE				(Figures in ₹ crore)
Year end	Net sales	PBIDT	PAT	Total debt
Tata Steel				
FY19	154,692	30,819	10,218	100,803
FY20	146,106	14,908	1,557	116,328
FY21	154,719	30,684	7,490	88,501
FY22	242,327	64,790	40,154	75,561
SAIL				
FY19	66,974	10,090	2,349	45,170
FY20	61,664	10,544	2,121	54,127
FY21	69,114	14,126	4,148	37,677
FY22	103,477	22,265	12,243	13,678
JSW Steel				
FY19	82,499	19,126	7,639	47,376
FY20	71,116	11,524	4,030	61,399
FY21	78,059	20,651	7,911	62,366
FY22	143,829	40,714	21,187	72,237
Jindal Steel				
FY19	39,372	6,943	-1,645	39,559
FY20	30,560	6,906	-109	36,824
FY21	34,579	11,245	3,634	29,310
FY22	51,166	13,675	5,753	13,502

Source: Capitaline

Compiled by BS Research Bureau

raw material prices and global demand for the alloy — since January 2020 is now headed for a major price correction.

The reason is simple: the 15 per cent export duty makes Indian steel uncompetitive and demand in the domestic market is soft (steel demand declined 7.2 per cent month-on-month in April 2022). A supply overhang will naturally put pressure on prices.

India's finished steel exports in FY22 stood at 13.49 million tonne (mt) and total exports

(including semi-finished steel) were at 18.4 mt — an all-time high. Sans a dramatic shift in infrastructure spend, domestic demand is unlikely to be able to absorb the additional volumes.

Finished steel consumption in FY22 stood at 105.8 mt and is expected to grow 7-8 per cent in FY23 (according to ICRA estimates), translating into incremental volumes of roughly 8 mt. That means supply will outstrip demand.

In the trade segment, prices

fell ₹3,000-4,000 a tonne after the export levy; in the secondary market, long steel has dropped about ₹6,000 a tonne. Even before that, flat steel prices corrected about 10 per cent from April peaks in line with global prices.

Now, beginning June, steel mills are expected to announce a cut for monthly contracts. If demand doesn't pick up — without the cushion of exports — capacity utilisation may be impacted.

"Leading steel makers in India have been enjoying strong capacity utilisation levels on the back of exports. Therefore, any slowdown in exports can lead to lower capacity utilisation for them," explained Jayanta Roy, senior vice-president, ICRA.

Domestic capacity utilisation crossed the 80 per cent mark in FY2022 after seven years, according to ICRA. Lower capacity utilisation may also cast a shadow on the massive expansion plans chalked out by major players.

Large-scale expansion plans to be implemented in the next decade add up to around 130 mt, according to ICRA estimates. More than 90 per cent of that is accounted for by the big players who control about two-thirds of the production. But exports were built in the expansion plans and the levy has sent those assumptions into a tailspin.

Tata Steel — which is looking to double capacity by 2030 from around 20 mt — was planning to advance its growth options. Asked about it, T V Narendran, managing director and chief executive officer, Tata Steel, said, "We will wait and see what the government's medium-and long-term view on export taxes is."

Dilip Oommen, president, Indian Steel Association, has said that the immediate impact of the decision is that the industry will review its massive expansion plans, as India is a net exporter. Oommen is also CEO of ArcelorMittal Nippon Steel India.

Capacities created so far have factored in exports. "We created capacities not only to meet domestic demand but global demand as well. The objective was to reduce import dependency and find new markets for exports," said Seshagiri Rao, joint managing director and group chief financial officer, JSW Steel.

For the secondary producers — with little exposure in export markets — greater availability and cheaper iron ore and pellets have

come as a huge relief, though currently steel prices have dropped more than raw material prices.

Export duty is not new to the industry. In May 2008, when steel prices were scaling record levels — globally and in India — the government imposed 5-15 per cent duty across flat and long steel. In flat steel, it was withdrawn in a month and on long steel in five months. Of course, the global financial crisis also played out and commodities collapsed.

But in 2008, Rao pointed out, the impact of export duty was limited as India was a net importer of steel. Steel capacity has since increased 152 per cent and consumption 92 per cent; imports have declined 32 per cent, while exports have increased 237 per cent.

Yet, it may not be the end of the steel story. "Sector profitability will be more than what we have seen in most of the last 10 years as India's demand growth will be strong, and Chinese exports are not such a big issue now. Also, cheap imports into India are no longer the threat they were in the past," Narendran said.

In the near term, domestic primary steel producers may witness fall in spreads by \$80-100/tonne, despite partial offsets from lower production costs, said Manish Gupta, senior director, CRISIL Ratings. But overall spreads may still remain healthy at \$150/tonne.

The policy shock may be absorbed to an extent by exporting more semi-finished steel, which is out of the export duty ambit even though margins will be lower. But then there are long-term customers who would need to be serviced even with export duties, and a complete change in sales mix may not be possible.

Raw material prices fuelled by the Russia-Ukraine war — both major steel and raw material suppliers to the world — may also cool down (coking coal is significantly down from peak levels).

Given that the previous incidence of export duty was short-lived, the industry is hoping for an encore. Also, companies are better placed to combat adversities. Players such as Tata Steel, Steel Authority of India Ltd and Jindal Steel & Power Ltd took advantage of the upcycle to bulletproof their balance sheets. On balance, a stronger steel sector, which will inherently feed on India's growth momentum, may still have a clear track ahead of it. The signal has turned from green to amber, but it's not flashing red yet.

Windfall tax on oil companies: Where does India stand?

ARUP ROYCHOUDHURY
New Delhi, 31 May

Against the backdrop of crude oil prices touching new highs due to Russia's invasion of Ukraine, there has been a buzz in markets about a one-time "windfall tax" on oil and gas companies. The argument is that since energy companies have profited from high oil prices, a temporary tax can be levied upon them to shore up the government's finances. Many European nations have already imposed a windfall tax or are considering doing so.

What is windfall tax?

It is essentially a one-time tax imposed on companies or sectors that have seen a jump in their profitability for any number of reasons. The war in Europe has led to a spike in crude and commodity prices. Oil and gas companies around the world are making money, whether upstream, midstream or downstream. And these gains are not because of any improvement in their processes but because of the geopolitical situation.

Crude prices extended their gains on Tuesday after the European Union agreed to a partial ban on Russian oil. Brent crude rose 2 per cent to \$124 a barrel, while West Texas Intermediate crude was trading at \$119.34 a barrel, up 3.7 per cent from Friday's close.

With governments taking fiscal measures to battle inflation, the talk of taxing companies benefiting from the crude price rise has gained steam. While such proposals have been discussed and imposed earlier in many countries, last week the United Kingdom announced a 25 per cent levy on energy companies to ease the financial burden on millions of households amid raging inflation.

As a temporary policy, the tax would be phased out "when oil and gas prices return to historically more normal levels", with a sunset clause written into the legislation, Chancellor of the Exchequer Rishi Sunak said. Other countries such as Italy and Hungary have also imposed this tax.

Will such a tax be imposed in India?

A top government official told *Business Standard* on condition of anonymity that

while theoretically a windfall tax on oil companies can be imposed in India, there had been no discussions on it within the Narendra Modi administration.

On Monday, responding to speculations of windfall tax, state-owned companies Oil India and Oil and Natural Gas Corporation (ONGC) said they had not heard anything from the government. "We have not received any communication on this," ONGC Chairman and Managing Director Alka Mittal said at a media briefing.

Indeed, if a windfall tax is imposed in India, it will not only be aimed at private companies like Reliance, but also at state-owned behemoths. This means the latter may have to compromise on dividends and share buybacks, both of which the Centre is a beneficiary of.

On paper, the Centre could do with additional resource mobilisation as it faces a growing expenditure burden and a hit on revenue in FY23.

India's fertiliser subsidy bill for FY23 could rise even further to around ₹2.5 trillion as prices of chemical nutrients and natural gas are expected to remain elevated. The FY23 fertiliser subsidy budget estimate is ₹1.05 trillion.

Finance Minister Nirmala Sitharaman had said on May 21 that fertiliser subsidy would require an additional outlay of ₹1.10 trillion over and above the budgeted amount, taking the outlay to ₹2.15 trillion. If the burden does hit ₹2.5 trillion, that would mean extra spending of around ₹35,000 crore.

The impact of the latest round of excise duty cuts on petrol and diesel will be around ₹85,000 crore for the year, which the Centre will bear as the cut is on Road and Infrastructure Cess, which is not shareable with states.

Additionally, the decision to provide a subsidy of ₹200 per gas cylinder (up to 12 cylinders) to over 90 million beneficiaries of Pradhan Mantri Ujjwala Yojana will lead to revenue foregone of ₹6,100 crore a year for the exchequer.

Apart from the ₹1.10 trillion increase in fertiliser, which has been already announced, the Modi government's decision to extend the PM Garib Kalyan Anna Yojana till September will increase the food subsidy outlay for FY23 to ₹2.87 trillion from the Budget Estimate of ₹2.07 trillion.

DCB BANK LIMITED

NOTICE OF 27TH ANNUAL GENERAL MEETING AND E-VOTING INFORMATION

Notice is hereby given that the Twenty Seventh Annual General Meeting ("the AGM") of the Bank will be held on Wednesday June 22, 2022 at 2:30 p.m. (IST) through Video Conference (VC)/Other Audio Visual Means (OAVM) to transact the business, as set out in the Notice of the AGM.

The Bank has sent soft copy of the Notice of the AGM along with the Annual Report for the financial year 2021-22 on Tuesday, May 31, 2022 by electronic mode to all the Members whose email addresses were registered with the Bank/Depositories/the Registrar & Transfer Agent in compliance with the General Circulars Nos. 14/2020 dated April 08, 2020, 17/2020, dated April 13, 2020, 20/2020 dated May 05, 2020, 02/2021 dated January 13, 2021, 11/2021 dated January 15, 2021, 19/2021 dated December 8, 2021, 21/2021 dated December 14, 2021 and 02/2022 dated May 5, 2022 issued by the Ministry of Corporate Affairs and Circular Nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated May 12, 2020 and January 15, 2021 respectively and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 issued by Securities and Exchange Board of India (collectively referred to as "Applicable Circulars") and Regulation 44 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. The Annual Report for Financial Year 2021-22 will be available on the website of the Bank www.dcbbank.com, the websites of the stock exchanges i.e. BSE Limited at www.bseindia.com, National Stock Exchange of India Limited at www.nseindia.com and on the Website of service provider engaged by Bank viz., Central Depositories Services of India Limited (CDSL) at www.evotingindia.com.

Notice is also hereby given pursuant to Section 91 of the Companies Act, 2013 that the Bank has fixed June 15, 2022 as the Record Date for reckoning the voting entitlement of the Members as well as for determining eligibility of the Members entitled to receive the dividend on equity shares for FY 2021-22, subject to approval of Shareholders at the ensuing AGM scheduled on June 22, 2022.

In compliance with Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time and Regulation 44 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their votes on all resolutions set forth in the Notice of the AGM using electronic voting system (e-voting) provided by CDSL. The voting rights of Members shall be in proportion to the Equity Shares held by them in the paid-up Equity Share Capital of the Bank as on June 15, 2022 ("Cut-off date").

The remote e-voting period shall commence on Sunday, June 19, 2022 (9.00 a.m. IST) and shall end on Tuesday, June 21, 2022 (5.00 p.m. IST). During this period, Members may cast their vote electronically. The remote e-voting module shall be disabled by CDSL thereafter. Those Members who shall be present in the AGM through VC/OAVM facility and had not cast their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting during the AGM.

The Bank has appointed Ms. Aparna Gadgil (ACS 14713 & COP 8430) or failing her Mr. S. N. Viswanathan (ACS 61955 & COP 24335) of M/s. S. N. ANANTHASUBRAMANIAN & Co., Company Secretaries, Thane as the Scrutinizer for conducting the remote e-Voting and the voting process at the AGM in a fair and transparent manner.

The Members who have cast their votes by remote e-voting prior to the AGM may also attend/participate in the AGM through VC/OAVM but shall not be entitled to cast their vote again or change their vote at the AGM.

Those Members who have not yet registered their email address/mobile number with Bank/Depository are requested to get their email addresses registered immediately by following the procedure given below:

Physical Holding

Send a request to the Registrar & Share Transfer Agent (RTA) of the Bank viz. Link Intime India Private Limited at rnt.helpdesk@linkintime.co.in or to the Bank at investorgrievance@dcbbank.com providing name of shareholder, folio number, scanned copy of share certificate (front and back), self-attested copy of Permanent Account Number (PAN) for registering email address and mobile number or visit https://web.linkintime.co.in/EmailReg/Email_Register.html for updating email address and mobile number electronically.

Demat Holding

Contact Depository Participant ("DP") for registering e-mail address and mobile no in demat account, as per the process advised by the DP.

For detailed instructions relating to remote e-voting, joining of the meeting through VC, e-voting during the AGM etc. please refer to the Notice of the AGM. If you have any queries relating to remote e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or call on a toll free number 1800225533. All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Marfatil Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 1800225533

Place: Mumbai
Date: May 31, 2022

For DCB Bank Limited
Sd/-
Rubi Chaturvedi
Company Secretary

CIN: L99999MH1995PLC089008
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DCB BANK

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FINEST QUALITY CLOTHING

EXTRACT FROM THE STANDALONE AND CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2022

₹ in Lakhs

Sr. No.	PARTICULARS	STANDALONE					CONSOLIDATED				
		QUARTER ENDED ON		YEAR ENDED ON			QUARTER ENDED ON		YEAR ENDED ON		
		Mar 31, 2022 (Refer Note 'b' below) (Unaudited)	Dec 31, 2021 (Unaudited)	Mar 31, 2021 (Refer Note 'b' below) (Unaudited)	March 31, 2022 (Audited)	Mar 31, 2021 (Audited)	Mar 31, 2022 (Refer Note 'b' below) (Unaudited)	Dec 31, 2021 (Unaudited)	Mar 31, 2021 (Refer Note 'b' below) (Unaudited)	March 31, 2022 (Audited)	March 31, 2021 (Audited)
1.	Total Income	4,259	5,322	3,848	16,062	13,249	4,209	5,276	3,872	15,336	12,751
2.	Net Loss for the period before tax	(581)	600	(535)	(884)	(2,317)	(631)	581	(562)	(1,646)	(2,977)
3.	Loss for the period after tax	(602)	615	(502)	(988)	(2,391)	(657)	599	(530)	(1,637)	(2,938)
4.	Total Comprehensive Loss for the period [Comprising Profit/ (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	(262)	746	(412)	(408)	(2,198)	(285)	724	(446)	(979)	(2,797)
5.	Paid up Equity Share Capital	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476
6.	Other Equity	-	-	-	19,918	20,326	-	-	-	22,158	23,137
7.	Loss Per Share (EPS) (of Rs. 10/- each) (in Rs.)										
1.	Basic	(2.43)	2.48	(2.23)	(3.99)	(10.61)	(2.65)	2.42	(2.35)	(6.61)	(13.04)
2.	Diluted	(2.43)	2.48	(2.23)	(3.99)	(10.61)	(2.65)	2.42	(2.35)	(6.61)	(13.04)

Notes:

a) The above is an extract of the detailed format of Quarterly/Annual Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing obligations and Disclosure Requirements) Regulation, 2015. The full format of the Quarterly/Annual Financial Results are available on the Stock Exchange websites www.nseindia.com and www.bseindia.com and on Company's website www.zodiaconline.com.

b) The figures for the last quarter are the balancing figures between audited figures in respect of the full financial year and the unaudited published year to date figures upto third quarter of the financial year.

c) The Ministry of Corporate Affairs vide notification dated July 24, 2020, issued an amendment to Ind AS 116-Leases, by inserting a practical expedient for "Covid-19-Related Rent Concessions" and vide notification dated June 18, 2021, extended such practical expedient upto June 30, 2022. Pursuant to the said amendment, the Company has applied the practical expedient with effect from April 01, 2020 in respect of leases, where negotiations have been completed, by accounting the unconditional rent concessions in "Other Income". Further, gain on termination/remeasurement/modification of lease contracts has also been recognised in "Other Income".

The amount included in the "Other Income" are as follows:

PARTICULARS	STANDALONE					CONSOLIDATED				
	Quarter Ended on March 31, 2022	Quarter Ended on December 31, 2021	Quarter Ended on March 31, 2021	Year ended on March 31, 2022	Year ended on March 31, 2021	Quarter Ended on March 31, 2022	Quarter Ended on December 31, 2021	Quarter Ended on March 31, 2021	Year ended on March 31, 2022	Year ended on March 31, 2021
Covid-19 related rent concessions	59	76	48	353	1,152	59	76	48	353	1,152
Gain on termination / remeasurement / modification of lease contracts	12	9	24	170	615	12	9	24	170	615
Total	71	85	72	523	1,767	71	85	72	523	1,767

d) Other Income includes net gain on fair value/sale of financial assets measured at fair value through profit or loss as follows:

PARTICULARS	STANDALONE					CONSOLIDATED				
	Quarter Ended on March 31, 2022	Quarter Ended on December 31, 2021	Quarter Ended on March 31, 2021	Year ended on March 31, 2022	Year ended on March 31, 2021	Quarter Ended on March 31, 2022	Quarter Ended on December 31, 2021	Quarter Ended on March 31, 2021	Year ended on March 31, 2022	Year ended on March 31, 2021
Net gain on fair value / sale of financial assets measured at fair value through profit or loss	180	1,195	371	1,638	554	180	1,195	371	1,638	554

e) The State Government authorities had imposed various restrictions to control the spread of COVID-19 pandemic during the year which had impacted the operations of the Group, however, with the subsequent easing of restrictions by State government authorities, the Group's activities (including retail stores) have since been fully operational. The Group's Management has done an assessment of the current situation (including the liquidity position after taking into consideration continuing cost reduction measures, available investments, surplus funds with the Group, undrawn bank facilities etc.), and carrying value of all its assets and liabilities as at March 31, 2022, and concluded that there are no material adjustments required in the standalone/ consolidated financial results. However, the impact assessment due to COVID-19 is a continuing process and the Group will continue to monitor any material changes as the situation evolves.

f) Previous period figures have been re-grouped/re-classified wherever necessary, to conform to current period's classification in order to comply with the requirements of the amended Schedule III to the Companies Act, 2013 effective 1st April 2021.

g) The Company has during the year incorporated wholly owned step-down subsidiary Zodiac Clothing Company Inc. in the United States of America effective May 11, 2021.

Place: Mumbai
Date: May 30, 2022

ZODIAC CLOTHING COMPANY LTD.

Regd. Office: Nyloc House, 254, D-2, Dr. Annie Besant Road, Worli, Mumbai - 400030.
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Website : www.zodiaconline.com, Email Id : cosecy@zodiacmtc.com
CIN: L17100MH1984PLC033143

If a windfall tax is imposed, it will not only be aimed at private companies, but also at state-owned behemoths. This means the latter may have to compromise on dividends and share buybacks

