

SAIL okays Mittal venture

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New Delhi: Loss-making steel giant SAIL on Wednesday said its board has approved a joint venture with Arcelor-Mittal to manufacture automotive steel.

"The board of SAIL in its meeting held on December 12, 2017, has approved the proposal for the signing of a legally non-binding term sheet with ArcelorMittal S.A. for entering into a JV for the automotive steel business," Steel Authority of India Ltd (SAIL) said in a filing to the Bombay Stock Exchange.

However, the definitive agreements "will be finalised in due course subject to financial viability", SAIL said.

Officials of the PSU said they were yet to thrash out differences with the Mittals over royalty fees to the latter and the equity stakes in the venture.

Steel ministry officials had earlier said the 1.5-million-tonne venture is likely to be a 50:50 one, with SAIL supplying the raw material from its Rourkela plant.



DEAL HOPE

On the equity structure, SAIL wanted a majority holding similar to the Tatas' automotive steel venture with Japan's Nippon Steel and Sumitomo, while the Mittals also sought a greater say. In a joint venture in China with Hunan Valin, Mittal has a one-third stake.

Differences have persisted over the royalty to Mittal as well as the price to be

paid to SAIL for the raw material.

The two had entered into an MoU more than two years ago in 2015 on the possibility of a joint venture.

Steel minister Chaudhary Birender Singh last week had said the joint venture was likely to be finalised soon, and the filing seemed to be an attempt to keep up with the deadline.

The government is keen on the venture as it wants its successful PSUs to be involved in new "Make in India" projects with foreign partners who could bring in new technology.

The plant, likely to be in Telengana, would be a reward to an ally (TRS) for staying the course with the ruling NDA coalition ahead of the general elections in 2019.

SAIL suffered a net loss at Rs 539.1 crore in the quarter ended September 2017 against a loss of Rs 731.6 crore in the year ago period. Revenue has, however, increased 21.3 per cent at Rs 13,617 crore against Rs 11,225 crore a year ago.