

Future of Bhilai Steel Plant

†3064. DR. BHUSHAN LAL JANGDE: Will the Minister of STEEL be pleased to state:

- (a) whether Bhilai Steel Plant is heading towards failure;
- (b) if so, the reasons therefor and if not, why the progress is not visible;
- (c) the reasons for decrease in the number of officers and workers day by day and the reason most of the staff is given retirement before time; and
- (d) whether it is on the verge of Bharat Aluminium Company Ltd. (BALCO) like conditions?

THE MINISTER OF STEEL (SHRI BENI PRASAD VERMA): (a) and (b) No, Sir. Bhilai Steel Plant (BSP) is number one steel plant in the field of production and profit among all integrated steel plants of Steel Authority of India Limited (SAIL). The production of crude steel at 2.59 Million Tonne from April-September, 2012 has been higher by 8% over Corresponding Period Last Year (CPLY).

(c) Employees of BSP are not given retirement before time. In BSP, employees retire from the services of the company only on attaining the age of superannuation which at present is 60 years. Moreover, during the last five years, 2184 employees have been recruited in BSP.

(d) No, Sir.

Methodology to valuate RINL

3065. SHRI DEVENDER GOUD T.: Will the Minister of STEEL be pleased to state:

- (a) the methodology used to valuate Rashtriya Ispat Nigam Ltd. (RINL);
- (b) whether there are differences over valuation and hence (Initial Public Offering (IPO) was deferred;
- (c) if so, the details thereof;
- (d) whether any consultations have been held for disinvestment with stakeholders and unions;

†Original notice of the question was received in Hindi.

- (e) if so, the outcome of the same;
- (f) the reasons bankers are asking to keep the price band between Rs. 15 and Rs. 17; and
- (g) the response of his Ministry on this?

THE MINISTER OF STEEL (SHRI BENI PRASAD VERMA): (a) to (c) The entire process (disinvestment as an IPO) was considered by Department of Disinvestment, Government of India.

The Book Running Lead Managers (BRLMs-Bankers) mentioned that RINL would typically be valued based on EV/EBITDA (Enterprise Value/Earnings Before Interest, Tax, Depreciation, Amortization) multiple, Price to Book multiple (P/B) and Discounted Cash Flow (DCF) analysis. However, given the inability to provide any forward projections to the investors due to SEBI regulations, expansionary phase of RINL, Investors are focused on EV/EBITDA (of Finance Year 2013) and Price to Book (of Financial Year 2012). BRLMs also stated that SAIL would be considered the closest peer to RINL for valuation purposes while applying multiples.

The Book Running Lead Managers (BRLMs-Bankers) recommended a price band of Rs. 15-17 per share, which was felt as not adequately reflective of the valuation of RINL.

(d) and (e) Employees of RINL are being taken into confidence and RINL has conducted several awareness programs including a series of presentations to the representatives of trade unions and executives at different levels.

Trade Union leaders have been communicated about the advantages of company getting listed. Since Company is on growth path, it is essential for the company to get listed for its visibility across the globe.

To take care of interest of employees, RINL Board has approved reservation of 10% of the offer size exclusively for the eligible employees of RINL. Also allowed a price discount of up to 5% on the upper end of the price band to the retail investors and to the eligible employees of RINL.

(f) The bankers stated that Steel Authority of India Limited (SAIL) would be considered the closest peer to RINL for valuation purposes. BRLMs stated that based on financial and operating benchmarking of RINL and the time lag in relation to accrual of benefits from completion of the capacity expansion plan and mines in the subsidiary (OMDC) becoming operational, investors would expect a discount to

the peer trading multiple. The Committee of Officers requested the BRLMs to give due consideration to the performance of the Company and also to the fact that expansion to 6.3 mtpa is almost complete. The BRLMs agreed to recommend a price band of Rs. 15-17 per share which translates to Financial Year 2013 EV/ EBITDA of 6.0x -6.6x (5% discount to 5% premium to SAIL) and a Price to Book (June, 2012) multiple of 0.67x to 0.75x (14.6% to 24.7% discount to SAIL).

(g) In order to fetch a better value of the company through IPO, a decision has been taken in the Ministry to reduce Equity Capital base of RINL considerably by transferring 40% to 60% equity of RINL into reserves, early redemption of an amount of Rs. 1,632 Crores of 7% of Preference Share Capital and merge of Eastern Investment Limited (EIL), a subsidiary company of RINL, with RINL by swapping the shares of RINL and EIL through cash less transaction and RINL has already started working activity on these issues.

Sickness in the iron and steel sectors

3066. SHRI BALWINDER SINGH BHUNDER: Will the Minister of STEEL be pleased to state:

(a) whether there is sickness in the iron and steel sectors particularly in the mini steel plants; and

(b) if so, the reasons in this regard and the efforts made to remove the sickness?

THE MINISTER OF STEEL (SHRI BENI PRASAD VERMA): (a) and (b) No such data is maintained by Ministry of Steel. Steel being a deregulated sector, the detailed strategy regarding physical and financial viabilities of the projects are decided by the concerned investors based on their commercial judgment.

Quality standard on import of steel

3067. SHRI JAI PRAKASH NARAYAN SINGH:

SHRI A. ELAVARASAN:

Will the Minister of STEEL be pleased to state:

(a) whether Government has imposed mandatory quality standards on import of a large number of steel and steel products;

(b) whether imposition of these standards is likely to stop all import of steel and steel products in the country with immediate effect and it would lead to large scale closure of small unit;