



CHIEF MINISTER
ANDHRA PRADESH

D.O.Lr.No.06/CM-Addl. Secy/2021, Dt.06-02-2021

Shri. Narendra Modi ji,

Sub: Visakhapatnam Steel Plant (RINL) - In principle approval granted by CCEA on 27th January 2021 for 100% strategic disinvestment by way of privatization- Request for reconsideration - Reg.

At the outset, I congratulate the Government of India for presenting a transformative budget which could support the V-shaped growth recovery we are witnessing post COVID-19.

2. I would like to bring to your kind notice the recent decision of the Cabinet Committee on Economic Affairs (CCEA) which has given in-principle approval for 100% strategic disinvestment of Government of India's shareholding in Rashtriya Ispat Nigam Ltd., Visakhapatnam, along with management control by way of privatization and the news items being published in the media about the Union Cabinet's clearance of the same has become a point of discussion among the public in Andhra Pradesh and a cause of concern to us.
3. As you are aware Rashtriya Ispat Nigam Limited (RINL), the corporate entity of Visakhapatnam Steel Plant (VSP), is a Navratna Company under the Ministry of Steel, Govt. of India. It is the largest public sector industrial unit in the state creating employment opportunities for close to around 20000 people directly and many other indirect employment opportunities in the city of Vishakhapatnam. It is India's first shore-based integrated Steel Plant and a producer of long steel products catering to the requirements of the Construction, Infrastructure, Manufacturing & Automobile sectors. This plant

is realized only after many sacrifices by our people. The people of my state rallied for the Visakhapatnam Steel Plant in which 32 people have laid down their lives. On 17th April 1970, the then Prime Minister of India, announced the Government's decision to establish a steel plant at Visakhapatnam culminating the decade-long public agitation "*Visakha Ukku-Andhrula Hakku*" in the undivided Andhra Pradesh.

4. I would like to draw your kind attention towards the fact that the plant had a good performance between 2002 to 2015 earning profits with positive Net worth. The plant has pragmatically turned-around in 2002 after being reported to BIFR as a sick company. The company has around 19700 acres of land currently and the valuation of these lands alone could exceed one lakh crore rupees due to the location of the plant in the urban area and rapidly expanding urban sprawl. RINL currently has a capacity of 7.3 Million Tonnes and has taken up plant modernisation and capacity expansion recently which made the plant to borrow loans from banks to take up the expansion. Owing to the unfavourable steel cycle globally the company was making losses since 2014-15 and was finding it difficult to service the debt. One of the major structural issue that also leads to high cost of production is the absence of captive mine thereby affecting the profitability.
5. Sir, I can emphatically say that the plant will again become a profitable venture given some support from the Government of India instead of taking the disinvestment route by some turnaround measures such as allotting captive iron ore mines to bring down the input costs, swapping high cost debt with low cost debt, and converting debt into equity through equity conversion. I request you to consider the following measures for revival of RINL Visakhapatnam.

a. Continuing Operations to achieve turn around

As with all the sectors of economy, the steel sector is also seeing a V-Shaped recovery. RINL has achieved highest ever capacity utilization of 6.3 MTPA against the capacity of 7.3 MTPA from Dec 2020 and started making a

monthly profit of close to INR 200 crores. Continuing this performance for a further period of two years will help the financial situation immensely.

b. Captive Iron Ores mine to Reduce Input Costs

Currently, RINL is purchasing iron ore from NMDC Bailadila mines at market price. This has put the RINL at a cost disadvantage of around INR 5,260 per MT of steel (at ore level). Many of its competitors have captive mines for more than 60% their requirement and buy only the rest from NMDC. Even SAIL has own captive mines with reserves of iron ore sufficient for 200 years. This excess cost of iron ore has cost implications of more than Rs. 3,472 crores for RINL. It is essential to create a level playing field for all the players and hence allotment of captive mines for RINL will help tide over this cost disadvantage. Orissa is blessed with iron ore and the captive mine in Orissa State will go a long way in reviving the plant.

c. Financial Restructuring

Short term loans along with long term loans could be converted into equity taking off repayment pressures and interest burden. The high cost debt which is actually Rs. 22,000 Cr is being serviced at interest rates as high as 14%. Conversion of these loans into equity by the banks so as to remove the interest burden totally and listing the entity (RINL, Vizag) on the stock exchange giving the banks exit option through the stock exchange route through general public may also be explored. These measures could ease the burden of debt servicing and improve the financial sustainability.

6. The Steel Plant stands as a testimony to the will of Telugu people and it is continued as an icon of Telugu achievement in our collective psyche till date. The Government of the Andhra Pradesh is ready to work with Ministry of steel to protect the jewel of Andhra Pradesh.

Therefore, I request you to kindly reconsider the disinvestment plans of RINL Visakhapatnam and explore other opportunities to put the plant back on track. I assure you that Andhra Pradesh Government will closely work with the Government of India under your able leadership in making this happen and together we can revive the plant for unlocking greater value to the society and in particular to the people of Andhra Pradesh.

With warm regards.

SHRI NARENDRA MODI Ji,
Hon'ble Prime Minister of India,
7 Lok Kalyan Marg,
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Yours sincerely,


(Y.S. JAGAN MOHAN REDDY)