

ASSEMBLY NOTE

UNDER RULE 77 OF RULES OF PROCEDURE AND CONDUCT OF BUSINESS IN THE A.P LEGISLATIVE ASSEMBLY, INTEND TO MOVE THE FOLLOWING RESOLUTION

Visakhapatnam Steel Plant (RINL)

BACKGROUND: RashtriyaIspat Nigam Limited (RINL):

- RashtriyaIspat Nigam Limited (RINL), the corporate entity of Visakhapatnam Steel Plant (VSP), is a Navaratna 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 was realized only after many sacrifices by the people of the State of Andhra Pradesh. The people rallied for the Visakhapatnam Steel Plant and in the process, 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 "*VisakhaUkku-AndhrulaHakku*" in the undivided Andhra Pradesh.
- A new company RashtriyaIspat Nigam Limited (RINL) was formed on 18 February 1982. Visakhapatnam Steel Plant was separated from SAIL and RINL was made the corporate entity of Visakhapatnam Steel Plant in April 1982.
- RINL also has two subsidiaries in Orissa Mineral Development Company (OMDC) and Bisra Stone Lime Company (BSLC). OMDC has 6 iron ore mines in Orissa but yet to commence production

- It is a fact that, the plant had a good performance between 2002 to 2015 earning profits and possessing 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.

REASONS FOR POOR FINANCIAL HEALTH:

- One of the major structural issue that also leads to high cost of production is the absence of captive mine thereby affecting the profitability. It has to buy iron ore at market price from NMDC at a higher price . Whereas the companies with captive mines enjoy a cost advantage owing to availability of raw material at low cost.
- 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. Current debt is at 22,000 cr.
- Company has accumulated losses of more than 10000 cr
- Currently the company is borrowing at upto 14% interest for working capital

ISSUE OF STRATEGIC DISINVESTMENT:

- Cabinet committee on economic affairs , Government of India , in its meeting held on 27.01.2021 accorded in-principle approval for 100% strategic disinvestment of Government of India's shareholding in RINL , along with RINL's stake in subsidiaries and joint ventures through strategic disinvestment by way of privatisation

- Hon`ble Chief Minister addressed Hon`ble Prime Minister on 6th February 2021 and again on 9th march 2021 suggesting various measures to turn around the steel plant and insisting to reconsider the decision of disinvestment of RINL.

Measures for revival of RINL Visakhapatnam:

a. Continuing Operations to achieve turn around

- Globally the steel cycle is demonstrating upward trend
- It is to be borne in mind that, in today's era, we would have to incur a capital expenditure of close to Rs. 30,000 crores to Rs. 35,000 to construct a steel plant of 7 mtpa capacity
- RINL has achieved highest ever capacity utilization of 6.3 MTPA against the installed 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.
- RINL has achieved a turnover of Rs.18000 cr in FY 2020-21, and is well endowed with high capacity to capture the upside in the current steel cycle
- In the last four months company has registered a net profit of Rs. 740 cr

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 allotting the captive mine in Orissa State will go a long way in reviving the plant.
- Further, construction of slurry pipeline would also lead to a reduction in the transportation cost.

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 as the company would be debt free and consequently the company would earn profits, thereby improving the financial sustainability.

d. Monetising land to make the company cash rich

- RINL has nearly 7,000 acres of un-utilised lands. Another measure that GoI can take up is to monetise these lands by way of plotting and sale by RINL itself and the amounts realised will make the company cash rich thereby increasing the valuation of the company.
- State Government would provide all necessary permissions for land use conversion and municipal approvals to facilitate this intervention.
- A request was made to the prime minister for personal audience by the chief Minister to explain all the facts in person
- Also it was requested to give an opportunity to for an all-party delegation along with the trade union leaders under the leadership of Hon`ble Chief Minister.
- Now, therefore a resolution is moved today in the house against the proposal of Government of India i.e 100% disinvestment of RINL through privatisation to protect the interest of people of Andhra Pradesh.

Resolution

Therefore the house unanimously resolves to oppose the decision of Government of India on 100% strategic disinvestment of Government of India's shareholding in RashtriyaIspat Nigam Limited, Visakhapatnam, along with management control by way of privatization and also resolved to request the Government of India to consider the measures, suggested by the Hon'ble Chief Minister of Andhra Pradesh, in his letter dated 6th February, 2021 and 9th March, 2021, to make RINL profitable and remain the pride of Telugu People and the State of Andhra Pradesh.

Mekapati Goutham Reddy,
Minister for Industries & Commerce,
ITE & C and Skill Development & Training.