

Date: August 02, 2019

STEEL AUTHORITY OF INDIA LIMITED

GLOBAL INVITATION FOR EXPRESSION OF INTEREST (EOI) FOR PROPOSED STRATEGIC DISINVESTMENT OF VISVESVARAYA IRON & STEEL PLANT (VISP) AT BHADRAVATI BY STEEL AUTHORITY OF INDIA LIMITED

IMPORTANT NOTICE**Response to Queries of Interested Bidders**

This has reference to the advertisement and Preliminary Information Memorandum issued on July 04, 2019 for inviting Expressions of Interest from Interested Bidders for strategic divestment of Visvesvaraya Iron & Steel Plant of Steel Authority of India Limited (SAIL) uploaded on websites of DIPAM at www.dipam.gov.in, Ministry of Steel at www.steel.gov.in, Company at www.sailtenders.co.in and Transaction Advisor at www.sbicaps.com.

Frequently Asked Questions – Visvesvaraya Iron & Steel Plant

S. No.	Questions	Answers
1	We would request if a diagrammatic layout of the land indicating the locations of manufacturing set-up, township and portion of land not being transferred to VISP-Divested Unit can be shared. It would be helpful if the layout can also identify the location of slum land, Kharab land, portion requiring	<p>2 Drawings are being shared (placed at the end of the document), namely ,</p> <p>a. Plan showing boundary of VISP (drawing No. TA/CIVIL 19072019) with co-ordinates are being provided. With reference to the said drawing, the un-shaded area in it represents the area of disinvestment covering 847 acres. Further, the kharab land and slums are not a part of the area being divested.</p> <p>b. Joint map of total township and plant area</p>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
	ownership correction and if any of the operating facilities fall in any of these.	
2	Please share current status of rectification of land ownership admeasuring 202 acres (part of Disinvestment Land) in Revenue Records	<i>The matter regarding rectification of land ownership of 202 acres in revenue records has already been taken up with the Revenue Department of the State Government. The issue is constantly being pursued with the local administration as well as DC, Shimoga and shall continue to do so.</i>
3	Is any part of the land being disinvested in any form any form of dispute or claims?	<i>There is no dispute instituted in any court or forum or notices of any claim/dispute which SAIL has received from any third party for the land which is being divested, to the best of SAIL's knowledge.</i>
4	Please provide us information regarding the third parties, others to whom parts of the township land proposed to be divested has been leased and key commercial terms of the same?	<i>The list of third parties to whom parts of township land, being divested, have been leased out to third parties is placed below:</i> <i>a. Prashanti Seva Trust (Sri Satya Sai Integrated Education Trust)</i> <i>b. SAV Education Trust (2 leases)</i> <i>c. Tarun Bharathi Trust</i> <i>d. Lions Education Trust</i> <i>e. Shri Sathya Sai Seva Samithi</i> <i>f. Circle Inspector Office</i> <i>g. State Bank of Mysore</i> <i>h. Life Insurance Corporation</i> <i>i. Rotary club</i> <i>j. Paper Town Post</i>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
		<p>k. Shri Ayyappa Seva Samithi</p> <p>l. P&T Department</p> <p>Some of these leases have expired and are yet to be renewed. Further details regarding the commercial terms will be shared at the time of RFP.</p>
5	Details of utilities and occupied area in the remaining township land area of 637 acres.	<i>The township of VISP consists of residential quarters, hospitals, religious structures, schools, community center, water storage facilities, cremation ground, helipad and other facilities etc.</i>
6	What proportion of balance land of 637 acres being retained by SAIL is being used by the employees who would form part of the divestment process and by water pipeline for the township	<i>Details to be shared at RFP stage.</i>
7	What is SAIL's plan on the rest of the land and what are the facilities in such land, what will be the commercial terms for usage of such facilities if required for continuing operations of VISP?	<i>As mentioned in the PIM & Request for EoI dated 4th July, 2019, SAIL is divesting land admeasuring 847.25 acres on perpetual lease basis and remaining 813.75 would be retained by SAIL. Further, as per PIM, Clause 3.1.(4) and 3.1.(6) as far as facilities are concerned, the same will be available on lease/ leave and licence basis for 5 years, the details of which will be provided at the time of RFP.</i>
8	Based on the website, Blast Furnace (BF) has capacity of 530 cu. meters. How does it	<p><i>The capacity calculation is based on the following:</i></p> <p><i>No. of days of operation/ year = 340 days</i></p>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
	translate to hot metal Production capacity of 216,000 tons? Is it bell less or with double bell? And how many times has a rebuilt or revamp been done post commissioning?	<i>Useful Volume in Cubic Meters = 530 Productivity of the furnace = 1.2 Accordingly, the furnace will be producing ~ 216240 tons in a year. The top equipment of the furnace has double bell arrangement. Revamping of the furnace was done partially in 2004.</i>
9	What happens to the BF gas? Is it recuperated?	<i>The BF Gas gets consumed in BF stoves for heating purpose, in reheating furnaces in the Heat Treatment Shop, in Forge Plant, in New Refractory Department and in Boilers & Ingot Annealing Shop through one BF Gas Holder of capacity 30,000 cubic meters and Flare stack arrangement for flaring of excess gas.</i>
10	What kind of automation exists in different parts of the plant? Is there any ERP solution implemented in the plant?	<ul style="list-style-type: none"> • <i>Level-II Automation for Blast Furnace Charging system</i> • <i>Level-I Automation in Raw material Handling section in BF</i> • <i>Level-II Automation in Bloom Caster</i> • <i>Level-I Automation in Bar Mill Furnaces</i> • <i>Level-I Automation in Forge Plant Press and Long Forging machine</i> <p><i>There is an Oracle based system, developed in-house, with modules for Financial Accounting, Inventory Management, Order & Sales Accounting, Human Resource Management, etc.</i></p> <p><i>Details to be shared at RFP stage</i></p>
11	What kind of testing facilities and quality	<i>The following testing facilities/quality assurance systems are available:</i>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
	assurance systems are available in the plant?	<ol style="list-style-type: none"> 1. Mechanical testing lab 2. Chemical testing lab for input raw material 3. Metallography lab 4. Spectral lab 5. US Test equipment <p><i>VISL is certified for ISO-9001:2015 and IATF 16949:2016 Quality Management Systems. The certification is valid up to January 2022.</i></p>
12	What are the environmental protection measures in the plant? Are there any emission controls at various parts of the plant?	<p><i>The Plants has various environmental protection measures/systems some of which are:</i></p> <ul style="list-style-type: none"> • <i>Re-circulation System for waste water in BF Gas Cleaning Plant and Slag Granulation Plant</i> • <i>Concrete Dam for lagoon which holds the re-circulated water used in processes to prevent this water mixing in the drain line.</i> • <i>On-line stack monitoring system in Refractory Plant, Primary Mill, Bar Mill and Heat Treatment Furnaces.</i> <p><i>The Plant has been ensuring the emissions fall within norms specified by KSPCB, Karnataka.</i></p>
13	Have there been any fatalities or Lost time accidents in the plant during the course of	<i>There have been no fatal accidents and no major lost time accidents during the period of last five years.</i>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
	operations?	
14	Validity of the renewed agreement to lift 3,000 cu. m. of water/ day (which is presently not being used) and key commercial terms of the same	<i>The agreement with the State Irrigation Department for lifting 3000 cubic meters of water per day is valid upto February 2020. Further details will be shared at the time of RFP.</i>
15	What is the total water requirement of the plant while running at full capacity? What is the reservoir water capacity in number of days?	<i>The total water requirement of the Plant when running at full capacity is 4500 cubic meters per day. The capacity of the reservoir in number of days' requirement is 500.</i>
16	Please provide details of the royalty paid for the reservoir to the irrigation department	<i>The details regarding expenditure of various nature incurred by the Plant have been shared in the detailed accounts which can be downloaded from the link as mentioned in the PIM & Request for EoI dated 4th July, 2019. Further Details will be shared at the time of RFP</i>
17	When is the expected COD of the water treatment plant and how is the availability of waste water for feeding the plant?	<i>The expected C.O.D of the water treatment Plant is as per PIM & Request for EoI dated 4th July, 2019 i.e. September 2019. The waste water is already being re-circulated.</i>
18	Please provide us the status of request for lifting additional 9,000 c.u.m. of water from Bhadra river since the request letter is 3 years old?	<i>The request for lifting of additional 9000 cubic meters of water per day has been declined by the Authority.</i>

Frequently Asked Questions – Visvesvaraya Iron & Steel Plant

S. No.	Questions	Answers															
19	The PIM specifies major repairs and replacement requirement for pumps; have any estimates been made for such repairs and other capital expenditure to be incurred for the water treatment, reservoir facilities?	<i>VISP has been carrying out major repair/replacement of the pumps as and when required. At present, no such major repairs have been envisaged. However, in case of any requirement arising post-completion of the transaction, the same will have to be done by successful bidder.</i>															
20	Status of the renewal of contract with PTC India Ltd for purchasing power on their platform?	<i>The agreement with M/s PTC India Ltd has been validated upto 30th June, 2020.</i>															
21	Would SAIL be as part of the process open to enter into long term agreements for supply of coke and other raw materials (slag, fluxes etc.) to VISP-Divested Unit	<i>As part of the divestment process, no long term raw material supply (coke, other raw materials) is envisaged. SAIL does not have the mandate to sell the output from its mines, being captive in nature. As such, SAIL is not selling coal, coke or any other raw material from its captive mines in the market. With respect to the by-products like slag being generated at SAIL Plants, the same are being already sold at market-linked prices.</i>															
22	Can we please get some color on the type of coke required by the plant, including grade and quality? This would help assess dependence on SAIL for future supplies.	<p><i>The desired specifications of Low Ash Metallurgical coke required by the Plant are as below:</i></p> <table border="1"> <thead> <tr> <th><i>Parameters</i></th> <th><i>Guaranteed Specifications</i></th> <th><i>Absolute Max/Min</i></th> </tr> </thead> <tbody> <tr> <td><i>Ash (dry basis)</i></td> <td><i>12 % Max</i></td> <td><i>13 % Max</i></td> </tr> <tr> <td><i>Total Moisture</i></td> <td><i>4 % Max</i></td> <td><i>10 % Max</i></td> </tr> <tr> <td><i>Volatile Matter (dry basis)</i></td> <td><i>1 % Max</i></td> <td><i>1.5 % Max</i></td> </tr> <tr> <td><i>Sulphur (dry basis)</i></td> <td><i>0.60 % Max</i></td> <td><i>0.75 % Max</i></td> </tr> </tbody> </table>	<i>Parameters</i>	<i>Guaranteed Specifications</i>	<i>Absolute Max/Min</i>	<i>Ash (dry basis)</i>	<i>12 % Max</i>	<i>13 % Max</i>	<i>Total Moisture</i>	<i>4 % Max</i>	<i>10 % Max</i>	<i>Volatile Matter (dry basis)</i>	<i>1 % Max</i>	<i>1.5 % Max</i>	<i>Sulphur (dry basis)</i>	<i>0.60 % Max</i>	<i>0.75 % Max</i>
<i>Parameters</i>	<i>Guaranteed Specifications</i>	<i>Absolute Max/Min</i>															
<i>Ash (dry basis)</i>	<i>12 % Max</i>	<i>13 % Max</i>															
<i>Total Moisture</i>	<i>4 % Max</i>	<i>10 % Max</i>															
<i>Volatile Matter (dry basis)</i>	<i>1 % Max</i>	<i>1.5 % Max</i>															
<i>Sulphur (dry basis)</i>	<i>0.60 % Max</i>	<i>0.75 % Max</i>															

Frequently Asked Questions – Visvesvaraya Iron & Steel Plant

S. No.	Questions	Answers		
		Phosphorous (dry basis)	0.03 % Max	0.05 % Max
		MICUM 40	78 Min	75 Min
		MICUM 10	8 % Max	10 % Max
		Fixed Carbon	86 % Min	84 % Min
		CSR	60 % Min	55 % Min
		CRI	22 % - 26 %	22 % -29%
		Size: 30-80mm		
		Tolerance : (-) 30 mm	5 % Max	10 % Max
		(+) 80mm	5 % Max	10 % Max
		<i>Successful Bidder may procure coal/coke from any source based on market conditions.</i>		
23	Are there any fixed costs or obligations associated with the captive limestone and dunite mines?	<i>The details regarding cost, obligations of various nature by the Plant have been shared in the detailed accounts which can be downloaded from the link as mentioned in the PIM & Request for EoI dated 4th July, 2019. Further Details will be shared at the RFP stage.</i>		
24	Please provide us a summary of any take or pay contracts that VISP may have entered into?	<i>As per PIM, VISP has not entered into any take or pay contracts.</i>		
25	Please provide us a summary of any capital expenditure which has already been identified for the plant and if any of this has been deferred.	<i>At present, no capital expenditure has been identified for the Plant.</i>		
26	Is the blast furnace banking procedure	<i>The banking procedure for Blast Furnace was designed in consultation with</i>		

Frequently Asked Questions – Visvesvaraya Iron & Steel Plant		
S. No.	Questions	Answers
	approved by a third party consultant? Has there been any techno-feasibility assessment carried out to estimate revival of the same?	<i>experts, advisors and experienced personnel in the Plant keeping in mind the period requirement to ensure health and safety of both men and equipment. The economics is worked out for every revival based mainly on the requirement of consumables and time period.</i>
27	Can we get a summary breakup of the key customers of the company and end consuming sectors? Are there any long term contracts with any of the customers?	<i>Major customers of the Plant's products are from Defence and Auto Sector. There are no long term contracts with any customer. Sales are based on enquiries from the customers as per their requirement.</i>
28	What is the status of OEM approvals, ISO/IATF certifications - details of validity? Any change of control clauses on the approvals and the customer contracts specifically government contracts if any? If required, would customer NOCs/ approvals be sought as part of the divestment?	<i>ISO/IATF Certificates issued to VISL are valid up to January 2022. Details regarding customer/government approvals/NOC, etc. will be shared at RFP stage.</i>
29	What is the status of dues to both permanent and contract employees including statutory due such as PF, pension, bonus etc and is VISP current on payment of monthly salaries to employees?	<i>All statutory payments including monthly salaries are being made within the due date(s).</i>

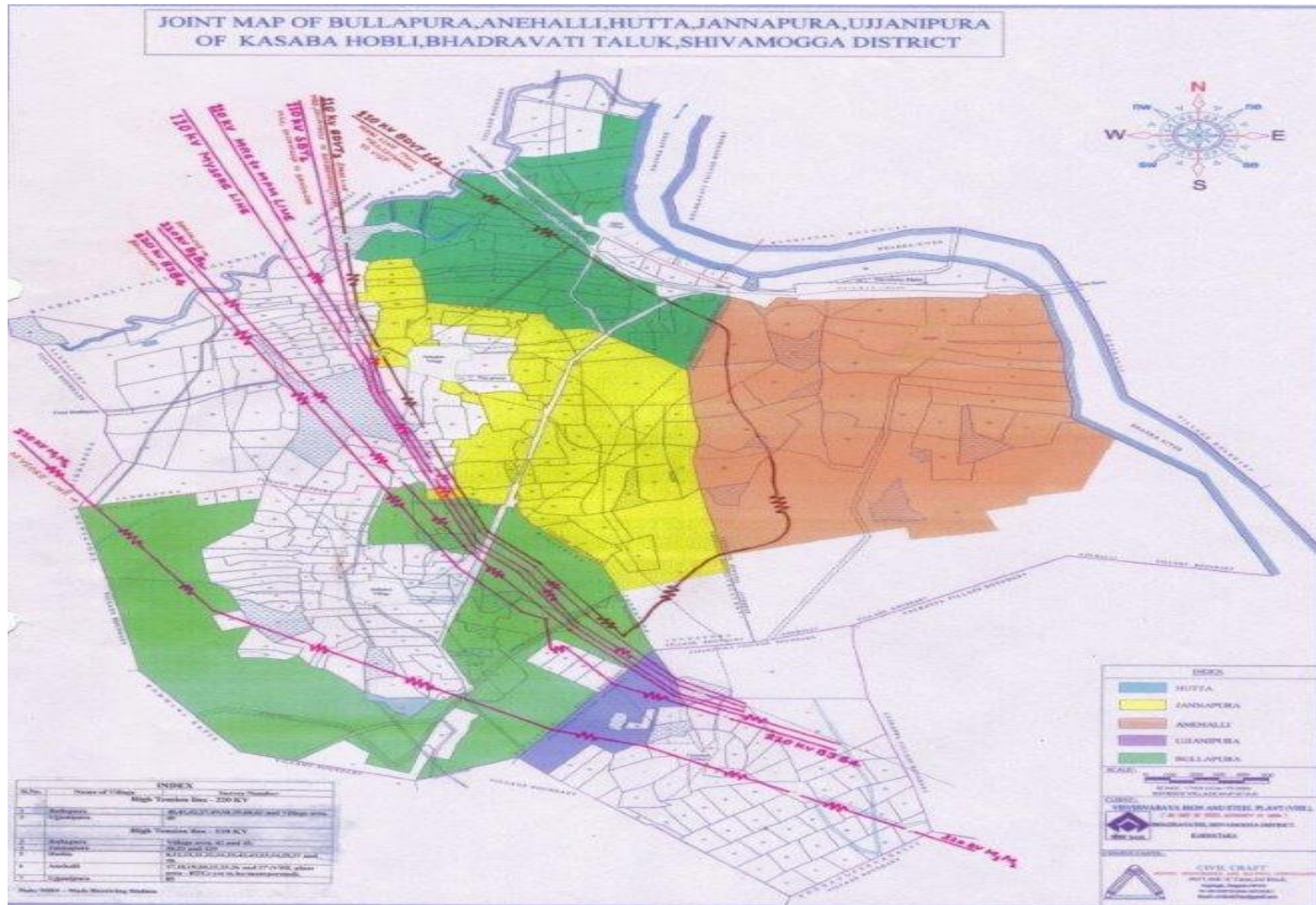
Frequently Asked Questions – Visvesvaraya Iron & Steel Plant		
S. No.	Questions	Answers
30	How many employees, both permanent and contractual are expected to continue as part of VISP-Divested Unit ?	<i>Details to be shared at RFP stage</i>
31	Is there any severance package or VRS scheme to be offered to employees not continuing, will SAIL absorb such severance package determined prior to divestment?	<i>Details to be shared at RFP stage</i>
32	<p>Details of the 2 major labor disputes regarding regularization pending for adjudication before Central Govt Industrial Tribunal (CGIT), current status and expected timelines of the same.</p> <p>Does the Company have any labor union and has there been any charter of demands shared by employees? Would any potential liabilities arising out of employee settlements be absorbed by SAIL?</p>	<p><i>The expected time lines for disposal of the cases pending for adjudication before Central Government Industrial Tribunal (CGIT) cannot be predicted at this stage.</i></p> <p><i>There is one recognised Labour Union in VISL viz., VISL Workers' Association, Regd. No. 1/41 dated 06.11.1941. It is an independent union not affiliated to any national level union. There had been another recognised labour union "VISL Employees Association" which does not have any members now and is dysfunctional.</i></p> <p><i>Details regarding charter of employee demands to be provided at RFP stage.</i></p>
33	Complete write-up on Bhadrawati Assets.	<i>The information on VISL, Bhadravati has been provided in the PIM & Request for EoI dated 4th July, 2019. Further details as required will be shared at the RFP stage.</i>

Frequently Asked Questions – Visvesvaraya Iron & Steel Plant		
S. No.	Questions	Answers
34	Please provide following details of machinery a. Name of supplier b. Make /brand/name of manufacture c. Year of installation d. Technical Description e. Main Equipment Group name f. Last used date g. Written down value	<i>The equipment related information has been provided in the PIM & Request for EoI dated 4th July, 2019. Further details as required will be shared at the RFP stage.</i>
35	Please also comment on attachment of Iron Ore with Assets for sale.	<i>Kindly refer to page 28 of the PIM & Request for EoI for VISP. Further details to be provided at RFP stage.</i>
36	Wherever there is a requirement of providing certificate/document from the Statutory Auditor- Request to allow us to provide the same from the statutory auditor/independent chartered accountant.	<i>As per PIM & Request for EoI dated 4th July, 2019</i>
37	Provide the amount and date of last repair and maintenance carried out for each of the 3 plants.	<i>Repair and Maintenance is a continuous activity. The details regarding cost, expenditure of various nature by the Plant have been shared in the detailed accounts which can be downloaded from the link as mentioned in the PIM & Request for EoI dated 4th July, 2019. Further details will be shared at the RFP stage</i>
38	Details of Machinery for all assets group available for sale.	<i>The information on assets has been provided in the respective PIM & Request for EoI dated 4th July, 2019. Further details, as required will be shared at the RFP stage.</i>

<i>Frequently Asked Questions – Visvesvaraya Iron & Steel Plant</i>		
S. No.	Questions	Answers
39	Kindly extend the date of submission of EOI for ASP, SSP and VISP by 2 weeks considering the amount of details required to be submitted with the EOI.	<i>Refer to the date extension notice uploaded on the DIPAM, SAIL, Ministry of Steel & SBICAPs websites.</i>

Responses to other questions raised by Interested bidders will be given shortly.

Map 1



Map 2

