

Date: August 02, 2019

**STEEL AUTHORITY OF INDIA LIMITED**

GLOBAL INVITATION FOR EXPRESSION OF INTEREST (EOI) FOR PROPOSED STRATEGIC DISINVESTMENT OF SALEM STEEL PLANT (SSP) AT SALEM 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 Salem Steel Plant of Steel Authority of India Limited (SAIL) uploaded on websites of DIPAM at [www.dipam.gov.in](http://www.dipam.gov.in), Ministry of Steel at [www.steel.gov.in](http://www.steel.gov.in), Company at [www.sailtenders.co.in](http://www.sailtenders.co.in) and Transaction Advisor at [www.sbicaps.com](http://www.sbicaps.com).

<i>Frequently Asked Questions – SALEM STEEL PLANT</i>		
<b>S. No.</b>	<b>Questions</b>	<b>Answers</b>
1	Provide the breakup of long term borrowing amounting to Rs 69.25 Cr shown in the financial statements of SSP.	<i>The long term borrowings of Rs. 69.25 Crore shown in the financial statements as on 31.03.2019 is the present value of minimum lease payments payable to M/s. Inox Air Products Ltd. As per the requirement of Ind-AS 17, BOO Plant supplying gases to SSP and operated by Inox has to be accounted as a Financial Lease Asset.</i>
2	What are the proposed terms for long term perpetual lease as indicated in the PIM	<i>The details including commercial terms will be shared at the time of RFP.</i>

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3	Land with other utilities i. e. hospitals/ guest house/ telephone exchange/ residential quarters is proposed to be provided at market determined rates for period of 5years. These land parcels should form part of the transactions and on similar terms proposed for the land parcel of 1708.10 acres	<i>As mentioned in the PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019, SAIL is divesting land admeasuring 1708.10 acres on perpetual lease basis. Hospitals/ guest house/ telephone exchange/ residential quarters are on the land which is retained by the SAIL. These services/ facilities can be provided to SSP-Divested Unit on leave and licence basis, if required.</i>  <i>The details of the arrangement for these facilities including commercial terms for the same will have to be dealt separately from the terms related to land being divested as these facilities will include use of other assets and equipment as well. Details in this regard will be shared at the time of RFP.</i>
4	Land includes office complex covering area of 246.90 acres comprising of Admin building, HRD center, C&IT, Admin canteen, DC CISF's office, CISF barracks, old construction lab (which is currently used by CMO for storing converted articles). Would the CISF office & barracks be vacated after consummation of transaction?	<i>The services of CISF will be subject to the requirement of the successful Bidder. The usage of the office and barracks by CISF will also be based on the same. It may be mentioned here that services of CISF are governed by the Acts and Policies framed by Ministry of Home Affairs (MHA) in this regard.</i>
5	What will the status of the structured package of assistance by package subsequent to new proposed transaction ?	<i>Details regarding the structured package provided by the State Government are mentioned in the PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019. Accordingly, the status of the same will be as per the rules framed by the State Government. Details to be shared at RFP stage.</i>
6	What is the proposal regarding the human resource (transfer/ termination of contract / remuneration/ performance appraisal	<i>Details to be shared at RFP stage.</i>

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	including the senior management personnel	
7	It is stated that no debt is proposed to be transferred to the SSP - Divested Unit. Does it also mean that no interest cost would be allocated to SSP –Divestment unit subsequent to consummation of transaction.	<i>As per PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019. However, for avoidance of doubt, it is further clarified that after consummation of the transaction, no interest cost will be allocated to SSP-Divested Unit by SAIL w.r.t. debt taken for SSP.</i>
8	Is there a specific reason for significant built up of Inventory in FY 2019 ?	<i>The following have been the major reasons for significant built up of inventory during FY 2019:</i> <ul style="list-style-type: none"> <li>• <i>Production has been made in 409IR grade against the wagon manufactures requirement. Though the production was based on the Purchase Orders, off-take against the same has been insufficient.</i></li> <li>• <i>In order to reduce the cycle time of processing, thinner gauge material inventory has been increased so that orders can be serviced on time.</i></li> </ul>
9	Proposed arrangement for extending right to use the Railway Sidings should be co-terminus with the proposed long term perpetual lease.	<i>Details are mentioned in the PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019. Right to use for the railway sidings under the existing arrangement would be assigned to the SSP–Divested Unit subject to consent of the Southern Railway Administration.</i>
10	In the event, where account of the bidder or its parent with a lender is classified as NPA on account of any technical ground and Not on account of any financial default, will the Interested bid der be allowed to participate or not	<i>As per PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019</i>

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11	We request for a plant visit before the submission of EOI.	<i>Bidders may coordinate with TA to firm-up the details of the site visit.</i>
12	The dates are tight considering the complexity of the transaction and the proposed documentation required for the purpose of filing EOI. Thus, it is requested to consider the sufficient extension of atleast 90 days in the currently proposed timelines.	<i>Refer to the date extension notice uploaded on the DIPAM, SAIL, Ministry of Steel &amp; SBICAPs websites.</i>
13	Complete write-up on Salem Assets	<i>The information on SSP has been provided in the PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019. Further details as required will be shared at the time of RFP.</i>
14	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 &amp; Request for EoI dated 4<sup>th</sup> July, 2019</i>
15	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 &amp; Request for EoI dated 4<sup>th</sup> July, 2019. Further details will be shared at the RFP stage</i>
16	Details of Machinery for all assets group available for sale.	<i>The information on assets has been provided in the respective PIM &amp; Request for EoI dated 4<sup>th</sup> July, 2019. Further details, as required will be shared at the</i>

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		<i>RFP stage.</i>
17	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 &amp; SBICAPs websites.</i>

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