



Opportunity to participate with India's Maharatna Company



Transaction advisor: aXYKno Capital Services Ltd

Introduction:

Steel Authority of India Limited (SAIL), the leading steel making company of India with a market share of ~18% in FY 11 is a fully integrated steel maker, producing both basic and special steels for domestic construction, engineering, power, railways, automotive and defence. SAIL is one among the five Maharatna Company managed by Government of India.

SAIL produces iron and steel at five integrated plants and three special steel plants, located principally in the eastern and central regions of India and situated close to domestic sources of raw materials, including its iron ore, limestone and dolomite mines.

SAIL has embarked upon an ambitious modernization and expansion plan at all of its steel plants to increase its saleable steelmaking capacity by ~2x (from 12.7 MT to 23.1 MT).

To maintain its current dominance in the domestic market and to meet the future challenges, SAIL is working on a long term strategic plan 'Lakshya 2020', which will steer the company towards meeting its strategic objectives.

Project backdrop:



SAIL proposes to develop and operate Tasra Open Cast Project (OCP) with geological reserves of 251.88 MT, by selecting a developer. The block would be developed into a captive coal mine of capacity around 4 MTPA. Developer would undertake the mining and set-up a rated capacity

thermal power plant of 300+ MW, with minimum guaranteed supply of 2 MTPA Secondary Product from the coal block, under a joint venture company.

Tasra OCP has preliminary clearances in place with planned production capacity of 4 MTPA of coal as per approved mining plan and EMP of the project.

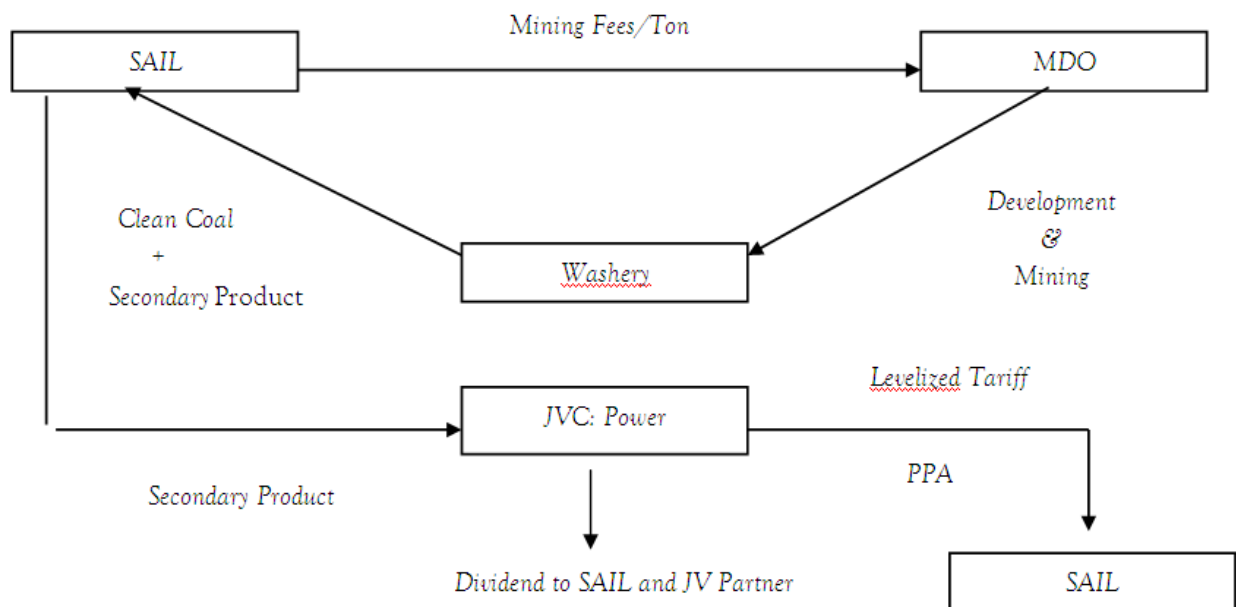
Project Structure:

SAIL shall appoint a MDO for Development of the Tasra Open Cast Project. MDO shall develop, mine and set up a washery of 3.5 MTPA to supply Clean coal to SAIL. The entire product generated from the washery will be the property of SAIL including middlings and rejects.

MDO will set up a power project in Joint Venture with SAIL of appropriate capacity based on the secondary product (Middlings + rejects) likely to be generated from the Tasra Washery.

SAIL shall hold 26% cash less equity, which shall be built-up over the period through cash accrual from the Joint Venture Company. Land acquisition and R&R cost shall be reimbursed to the selected Developer.

SAIL shall procure 80% of the power generated at CERC tariff and the balance 20% power generated be sold at merchant tariff by the JVC.



Potential Upsides:

- Partnering with a strong and aggressive Maharatna company
- Share SAIL's vision to become leader in its domain.
- Joint Venture opportunities with SAIL as a partner.
- SAIL has global aspiration to acquire coal concessions.
- SAIL's appetite of 5200 MW can be exploited as only a small share is fulfilled by captive generation.
- Strong partnership with SAIL brings unique value to the table.

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