

Govt mulls creating steel giant through merger

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THE CENTRE WILL examine a proposal by the steel ministry to first merge the loss-making steel firm Neelachal Ispat Nigam (NINL) with Rashtriya Ispat Nigam (RINL) and then merge it with Steel Authority of India (SAIL) to create a single state-owned steel manufacturer to bring in efficiency.

Similarly, it has also suggested consolidation of profitable iron ore mining companies NMDC and KIOCL.

In a presentation to Prime Minister Narendra Modi in April, chiefs of central PSUs had proposed the creation of public sector behemoths by consolidating firms based on commonalities of functions to benefit from economy of scale, global competitiveness and access to cheaper capital. Modi had asked the PSUs and administrative ministries to prepare an action plan on this.

"There is scope for merger of these companies. A detailed analysis needs to be done," an official told FE.

Integration of CPSEs engaged in the same business line would limit the number of CPSEs in a sector and create profitable entities which will

Financials

(₹ crore, FY18)

	Turnover	Net profit/ net loss
NINL	883	-378
RINL	16,618	-1,369
SAIL	58,297	-482



A steel ministry proposal suggests first merging loss-making steel firm Neelachal Ispat Nigam with Rashtriya Ispat Nigam, and then merging it with SAIL to create a single state-owned steel manufacturer, to bring in efficiency

have capacity to bear higher risks, take higher investment decisions and create more value for stakeholders, officials reckon.

Bigger entities would be able to raise cheaper funds and reduce their dependence on the government.

SAIL, the largest state-run

steel maker, achieved a sales turnover of ₹58,297 crore during FY18, 19% higher than the previous year.

SAIL's losses slimmed by around 83% to ₹482 crore in FY18 from ₹2,833 crore in FY17. The massive capex in the past few years to modernise plants and recession in the steel sector has hurt SAIL in the recent years.

Neelachal Ispat Nigam is a joint venture company of MMTC, which holds 49.78%, while the Industrial Promotion & Investment Corporation of Odisha (IPICOL) holds 15.29% in the firm. The bulk of the remaining 34.93% stake in NINL is held by central PSUs.

NINL incurred net loss of ₹378 crore, while RINL incurred a net loss of ₹1,369 crore in FY18 due to slow-down in the industry.

In the iron ore-mining business, NMDC showed an impressive 47% increase in net profit at ₹3,806 crore in FY18. India's largest iron ore producer also reported a 31.5% increase in revenues at ₹11,615 crore in FY18. KIOCL (formerly Kudremukh Iron Ore Company) could potentially be merged with NMDC.

KIOCL showed an impressive 70% increase in net profit at ₹81 crore in FY18.