

GOVERNMENT OF INDIA  
MINISTRY OF STEEL

**RAJYA SABHA**  
**UNSTARRED QUESTION NO.3065**  
FOR ANSWER ON 20/12/2012

**METHODOLOGY TO VALUATE RINL**

3065. SHRI DEVENDER GOUD T.:

Will the Minister of STEEL be pleased to state:

- (a) the methodology used to value Rashtriya Ispat Nigam Ltd. (RINL);
- (b) whether there are differences over valuation and hence (Initial Public Offering (IPO) was deferred;
- (c) if so, the details thereof;
- (d) whether any consultations have been held for disinvestment with stakeholders and unions;
- (e) if so, the outcome of the same;
- (f) the reasons bankers are asking to keep the price band between ₹ 15. and ₹ 17; and
- (g) the response of his Ministry on this?

**ANSWER**

THE MINISTER OF STEEL

(SHRI BENI PRASAD VERMA)

(a)to(c): The entire process (disinvestment as an IPO) was considered by Department of Disinvestment, Govt. of India.

The Book Running Lead Managers (BRLMs – Bankers) mentioned that RINL would typically be valued based on EV/EBITDA (Enterprise Value/Earnings Before Interest, Tax, Depreciation, Amortization) multiple, Price to Book multiple (P/B) and Discounted Cash Flow (DCF) analysis. However, given the inability to provide any forward projections to the investors due to SEBI regulations, expansionary phase of RINL, Investors are focused on EV/EBITDA (of Finance Year 2013) and Price to Book (of Financial Year 2012). BRLMs also stated that SAIL would be considered the closest peer to RINL for valuation purposes while applying multiples.

The Book Running Lead Managers (BRLMs – Bankers) recommended a price band of Rs. 15-17 per share, which was felt as not adequately reflective of the valuation of RINL.

(d)&(e): Employees of RINL are being taken into confidence and RINL has conducted several awareness programs including a series of presentations to the representatives of trade unions and executives at different levels.

Trade Union leaders have been communicated about the advantages of company getting listed. Since Company is on growth path, it is essential for the company to get listed for its visibility across the globe.

To take care of interest of employees, RINL Board has approved reservation of 10% of the offer size exclusively for the eligible employees of RINL. Also allowed a price discount of up to 5% on the upper end of the price band to the retail investors and to the eligible employees of RINL.

(f) The bankers stated that Steel Authority of India Limited (SAIL) would be considered the closest peer to RINL for valuation purposes. BRLMs stated that based on financial and operating benchmarking of RINL and the time lag in relation to accrual of benefits from completion of the capacity expansion plan and mines in the subsidiary (OMDC) becoming operational, investors would expect a discount to the peer trading multiple. The Committee of Officers requested the BRLMs to give due consideration to the performance of the Company and also to the fact that expansion to 6.3 mtpa is almost complete. The BRLMs agreed to recommend a price band of Rs. 15-17 per share which translates to Financial Year 2013 EV/EBITDA of 6.0x -6.6x (5% discount to 5% premium to SAIL) and a Price to Book (June 2012) multiple of 0.67x to 0.75x (14.6% to 24.7% discount to SAIL).

(g) In order to fetch a better value of the company through IPO, a decision has been taken in the Ministry to reduce Equity Capital base of RINL considerably by transferring 40% to 60% equity of RINL into reserves, early redemption of an amount of Rs. 1,632 Crores of 7% of Preference Share Capital and merge of Eastern Investment Limited (EIL), a subsidiary company of RINL, with RINL by swapping the shares of RINL and EIL through cash less transaction and RINL has already started working activity on these issues.

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