

IRON & STEEL REVIEW

A GLOBAL PUBLICATION ON STEEL & HEAVY ENGINEERING

**Monnet Group
is heading to
be a 2 Billion \$
Enterprise by
2016-17**



Sandeep Jajodia, CMD
Monnet Ispat & Energy Limited



A PUBLICATION OF ISR INFOMEDIA PRIVATE LIMITED
MAMANTI MEDIA GROUP

Monnet Ispat & Energy Limited

- on its journey to success

Under the hegemony and farsightedness of business tycoon Sandeep Jajodia, Chairman & Managing Director, Monnet Ispat & Energy Limited, the corporate giant with its diversified business focus on steel, power and mining, has today grown out to be a preeminent corporate entity leaving its phenomenal footprints for other companies to follow. The company has prospered in business in other sectors too, like mineral beneficiation, coal consulting and Ferro-alloys.

Steel: All through its journey from a 1 lakh Tonne Per Annum (MTPA) sponge iron unit at Raipur, today Monnet

boasts in being the second largest coal-based sponge iron producer in the country. Monnet Group takes much pride in erecting a 1.5 million tonne integrated steel manufacturing facility at Raigarh, manufacturing sponge iron, pig iron, Ferro-alloys and another 0.3 Million Tonne capacity of steel plant at Raipur. This plant produces structural steel, sponge iron and billets.

Power: In the sector of power generation, the Group has a combined captive power generation capacity of 230 MW in Raipur and Raigarh, Chhattisgarh. In its march towards becoming an Independent Power Producer, the company

looks forward to the commencement of a pit head thermal power plant of 1050 MW in Angul, Odisha through its subsidiary Monnet Power Company Limited (MPCL).

Mining: To talk more about Monnet's achievements, it is the first private sector company to operate the single largest underground coal mine in India. The Group, in a view to expand its business territories, acquired Indonesian Coal Company - PT Sarwa Sembada Karya Bumi through its subsidiary Monnet Global Limited. This placed Monnet under the category of those few Indian companies to get the prestigious Coal Contract of Work (CCoW) awarded by

the Government of Indonesia.

Monnet's extensive coal washing and beneficiation for its internal consumption and for other users as well, both in the public and private sectors also deserve special mention. The company is all set to flourish in washing capacity of about 60 Million Tonne by 2016 and about 100 Million Tonne by 2022.

Sandeep Jajodia, in an exclusive interview, takes the readers through Monnet's extensive journey to success.

“Our goal is to make the Monnet Group a 2 Billion \$ enterprise by 2016-17”

Santosh Mahanti: Congratulating you as the new Vice President of ASSOCHAM, what new role with new responsibilities do you need to play now for the industrial growth of India?

Sandeep Jajodia: As the Vice President of ASSOCHAM, working in tandem with this apex trade association and other industry leaders, the endeavour would be to act as an interface between industry, government and other relevant stakeholders on policy issues and initiatives. Under the aegis of my role, through formulation of policy recommendations, I am aiming at impacting the policy and legislative environment for fostering balanced economic, industrial and social development. Also, on the agenda would be to initiate a dynamic dialogue with central and state governments for articulating trade and industry viewpoints facilitating the industrial growth of India.

Santosh Mahanti: Please tell us something on the current status of steel production in your company.

Sandeep Jajodia: The Group has set up steel manufacturing facilities at Raipur and Raigarh in Chhattisgarh. The Raipur plant has a capacity of 0.3 Million Tonne and produces structural steel, sponge iron and billets.

At Raigarh, through an investment close to US\$ 1 billion, we have set up a 1.5 Million Tonne integrated steel manufacturing facility. The plant employs the latest equipment, technology and advanced manufacturing facilities to produce structural steel, longs (TMT Bars) and flats (Plate Mill Plates-PMPs).

Through the introduction of our TMT BARS under “Monnet Steel TMT” brand, we would be for the first time entering the consumer markets.



Mr. Sandeep Jajodia, Chairman & Managing Director of Monnet Ispat & Energy Limited and Vice President – ASSOCHAM



From this steel manufacturing facility we would be producing superior TMT Bars of Fe-500D grade in normal as well as CRS quality. Monnet Steel TMT Bars are made from superior and clean steel billets manufactured through the BF+DRI-EAF-LRF-CCM route with highly controlled steel chemistry with levels of sulphur and phosphorous much below IS 1786:2008 standard and very low levels of inclusion and trap elements.

Cast square billets of (160 X 160 X 12000) mm are heated in Walking Hearth Reheating Furnace with digitally controlled combustion system to ensure uniform heating of billets. These reheated billets are then rolled in the state-of-the-art Bar mill having H-V configuration mill under technical know-how from **Nuova Carpenteria Odolese, Italy** to produce Fe-500/Fe-500D grades of reinforcement steel, sizes ranging from 8 mm to 40 mm.

The Bar mill equipped with computerised controls is capable of producing TMT bars with closer tolerance on Mass (Kg)/Meter, yielding higher meterage of Monnet Steel TMT Bars for same weight while conforming to IS 1786:2008 due to Oval-Round Pass design from **Schweitzer Rolling Technology, Canada**. Furthermore, the implementation of the quenching & tempering enables the production of TMT Bars of higher UTS/YS ratio and higher elongation to ensure excellent earthquake resistance property.

The 1.5 Million Tonne per annum integrated steel making facility includes:



Ironmaking: DRI Plants, Sinter Plant, Blast Furnace and Pellet Plant.

Steelmaking: The state-of-the-art Melting & Refining facilities viz. UHP/EBT Electric Arc Furnaces, Ladle Refining Furnaces, Multi Nozzle Type VD Unit, Slab Caster & 6 strand Combi Billet Caster.

Finishing Mills: State-of-the-art Bar Mill, with technical know-how from NCO Italy and a 2500 mm wide Plate & 1550 mm wide Strip Steckel Mill.

Product Range from our Steel Division includes:

MONNET STEEL TMT Bars from 8mm to 40mm sizes

- 500D PLUS grade for retail & general sale.
- Other higher grades viz. Fe 500S, Fe 550D, etc. as per IS 1786:2008.
- Customised grades like High Corrosion Resistant (HCR) against specific project requirements.

Medium and High Strength Structurals (I-beams, Channels, Angles) up to 500 mm size.

Plates of Structural, Boiler Quality and API grades in width up to 2500 mm, thickness range from 8 mm to 120 mm, in length as per customers' requirement.

Cast rounds up to 350 mm diameter for seamless pipes and blooms upto 280 x 320 mm.

We are extremely optimistic about strengthening our top line and bottom line through our robust steel manufacturing facilities.

Santosh Mahanti: What are Monnet Ispat's target sales markets? Could you share your development and strategy plans with our readers? Also, what are the current key markets of Monnet?

Sandeep Jajodia: The foray of Monnet Group into the consumer domain through the launch of Monnet Steel TMT Bars opens up a huge vista of opportunity for reaching markets across India.

To cater to the demand, we have started establishing our extended distributor-dealer network in various parts of the country. This ensures quick availability of the

product to the retail segment and also to individual house builders. Besides this, we have set up company owned own stockyards in Ahmedabad, Jaipur, Ghaziabad, Faridabad, Nagpur, Patna, Ludhiana, Cuttack and Rourkela to ensure speedy delivery of products to the customers. Going forward, we shall be scaling up our stockyard network to have a pan India presence.

Apart from the above, we are targeting sectors like infrastructure, power, roads & bridges, metro railways and the real estate (residential and commercial) as there is a huge demand for primary steel in these sectors.

A key marketing strategy towards the achievement of our sales target would be educating our target audiences about the quality advantages and comparative cost implications of using our steel which is primary steel vis-à-vis secondary steel. The trigger behind using secondary steel by consumers is basically the cost per tonne of steel but while calculating the cost on per square feet of construction, the saving is not more than Rs.18-20, which is not worth the compromise on the quality of construction and safety in the long run. Presently, 70% of the TMT market is captured by secondary steel manufacturers, where quality of finished steel is compromised because of limitation of their production process and usage of substandard raw materials, whereas only a mere 30% of the market share belongs to the primary steel manufacturers. So there is a huge opportunity matrix for primary steel producers like us.

Santosh Mahanti: With the forecasted slowing Chinese steel demand in the years ahead, analysts opine that India is going to be the second largest steel producer by 2015-2016. What do you have to say in this regard?

Sandeep Jajodia: India has occupied the 4th rank in the world in terms of crude steel production lagging behind only China, U.S.A. and Japan. The country has remained world's largest producer of sponge iron for many years and is expected to emerge as the second largest producer of steel in the world in near future, next only to China. This gets substantiated by the recent data by worldsteel Association which states that China remained the highest crude steel producer for 2013 as its production reached 779.0 Mt, registering an increase of 7.5% as compared to 2012. Whereas Japan's steel production registered a moderate growth of 3.1% (110.6 Mt in 2013 as compared to 107.2 Mt in 2012) and the United States' steel production registered a fall of 2% (87.0 Mt in 2013 as compared to 88.7 Mt in 2012). However, India's steel production reached at 81.2 Mt in 2013 as compared to 77.3 Mt in 2012, registering an increase of 5.1%. So, in growth terms in the present scenario, India is ranked next to china and I definitely expect that India's steel production will increase which will in turn lead to increasing India's share in world steel production.

However, while we may boast that India is slated to become the second largest steel producer by 2015-16, a pertinent concern remains - how are we going to generate domestic demand to meet the enhanced supplies? Negativity in the business environment and logjam in policy making have proved dampeners to economic growth. Lower GDP growth has restrained construction and infrastructure activities, resulting in tepid demand for steel products, leading to piling up of inventories with the steel manufacturers. Thus, presently, Indian steel sector is passing through a critical juncture as on one hand, while the industry is ready to take up large scale capacity addition, on the other hand it is facing constraints on several issues that need to be addressed.

Efforts need to be made to enhance the demand of steel products in the country through enhancing consumption in the retail sector; focusing on higher urbanisation by enhancing the purchasing power of middle class population that will in turn increase demand for automobiles, white goods and other consumer non-durables; tapping latent demand potential in rural market through investment in housing and social infrastructure. Such steps would be instrumental in increasing domestic demand for steel products which will lead to an increase in the steel prices thereby paving path for revival of the steel sector.

Steel sector, one of the core sectors of the Indian economy and a major growth driver, needs some independence from the clutches of stringent policies. Among the present critical issues being faced by the steel companies, one of them is the lengthy clearance process. Most of the steel MOUs signed in prior years remain as plans, with projects not started due to delays on environmental and forest clearance, land acquisition, mining leases and other regulatory issues. The introduction of the land acquisition bill would make the process of land acquisition more tedious and would lead to unrealistic increase in the land prices. This would not only add to the delays in execution of new projects due to complicated land acquisitions processes but would also lead to raising costs at all levels, thereby severely impacting the manufacturing and heavy industries sector. At a time when major projects are stalled and India's global competitiveness is eroding, a more facilitative land acquisition process would have helped long-term growth and restore investor sentiments.

Santosh Mahanti: What do you have to say on rupee depreciation and the future of the steel industry? We are importing more steel than we are exporting. Don't you think that now we should go for more export of steel from the country?

Sandeep Jajodia: The impact of the depreciating rupee on the fortunes of a company varies from one company to another. On one hand, for the integrated steel manufacturers the depreciating rupee is advantageous as they are not impacted by the costlier imports of raw materials. Whereas on the other hand, for the non-

integrated steel manufacturers the depreciating rupee has a negative impact as it considerably increases the costs of importing raw materials which in turn puts pressures on their margins.

India has been a net importer of steel since 2007-08. In the last fiscal also, it imported 7.9 MT against its exports of 5.2 MT. However, due to the rupee volatility, different economic conditions, impact of global downswing and depressed domestic demand, India has become a net exporter of steel in the first nine months of the current fiscal. In December, exports rose by 13.7% to 0.54 MT while imports nosedived by 46% to 0.37 MT. In fact, during the April-December period the exports went up by 9.5% to 4.136 MT whereas, registering a decline of 29.2%, the imports in the same period were 4.09 MT. If the trend strengthens during the January-March period, the country may end up being a net exporter of steel for the entire fiscal, 2013-14, after a gap of five years.

On the flip side, impacted by economic slowdown, India's steel consumption grew by just 0.5% to 53.789 MT during April-December period of the current fiscal. Also, continuous growth in steel exports is not sustainable and will keep fluctuating as per the movement of the rupee. Therefore, rather than just focusing on export, synergies should be towards strengthening domestic demand.

Santosh Mahanti: What are the reasons behind the obstacles Monnet faced that led to the slow growth in the coal blocks?

Sandeep Jajodia: Much beyond our control, there are practical problems that hold up the captive miners, as it takes months to hold a public hearing for land acquisition, lengthy clearance procedures to get the forest and environment clearances from the district level, state level and finally from the Ministry of Environment. At our end, we have been committed to effective utilisation of the coal from these coal blocks and had also made huge investments for setting up end use plants for respective coal blocks forecasting that coal from these blocks will help in mitigating the raw material cost. However, in the wake of de-allocation of mines, all the developments made, investments done and the procedural delays in giving the



requisite approvals have been overlooked by the competent authorities. It was very unreasonable as the cancellations were done for reasons beyond the control of the allottee company.

With respect to de-allocation of Rajgamar mine, I would like to draw the attention towards the fact that we were given a block Rajgamar Dipside in June 2009 for setting up a sponge iron and steel plant in Raigarh and we have also made investment of Rs. 6,287 crore at Raigarh in anticipation of coal from Rajgamar block. However, till late 2010, we were not given the geological report by CMPDIL, the coal ministry's technical arm. Also, the surface area of the Rajgamar mine has been acquired by the South Eastern Coalfields (SECL) under Coal Bearing Act and till they relinquish the land we cannot even apply for land. Being proactive in our approach, we had written several letters, conducted meetings and even complained to the ministry several times. In fact, the coal ministry itself had even written to SECL to clear the land at the earliest.

Even the conditions of allotment clearly says that in case there is overlapping of coal block with a government company, any delay beyond 2 months in transferring the land to allottee company can be claimed as grace period. Even our zero date has not started, so where is the question of us defaulting in meeting the deadlines? By de-allocating our block, the coal ministry is grossly in violation of its own conditions.

Santosh Mahanti: The Coal Ministry while cancelling the blocks, states that the companies must shoulder responsibilities for the development of captive coal blocks. What do you have to say regarding this?

Sandeep Jajodia: I feel that both, the ministry and the companies have their responsibilities towards the development of the coal blocks. However, first of all, it is the duty of the government to help the miners get the clearances within the stipulated time period, as in the majority of the cases the development of captive coal blocks have suffered because of increasing difficulty in obtaining land use and environmental permits. Such delays create regulatory uncertainty for infrastructure and other large scale projects. So, if the ministry has not been able to help



the allottee companies in securing the requisite clearances, then cancelling the allocation is highly unjustified as in absence of these clearances, there is little that private allottee companies can do.

Santosh Mahanti: After all these issues would you still invest more in India?

Sandeep Jajodia: I am a true patriot, however, looking at this approach I would invest only in businesses which have very minimal or no intervention by the government. I am definitely not encouraged to invest in core sector business in the current atmosphere. In India, profit is still not a good word. Till the time wealth creators and wealth creation is not respected, it will be difficult to come out of the current economic woes.

Santosh Mahanti: We would love to hear from you on Monnet's contribution to the Indian Economy.

Sandeep Jajodia: The answer to this question can be best understood by going through Monnet's evolutionary journey.

We started with setting up a sponge iron unit with a capacity of 1 lac Tonne Per Annum (TPA) and as we progressed we emerged as the second largest coal-based sponge iron producer in the country and also the first private sector company to operate the single largest underground coal mine in India. Over the years, we have grown to become a fully integrated steel manufacturer having business operations in manufacturing of sponge iron, pig iron, Ferro-alloys, steel and power generation for both captive use and as an Independent Power Producer. Expanding frontiers, the Group, through its subsidiary Monnet Global Limited, acquired Indonesian Coal Company - PT Sarwa Sembada Karya Bumi and with this we became one of the few Indian companies to be able to get the prestigious Coal Contract of Work (CCoW) awarded by the Government of Indonesia.

Reinforcing Monnet's business philosophy to grow by expanding opportunities, the Group has made additional investments worth US\$ 2 Billion for setting up a 1.5 Million Tonne integrated steel manufacturing facility at Raigarh and a pit head thermal power plant of 1050 MW in Angul, Odisha.

On the Power Generation front, the Group has a combined power generation capacity of 230 MW in Raipur and Raigarh, Chhattisgarh. The Group having availability of captive coal mines, has the capabilities of generating the lowest cost power from its power projects. Leveraging this advantage, it has taken a rapid stride forward from generating power for captive consumption to surging ahead to be an Independent Power Producer by setting up a pit head thermal power plant of 1050 MW in Angul, Odisha, through its subsidiary Monnet Power Company Limited (MPCL). Endorsing the Group's strength in the power generation segment, the Blackstone Group has taken 12.5% stake in MPCL.



Besides this, Monnet also carries out extensive coal washing and beneficiation for its internal consumption as well as for other users, both in the public and private sectors. In fact, Monnet Group is slated to develop washing capacity of about 60 Million Tonne by 2016 and about 100 Million Tonne by 2022.

My idea of taking you through the Monnet Group's journey was to share with you that economic growth happens on the backdrop of the development of entrepreneurial activities. Entrepreneurial efforts create a broad array of economic benefits for the society by paying taxes, generating employment opportunities for the people, enhancing their standard of living and providing a large number of public benefits in those areas like, health, education, community empowerment, infrastructure development and transportation to name a few. Subsequently, as the standard of living of the people improves, purchasing power also improves, which in turn leads to creation of demand of other consumer goods, etc. due to rotation of money in the economy.

Before we set up our business operations in Raipur, Chhattisgarh, there was a need to develop basic amenities like quality education, proper healthcare facilities and infrastructure. Therefore, as we progressed, we created employment opportunities, developed Monnet DAV Public schools to impart quality education to the people, established Maina Devi Healthcare Centres and started offering round-the-clock free ambulance services for meeting basic healthcare needs as well as for emergency facilities. We also worked for empowerment of local communities through various programmes. Similar steps are taken wherever we expand our business operations. Even in Raigarh, Chhattisgarh, besides generating employment, we have taken similar steps like setting up Monnet DAV Public Schools and Maina Devi Healthcare Centres for the benefit of the society.

Santosh Mahanti: Where do you see Monnet rise in the next 3 years from now?

Sandeep Jajodia: Monnet Group is confidently moving towards the next phase of its growth journey. Our goal is to make the Monnet Group a 2 Billion \$ enterprise by 2016-17.

Monnet's approach towards Corporate Social Responsibility

Economic prosperity can never be achieved sans social development, environmental sustainability and development in infrastructure. Monnet Ispat & Energy Limited is not unaware of this very fact and therefore, has channelised its energy towards a well integrated approach towards corporate social responsibility (CSR). The Monnet Foundation, a trust set up by MIEL, takes charge of the Group's CSR initiatives focusing in the areas of Education, Healthcare, Community Empowerment, Infrastructure Development, Environment Sustainability and Sports Development.

Education

Monnet Foundation strongly believes that development of a nation can be achieved through the highest level of literacy and that too through the realisation of each child's right to education and assurance of imparting quality education. Keeping this in mind, the Monnet Foundation has established Monnet DAV Public Schools in Raipur and Raigarh, Chhattisgarh with a combined strength of 1523 students, imparting high quality of teaching and academics. The Foundation also promotes non-formal education through 'anganwadis' under the pioneering Integrated Child Development Services (ICDS) Scheme of the Government of India. Besides, literacy campaigns to increase the GER in rural villages, financial assistance for education, rewarding meritorious students with scholarships are among the other initiatives pursued. A special foundation called 'Sahan' has been set up to look after the needs of the differently abled children.



Healthcare

The Monnet Foundation has set up Maina Devi Health Centres to look after the healthcare facilities of the local community. Incessant free ambulance services for meeting

basic healthcare needs and for emergency facilities as well; regular free medical camps and financial support for surgical treatments at hospitals in Raipur and Raigarh are worth mentioning. What's more, events are also organised by the Foundation in partnership with leading health organisations such as, Department of Health, ICDS and UNICEF in an aim of spreading awareness about healthcare. Counseling sessions are also organised for the villagers on the need for proper nutrition for children and the importance of maintaining proper hygiene.



Community Empowerment

Monnet's approach towards the empowerment of local communities has made it adopt in nine villages in Raigarh and Raipur, Chhattisgarh. Regular training courses conducted in various spheres of crafts and skills enabling youth and women empowerment; providing women with sewing machines to help them earn their livelihood; conducting computer classes under the affiliation of AISECT-IGNOU Computer Centre to facilitate profitable employment for the youth, etc. are the initiatives taken by the Foundation.



Infrastructure Development

In a view to build an effective and efficient infrastructure system in the cities and rural areas wherever the Group is present, the Foundation has embarked on electrification projects in villages, building of schools and recreational facilities, construction of roads, development of proper sanitation facilities, etc.

Environmental Sustainability

Monnet takes a solemn approach towards environment protection for sustainable growth of the nation and its future generations. Some notable green initiatives taken by the Foundation are landscaping and beautification of the areas around the airports of Odisha, Kolkata and Raipur; the green developments and maintenance of Chhattisgarh Haat and Anupam Garden in Raipur, etc. Project 'Our Dream. A Green City' in Raipur has transformed the city into a green and verdant landscape.



Monnet Sports Foundation (MSF)

Under the headship of Sandeep Jajodia, the Monnet Group has set up the Monnet Sports Foundation (MSF) in an aim to strengthen its focus on sports (other than cricket) and to work towards the development of sports. To represent Power, Strength, Agility and Endurance that blend good enough with the Group's Business Operations i.e. Steel Manufacturing, Power Generation and Mining of minerals, MSF adopted Boxing Sport. Besides, Monnet Group is associated with the Indian Boxing Federation (IBF) and has been the official sponsor of the Indian Boxing team from 2010 till now and beyond, till 2017. Monnet also lends support to individual boxers, coaches and support staff. Monnet Group's felicitation of Olympic Bronze Medalist MC Mary Kom with a cheque of Rs. 11 lakh and extending a token of appreciation to the rest of the Olympic Boxing contingent with a cheque of Rs. 10 lakh for India's best performances ever at the London Olympics 2012, is noteworthy.

Recognitions

Monnet Ispat & Energy Limited, through its steady growth, non-stop and outstanding performance and exceptional CSR approaches has made a mark in the industry. The company received the following recognitions:

- Recognised and awarded amongst the 200 top most impact creating brands by Star Brand India in 2011.
- Tefla's Think Odisha Leadership award on CSR- Women Empowerment- 2011.
- Highest blood donation camp- Red cross- by District collector on 26th January 2013.
- Product excellence award in Emerging Chhattisgarh Awards 2013 organized by Think Media.
- Appreciation letter received from Chhattisgarh Government for contribution in Chief Minister's Nirdhan Kanya Vivah Yojna.
- Best open plantation awareness award received for the year 2009 by Urla Industries Association.
- Aplenty appreciation letters and mementos received from Gram Panchayats, Zilla Panchayats and Educational Institutions for contribution of their upliftment and promotion in the area of social, cultural and environmental development.