

May 18, 2017

To

The Director  
Ministry of Environment & Forests (I.A. Division)  
Government of India  
Paryavaran Bhavan,  
CGO Complex,  
Lodhi Road,  
New Delhi -110003

**Sub: Request to extend the validity of Environmental Clearance (EC) issued**  
**Ref 1: MoEF Environment Clearance letter F. No. J-11011/322/2008-IA II (I) Dated 29<sup>th</sup> May 2010**  
**Ref 2: Extension received on 23<sup>rd</sup> August 2015 extending validity of the EC till 28<sup>th</sup> May 2017**  
**Ref 3: Application made on 23<sup>rd</sup> March 2017 towards extension of the validity of the EC**

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Dear Sir/Madam,

We are thankful to you for your patient hearing during our personal representation before you on 4<sup>th</sup> May 2017.

Subsequent to that we are in receipt of the Minutes of the Meeting of the EC held on 4<sup>th</sup> May 2017, wherein we are being asked to submit some more information. Our reply to the same are as follow:

**1. Query - Details of activity wise progress made both in terms of physical and financial**

**Our Response:** At the time of the initial Environmental Clearance (EC) given in 2010, the plant was in a bankrupt stage and only had facilities to produce low value pig iron and some commercial grade billets. This is because the original assets in the company in 2010 consisted of only a Blast Furnace and a Steel melt shop (yet to be fully made operational).

Gerdau Steel (a multinational steel company with Head Quarters in Brazil and having operations in 13 countries with total global capacity of 25 Million tons) came to the rescue of this company and wanted to invest and turnaround the operations in a sustainable way.

The environmental clearance granted to us in 2010 was given to (which has been valid till May 2017) to add various plant and equipment and infrastructure to achieve the following objectives:

- i) To start producing downstream products with the addition of rolling mills
- ii) To add power plants, coke oven plant, sinter plant etc to improve the competitiveness and sustainability of the operation at a scale of 0.3 MTPA and then

## **GERDAU STEEL INDIA PRIVATE LIMITED**

*(Formerly known as Gerdau Steel India Limited)*

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Phone : + 91 80 3026 2205, Fax : + 91 80 3026 2240, Email: contact.in@gerdau.com, Website: www.gerdau.in

Regd. Office : Jambulapadu (V), Tadipatri Mandal – 515 411, Ananthpur District, Andhra Pradesh, India.

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- iii) Subsequently increase the capacity of hot metal and liquid steel to make the capacity of the plant to 1.0 MTPA

A document showing the expansions made so far and the future plans of the Company is annexed to this letter for your kind reference as **Annexure 1**.

**2. Query : Activity wise schedule of completion of Balance Work.**

***Our Response:***

Kindly refer the annexure 1 to this letter regarding schedule of completion of balance work.

**3. Query: Exact reasons for delay in implementation of the project along with substantiating justification.**

***Our Response:***

We would like to bring to your kind notice the various issues faced by the Company in the last years which hampered the execution of the planned expansions. There are various factors ranging from financial, economic, political situation in Andhra Pradesh and other factors that have affected the Company. Nevertheless the company has been steadfast in the execution of the project and we are today operating a sustainable and profitable business, serving the automotive market.

As you may be aware the original name of the company was Sujana Metal India Ltd. (later the name changed to SJK Steel Plant Ltd.) and managed by erstwhile promoters. The company went into financial difficulties and was in 2005 in a bankrupt stage with only the blast furnace completed and barely operated for a year or so. The steel melt shop was also not tested and run in a continuous manner.

Gerdau Group is a 114 year old company with operating plants in 13 countries decided to make India its' home. With the vast experience in technology, market and industry best practices, Gerdau wanted to bring the company to a stable and profitable operating condition, as quickly as possible. Due to the financial crisis in 2008-09 investments commenced only in 2010 and construction started soon after the EC was obtained.

It is very evident that the steel sector is highly capital intensive sector and also the growth of the sector has been very sluggish in the last five years.

The Company has started the commercial production in 2013, almost after three years of receiving the EC. Instead of going for immediate expansion of various projects the Company took judicious decision to improve the existing production facilities by upgrading the technologies and improving the

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processes. As a result the revenue from operation of the Company, which was just Rs.17.87 Crores in the year 2009-10 has **grown to Rs. 894.20 Crores** in the year 2015-16. The Company as a result has generated almost 2000 jobs directly and another 1000 or so indirectly and also substantially contributed towards central and state taxes.

The Company in 2010 was under huge amounts of debt and had made arrangements with its lenders under the scheme of 'Corporate Debt Restructuring' (CDR). It was a big challenge for the Gerdau Steel management to turn around the financial position of the Company and to remain sustainable.

It is very satisfying to state that the Company has successfully repaid all the lenders (except one which is regularly receiving its dues) and came out of the CDR mechanism. Though the Company has started generating positive cash flow, the amount of accumulated losses of the past years are still substantial and impairing the generation of net profit.

#### **Political Situation during 2010-2014**

It was during this period, Andhra Pradesh went through a lot of change. The state was torn between those that agreed with the splitting of the state between Telangana and Andhra, whilst others did not want to. Not a week went by without political and social unrest.

Despite all these hurdles the company continued to stand by the vision to turn around this bankrupt organization into a strong enterprise, generating revenues and taxes, providing employment and empowering the people in the region and imparting skills education to the youth.

#### **Lack of Bank Credit**

Even today, bank credit is not easily available for steel companies. Gerdau has brought in much of the investment through equity capital and it is natural that the build-up of the company has to happen in stages. We are confident that as the economy matures and sufficient banking reforms happen, such credit will start to flow.

#### **Import Pressures**

With the lacklustre demand across the world and the slowing down of China, excess steel production capacity in China prompted significant export flow into India. Chinese steel imports, subsidized in many ways, nearly made it impossible for Indian steel companies to compete. Hence investments had to be carefully weighed and to be done in a phased manner so that the investments do not end up wasted.

#### **Phased approach to market:**

Market studies showed that the automotive and high value alloy steel market was a more logical choice for the company to establish a firm footing and to bring new technologies to serve the growing needs of the automotive sector.

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**Automotive and Energy** sectors are today the growing sectors where steel demand is steady and good suppliers in the supply chain are required to meet the new aspirations of the auto companies: steels with better strength, improved supply chain and services, consistent quality and strong R&D.

**Infrastructure** (building) sector demand has been almost stagnant and in fact many plants producing rebar have been operating well below capacity installed. Hence we decided to pursue the more value added alloy steel route to be prioritized first and then as situation improves go ahead with rebar and other construction steel products

#### **Automotive Market Development**

To become a sustainable and quality supplier to the automotive OEMs requires a certain development time and efforts across many areas of the company: technology, systems, quality assurance, training, provision and testing of samples and it is only after a period of 6-8 months, one can become a qualified supplier to the automotive companies.

Today our company is qualified to supply high quality alloy steel to many OEMS both in India and overseas. During these last 3 -4 years we have invested time, money and effort to get fully accredited (ISO 9001, 14001, 18001 and TS 16949) as well as.

#### **Water and Power Infrastructure**

##### **Water Resources**

The plant is located in Anantapur district which is one of the most water deprived regions in the country. The company does have an allocation of 5 MGD from the Gandikota reservoir, however the reservoir did not have any water until 2016 and started slowly filling up only since middle of last year. Today the Gandikota reservoir which has a total capacity of 23 TMC is having only 3 TMC.

The company has been using all its knowledge possible to conserve and reduce water consumption including strong water conservation measures and built storage reservoirs in order to manage the current level of production. It is anticipated that the Gandikota reservoir will be increasingly getting filled in the next 3-4 years and as we see this resource becoming available, the company will build a pipeline to fully resolve our water needs. This factor is very important to enable us to reach 1 MTPA capacity.

##### **Power Infrastructure**

The Environment clearance we had was to build about 25 MW capacity of power generation. Keeping in mind the environment and best practices prevailing now, we have set up 21 MW( 6 MW & 15 MW) power generation capacity, entirely using waste heat recovery and blast furnace gas, which would have been otherwise wasted into the atmosphere. These two plants have allowed us to generate power

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using waste gas and waste heat and satisfy our current energy needs as well as take care of the environment.

#### Investments Made So far

Despite various challenges and uncertainties, the Company made huge investments to upgrade the facilities. Further details are given in the Annexure 1.

We have invested in state of the Art technology, implemented strong measures to conserve water and energy, put in place good systems to control pollution, with advanced de-dusting systems as well as a comprehensive safety regime.

The year wise investments made by the company are highlighted below:

Sl. No.	Year of Investment	Amount of Investment (INR)
1	2010-11	1,36,78,729
2	2011-12	3,10,13,000
3	2012-13	466,57,56,000
4	2013-14	121,00,20,000
5	2014-15	106,09,62,000
6	2015-16	509,55,47,000
	<b>Total</b>	<b>1207,69,76,729</b>

Taking into consideration the above facts, challenges faced and the various efforts of the Company, we humbly request your good office to be kind enough to extend the Environmental Clearance granted.

Thanking You,

Yours faithfully,  
For Gerdau Steel India Limited,

  
Sridhar Krishnamoorthy  
Managing Director

Encl. As above



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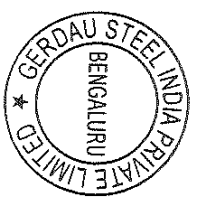
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Appendix I

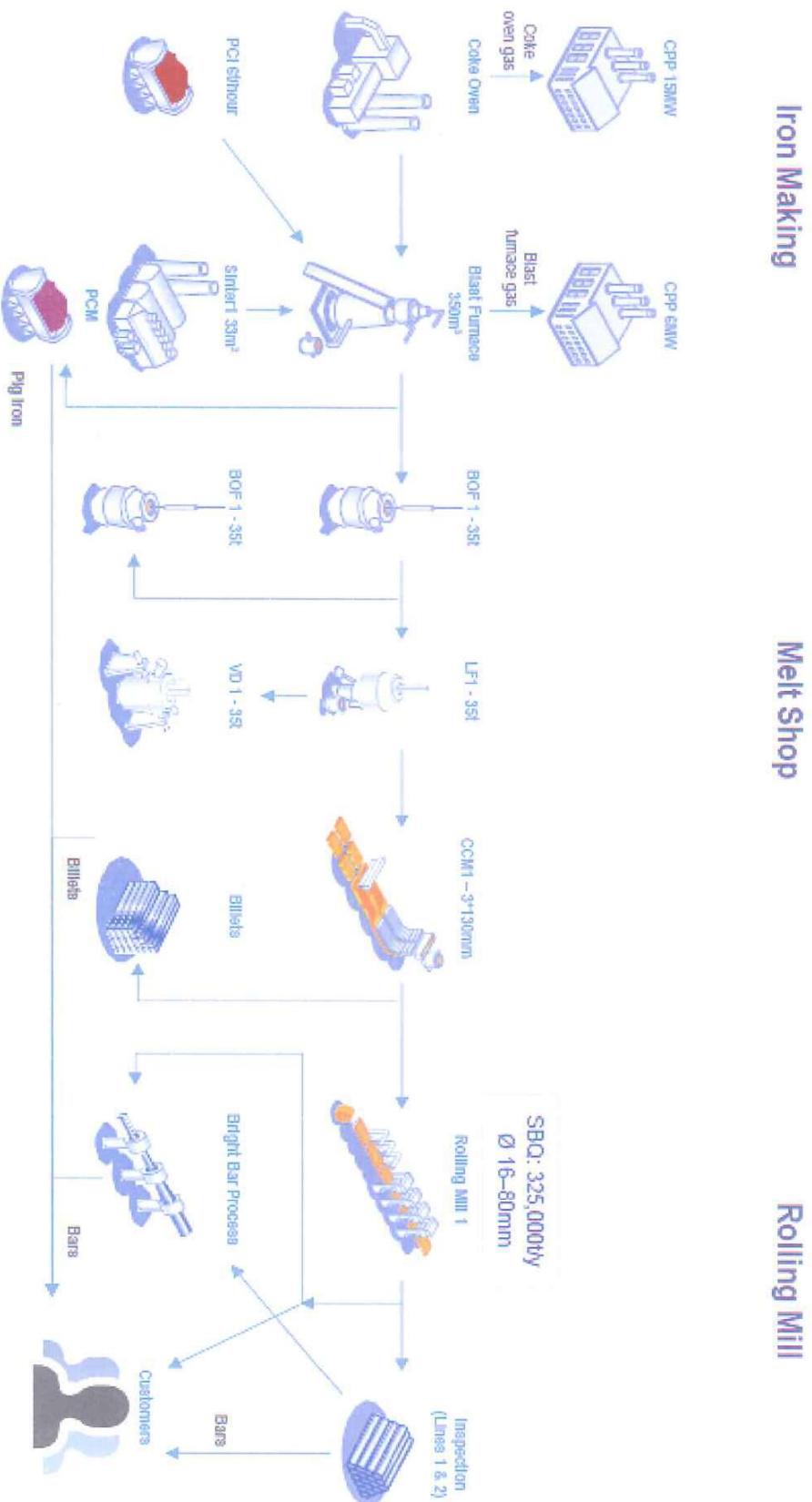
	May 2010	Phase 1: May 2010-May 2017	Phase 2: 2017-2019	Phase: 2019-2022			
	Capacity	Item	Capacity After Investment	Investment (INR) to date	Item	Capacity After Investment	Investment (INR) to date
Finished Products							
Rebar Steel	0					Rebar Mill	0.520 MTPA
SBO Steel Products	0	SBO Steel Products Inspection Lines Bright Bar Heat Treatment	0.400 MTPA	98,83,55,869	Manual MPI stations Modifications in Rolling mill		0.400 MTPA
Cold Pig Iron	0		0.078 MTPA				
Intermediate Products							
Pig Iron							
Blast Furnace	0.300 MTPA	Sinter Plant #1 Pulverised Coal Injection VPSA Cast House dedusting system Dedusting systems in Stock house Dedusting system in Screen house Cooling towers re-ramping	0.300 MTPA	25,78,68,281 83,20,76,712 53,49,78,797 65,97,990 95,99,411	Modifications in Sinter Plant Heat exchangers Air and Gas Preheaters Coolers installation in Blast furnace Waste heat recovery in Sinter plant Product conveying in Cold oven	0.360 MTPA	Linear Sinter Machine (100m <sup>2</sup> ) Blast Furnace (750M <sup>3</sup> ) Pulverised Coal Injection (10 V/hr)
Billets	0.300 MTPA	Modified BOF Modified IRF Vacuum Degasser Modified Carter	0.300 MTPA	1,06,74,30,350	New LRF New VD Vessel Secondary Emission controls	0.36 MTPA	New BOF #2 LRF New Carter to make larger blooms
Rolling Mill				3,35,64,97,020			
Coke Oven	0	Added 4 batteries Coke Oven	0.240 MTPA	3,42,21,70,989	6 batteries	0.360 MTPA	
Total Power Capacity	0	Total Power Capacity CPP 6 MW - w/Blast Furnace Gas CPP 15 MW - w/ Coke Oven Gas Heat Recovery	21 MW 6 MW 15 MW	40,78,71,667 82,92,86,484	CPP 15 MW - w/ Coke Oven Gas Heat Recovery CPP 15 MW - w/ Coke Oven Gas Heat Recovery	30MW	
Power Infrastructure		132 KV Dedicated Feeder Line (11 kms) to Plant		5,03,51,384	Modification in HT lines		
Water Infrastructure		Bore wells and Reservoirs 1,2,3,4		3,40,83,750	Pipe line from Gandikoda/owku		
Others					Utilities (water, power, gas distribution set ups)		

Note: 1. In phase 2 the investment will be around INR 200-300 Crore.  
2. In phase 3 the investment amount is yet to be finalised.



# Details of Current Operations

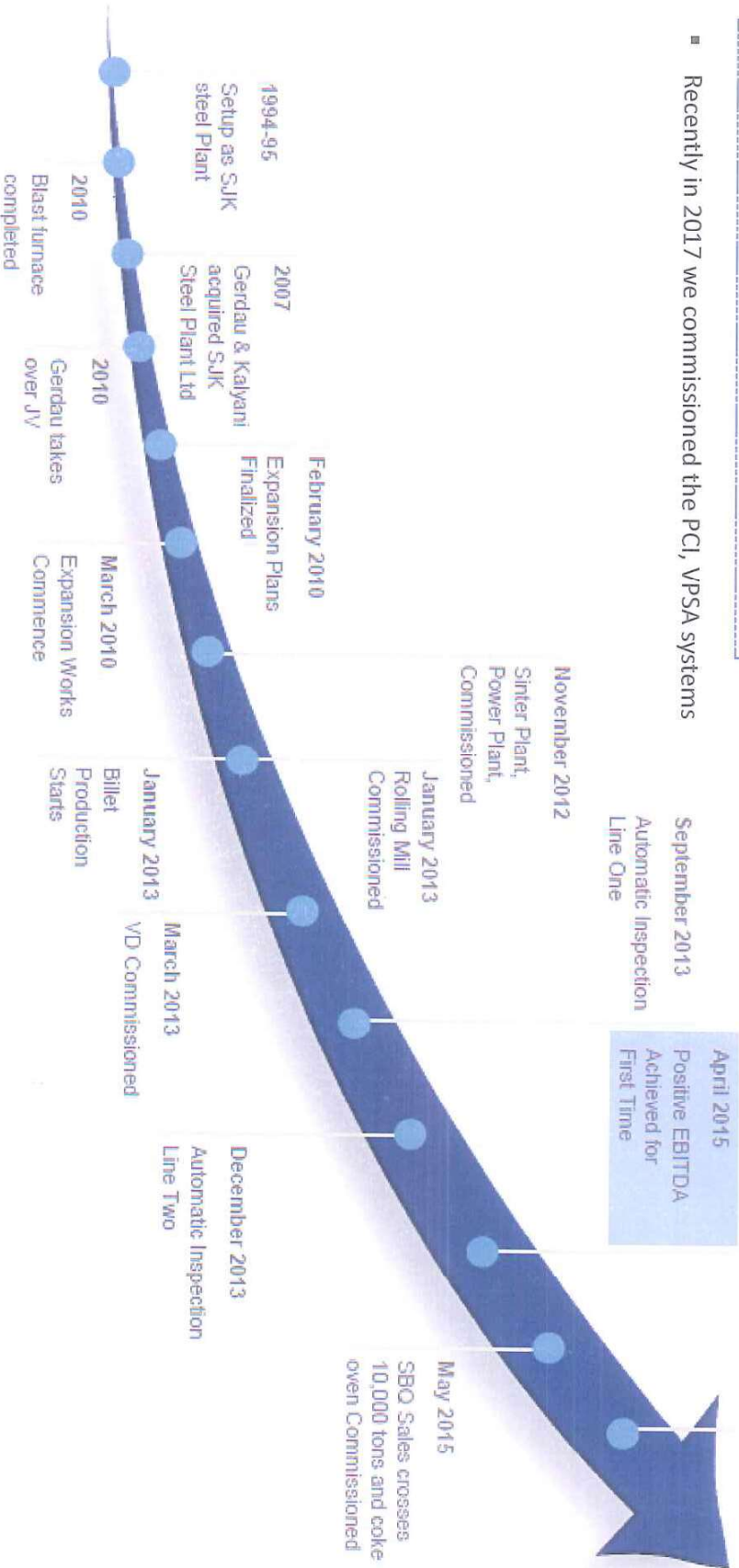
The current plant has a capacity of 300 Kt of hot metal.



# History

- First SBO Bar Sold – August 2013
- ISO 9001 Certification – July 2013
- ISO / TS 16949 Certification – June 2014
- ISO 14001 Certification – December 2015
- ISO 18000 Certification – October 2016





- Recently in 2017 we commissioned the PCI, VPSA systems









## Details of Key Capex Components, Rationale and Cost

Gerdaul has made a total investment of ~ USD 181 mn in new equipment and upgrades since FY10.

Category	Year	Description	Make	Rationale	Cost to Gerdaul (USD mn)
	2012	<ul style="list-style-type: none"> <li>Sinter Plant</li> <li>Capacity of 33MF</li> <li>41 tone of production per month</li> </ul>	<ul style="list-style-type: none"> <li>CIIMM, China</li> </ul>	<ul style="list-style-type: none"> <li>Build cost competitiveness by producing sinter</li> </ul>	<ul style="list-style-type: none"> <li>USD 13.4 mn</li> </ul>
	2012	<ul style="list-style-type: none"> <li>Blast Furnace Upgrades</li> <li>Capacity of 350 m<sup>3</sup></li> <li>31m<sup>3</sup> of production per month</li> </ul>	<ul style="list-style-type: none"> <li>Shougang, China</li> </ul>	<ul style="list-style-type: none"> <li>Improve efficiency</li> </ul>	<ul style="list-style-type: none"> <li>USD 1.8 mn</li> </ul>
	2013	<ul style="list-style-type: none"> <li>Steel Melt Shop</li> <li>BOP Capacity of 35 tone</li> <li>25 tone of production per month</li> <li>Mold dimensions of 130/120/160 mm</li> <li>Cast Radius of 6M11 m (CONCAST)</li> </ul>	<ul style="list-style-type: none"> <li>LRF – ABB, EU</li> <li>CCM – SMS-Concast</li> </ul>	<ul style="list-style-type: none"> <li>Boost revenue by increasing production of SBI steel</li> <li>Improve productivity of equipment</li> </ul>	<ul style="list-style-type: none"> <li>USD 15.7 mn</li> </ul>
	2013	<ul style="list-style-type: none"> <li>Rolling Mill and Inspection Line 1</li> <li>Manual Capacity of 6000 MT/month</li> <li>IL1 Capacity of 5000 MT/month</li> <li>Final output in the form of Round Bars</li> <li>Capacity of 25000MT / month</li> <li>Size range currently between 16 and 65 mm</li> </ul>	<ul style="list-style-type: none"> <li>Rolling Mill – CERI, China</li> <li>IL1, IL2 – Danieli, Italy</li> </ul>	<ul style="list-style-type: none"> <li>Boost revenue by producing bars instead of billets</li> <li>Expand customer base by raising product standards and enabling customer to directly put the product to use</li> </ul>	<ul style="list-style-type: none"> <li>USD 57.4 mn</li> </ul>

## Details of Key Capex Components, Rationale and Cost (Cont'd)

Gerdaul has made a total investment of ~ USD 181 mn in new equipment and upgrades since FY10.

Category	Year	Description	Make	Rationale	Cost to Gerdaul (USD mn)
	2014	<ul style="list-style-type: none"> <li>Inspection Line 2</li> <li>Capacity of 7500 Mt/month</li> </ul>	<ul style="list-style-type: none"> <li>Danieli, Italy</li> </ul>	<ul style="list-style-type: none"> <li>Expand customer base by raising product standards and enabling customer to directly put the product to use</li> </ul>	<ul style="list-style-type: none"> <li>USD 16.2 mn</li> </ul>
	2015	<ul style="list-style-type: none"> <li>Coke Oven</li> <li>Capacity of 0.2 MTPA</li> </ul>	<ul style="list-style-type: none"> <li>Mimmetals, China</li> </ul>	<ul style="list-style-type: none"> <li>Cost reduction</li> <li>Power generation using coke oven gas</li> </ul>	<ul style="list-style-type: none"> <li>USD 56.2 mn</li> </ul>
	2012	<ul style="list-style-type: none"> <li>6 MW Captive Power Plant</li> <li>Boiler capacity of 28 tph</li> <li>Air-cooled condenser rate of 28 tph</li> </ul>		<ul style="list-style-type: none"> <li>Reduce power costs</li> <li>Ensure continuous power supply</li> </ul>	<ul style="list-style-type: none"> <li>USD 7.3 mn</li> </ul>
	2015	<ul style="list-style-type: none"> <li>15 MW Captive Power Plant</li> <li>Boiler capacity of 33.5 tph</li> <li>Air-cooled condenser rate of 54 tph</li> </ul>	<ul style="list-style-type: none"> <li>ISGEC, India</li> </ul>	<ul style="list-style-type: none"> <li>Reduce power costs</li> <li>Ensure continuous power supply</li> </ul>	<ul style="list-style-type: none"> <li>USD 12.7 mn</li> </ul>