

ECONOMIC PERFORMANCE

WSA sustainability indicators

| Indicator | Unit | 2011-12 | WSA value (Year 2011) |
|--|--------------|---------|-------------------------------|
| Investment in new processes and products | % of revenue | 16.62 | 9 (Avg Value) |
| Economic value distributed | Rs. Crores | 16226.9 | Billion US\$ 617.9 (Total) |

Bhilai Steel Plant started the Financial year with a good pace but the Plant started facing tough times and challenges on various fronts. Despite the operational constraints, in 2011-12, the Plant achieved the annual production of 5.13 Million Tonnes of Hot Metal, 4.90 Million Tonnes of Crude Steel and 4.29 Million Tonnes of Saleable Steel. Profit margins, however, were adversely impacted on account of higher input costs and foreign exchange variations. The plant however could achieve a turnover of 16281Cr which is 3.8% higher than 10-11, and a profit of 2715 Cr, which is 53% of the SAIL's profits, there by maintaining its pre-eminent position.

External environment, market presence & strategies for growth:

The Corporate Planning group of SAIL continuously monitors the external environment including the domestic and international steel business scenario, growth trends, technological developments and structural changes in steel industry. In addition, future prospects of the steel business, the production, consumption, capacity trends etc. are also captured and analyzed by this group. All these form a part of input for formulating / re-aligning company's short term as well as long term strategies.

These corporate guidelines are then communicated to BSP for preparation/review of plant level strategies and supporting policies at regular interval to align the strategies with ever changing external environment.

BSP's core competency of flexibility in product mix has enabled BSP to cater to demands of a wide cross section of customers and has also helped build the nation's infrastructure. BSP has addressed the demands of growing markets, both in terms of quality and quantity, and has generated profits consistently

which has enabled BSP to contribute to other stakeholders like people, society and shareholders. BSP develops 12 new products every year in line with the growing needs of customers. BSP's products are used in several infrastructure projects of national importance like 340 km J & K Rail link having 64 bridges, Windmills by Suzlon, Mumbai and Delhi Airports, Commonwealth Games, etc. Rail, the one of the most celebrated product of BSP, has earned BSP the rare compliment of "Nation moves on Bhilai Rails".

Considering the future economic climate in India, the per capita consumption of steel in the next decade is expected to increase significantly from the current levels. As part of its strategy to retain its pre-eminent position in the Indian markets, the Company has drawn elaborate plans to significantly enhance its presence in India in the near future. The Company is currently expanding its crude steel making capacity from 4 million tonnes to 7 million tonnes, which will be completed in next two years.

Modernisation & Expansion Programme

Steel Industry requires continuous capital investments for technological up-gradation and addition/modification/replacement of its capital assets which are essential to maintain market competitiveness and meet the challenging need of customers. The market is becoming increasingly competitive making it imperative for BSP to make determined efforts to bring about substantial improvement in production, techno economic parameter and profitability. Accordingly, the Modernization & Expansion Programme of the Company aims

towards almost doubling the production capacity with energy efficient and environment friendly technology and a wider product range.

The future plan also envisages major changes in other areas including significant rationalization of workforce. The ongoing Modernization and Expansion Plan is being implemented with an estimated investment of Rs. 17000 crores.

Progress of Expansion Projects in 2011-12

Online Eddy Current Testing (ECT) M/c & Optico- Visual Inspection System(OVIS) in RSM have been commissioned in Nov'11. Coke Oven Battery-6, has been commissioned in Jun'11. For Ore Handling Plant- Part A, Wagon Tippler erection and trial run has been completed in Dec'11. Installation of 700 TPD Air Separation Unit at Oxygen Plant-II has been completed. Other facilities like Coke Oven Battery-11, Coke Dry Cooling Plant, Blast Furnace-8, Steel Melting Shop- III and finishing mills are under various stages of implementation.

Economic Impacts



| YEAR | Ratio of Gross Margin to Turnover % |
|---------|-------------------------------------|
| 2009-10 | 29 |
| 2010-11 | 22 |
| 2011-12 | 17 |

| Product/Services | Production / Outputs (MT) | | | Turnover Rs. Cr | | |
|-------------------|---------------------------|-------|-------|-----------------|--------|--------|
| | 09-10 | 10-11 | 11-12 | 09-10 | 10-11 | 11-12 |
| Rails | 0.837 | 0.868 | 0.874 | 4126.2 | 4327.9 | 4524.4 |
| Plates | 1.208 | 1.289 | 1.194 | 4270.5 | 4859.7 | 4957.7 |
| Heavy structurals | 0.019 | 0.038 | 0.034 | 357.94 | 376.0 | 323.0 |
| Merchant Products | 0.655 | 0.720 | 0.586 | 2680.3 | 3625.9 | 3565.8 |
| Wire Rods | 0.627 | 0.659 | 0.584 | 2432.6 | 2180.2 | 2506.3 |

Economic value generated & distributed (Rs crores)

| Economic value | 2010-11 | 2011-12 |
|---|----------|----------|
| Annual Revenue (net revenue or sales) | 15777.92 | 16459.89 |
| Operating Costs (payment to suppliers, contractors, etc.) | 10779.99 | 11986.13 |
| Employee Wages and Benefits (incl. Employee tax paid) | 2014.72 | 2152.22 |
| Dividends Paid to Shareholders | NA | NA |
| Interest Payments Made to Providers of Loans | 107.06 | 147.38 |
| Payments to Government (gross taxes and royalties, not incl. Employee tax paid) | 2158.32 | 1925.26 |
| Community Investments | 15.17 | 16.00 |
| Economic value distributed | 15075.26 | 16226.99 |

Export Performance

| YEAR | Export (Rs. in Crores) |
|---------|------------------------|
| 2009-10 | 301.36 |
| 2010-11 | 585.04 |
| 2011-12 | 912.97 |

Working Capital

| YEAR | Working Capital (Rs. in Crores) |
|---------|---------------------------------|
| 2009-10 | 241.4 |
| 2010-11 | 202.6 |
| 2011-12 | 216.8 |

Income Details (2011-12)

| Particulars | (Rs. Crores) | % |
|---------------------------------|--------------|-------|
| Home Sales | 16971.93 | 85.51 |
| Exports(incl export incentive) | 937.57 | 4.72 |
| Int Earned | 54.41 | 0.27 |
| IPT | 1180.88 | 5.95 |
| Prov Writeback | 4.08 | 0.02 |
| Other Revenues | 699.00 | 3.52 |

Expenditure Details (2011-12)

| Particulars | (Rs. Crores) | % |
|----------------------------------|--------------|------|
| Raw materials | 8314.86 | 55.9 |
| Salaries & Wages | 2152.22 | 14.5 |
| Stores & Spares | 1045.28 | 7 |
| Power & Fuel | 1417.11 | 9.5 |
| Repairs & Maintenance | 261.18 | 1.7 |
| Misc Expenses(including freight) | 1661.29 | 11.2 |



Expenditure on Society and Other social activities

(Rs Crores)

| Non-core infrastructure area | 2009-10 | 2010-11 | 2011-12 |
|------------------------------|---------|---------|---------|
| Township | 164.9 | 131.11 | 147.86 |
| Education | 42.7 | 48.41 | 43.9 |
| Medical | 48.4 | 90.92 | 94.15 |
| Transport & Socio-cultural | 4.6 | 8.2 | 9.85 |
| Total | 260.7 | 278.6 | 295.76 |

Expenses on fuel & maintenance

| Year | Power & Fuel as % of Turnover | Repair & Maint. as % of Turnover |
|-----------|-------------------------------|----------------------------------|
| 2009-2010 | 6.5% | 1.36% |
| 2010-2011 | 6.93% | 1.38% |
| 2011-2012 | 9.0% | 2.0% |

| Year | R&D expenses as % of Net profit before tax |
|-----------|--|
| 2009-2010 | 2.18% |
| 2010-11 | 2.85% |
| 2011-12 | 2.97% |

Standard entry level wages at BSP :

(Basic + DA) = Rs 13462/- as on 01/04/12

BSP also ensure that the contractors it engages, pay living wages as per SA 8000 to their labourers, which is beyond the minimum wages norm as laid out in government legislations.

Payments and Provisions to Employees

The Company also provides indirect economic benefits to many thousands more through contractors and suppliers. BSP pays pay fairly and entry level positions at both executive and non-executive level receive wages which are amongst the best in steel industry category. The wages for employees are decided after negotiations with employee associations as per the rules & norms of Central Public Sector Enterprises (CPSE).



Minimum Wages for Contract Workers :

| Category | Min. Wages (as notified by State Govt.) | Special Allow. | Addl. Welfare Amenity | Total Wages being paid in BSP |
|--------------|---|----------------|-----------------------|-------------------------------|
| Unskilled | 180.19 + 10 | 10 | 38.46 | 238.65 |
| Semi-Skilled | 188.19 + 10 | 10 | 38.46 | 246.65 |
| Skilled | 199.19 + 10 | 10 | 38.46 | 257.65 |

At present the ratio of standard entry level wage to minimum wages of skilled labour = 1.1

Benefits to its employees, beyond that legally mandated

- Free Medical services to employees and their dependant Family Members
- Housing
- Monetary incentives
- Night shift allowance
- Washing allowance
- Subsidised education
- Fuel subsidy
- Festival advance
- Advances for purchase of vehicles
- Scholarships to wards of employees
- School uniforms upto Primary level
- Leave for Child Care/Development
- Accident compensation beyond legal limits
- Long Service Award
- Well stocked Public Library
- Recreation centers / Sports facilities
- Community Halls
- Free Medical facilities for self and spouse after retirement
- SEWA
- Employee Family Benefit Scheme
- Life Cover Scheme

Defined Benefit

- The Company has the following defined benefit plans
- Post retirement gratuity
- Post retirement medical benefits
- Pensions to directors
- Farewell Gifts
- Packing and transportation costs on retirement



Value of employee benefits

| ITEM | 2009 - 2010 | 2010 - 2011 | 2011-2012 |
|-------------------------|-------------|-------------|-----------|
| Statutory (Rs. cr.) | 323.73 | 198.08 | 207.4 |
| Non-Statutory (Rs. cr.) | 1059.61 | 1816.64 | 1944.8 |
| Total (Rs. cr.) | 1383.34 | 2014.72 | 2152.2 |

Return on Invested Capital (ROIC) & Dividend

The ROIC is calculated for SAIL and the dividend is paid by SAIL to its share holders hence not reported.

Local Hiring & Local Material Procurement

BSP is mindful about ensuring that local people are able to benefit from the economic opportunities that its activities offer. The local candidates for employment are largely considered for many contractual jobs through M/s. HSCL.

BSP being a unit of SAIL, the central public sector under taking, the reservations for scheduled castes, scheduled tribes and other backward castes are provided as per the Central govt rules & policies.

One of the important business drivers is procurement of supplies and services from local vendors. The proportion of spending on ancillaries is given below.

Preferential Treatment/ benefits to ancillaries

- Purchase indents valuing upto rs 3 lacs reserved for ancillaries.



- Purchase preference is given to ancillary units provided their quoted price is not more than 20% over the price of non ancillary unit. 50% of the tendered qty is ordered on ancillary unit subject to matching rate.
- Certain items/ group of items are reserved exclusively for ancillary units. 327 items & 6 categories of items are reserved.
- Payment is made normally within 15 days as against 30 days for others.

| Numbers ancillaries registered & No. of orders | | | Expenditure (Rs. lakhs) | | |
|--|-----------|----------|-------------------------|---------|---------|
| 2009-10 | 2010-11 | 2011-12 | 2009-10 | 2010-11 | 2011-12 |
| 199 /1466 | 199 /1942 | 207/1544 | 6879 | 10327 | 8000 |

Indirect Economic Impacts

Impact of Community Infrastructure Development and Services:

The prospering community around the Company's operations is a testament to BSP's corporate sustainability initiatives. The Company's contribution to local community infrastructure development and services over a period of time are covered under the chapter "community initiatives".

Research & Development

Research and Development is a vital element of the Company's plans for creating value for all stakeholders through its innovative approach. The R&D activities in SAIL units are carried out through RDCIS, Ranchi and local sub centers. In 2011-12 BSP continued to invest in R&D, focusing on major projects designed to improve efficiency and enhance product quality.

Thrust Areas for 2012-13

- Improvement in quality of iron ore fines by optimizing operation of classifiers & beneficiation of entire slime at Dalli Mines.
- Coking Process Management and control System (CPMS) in COB # 4.
- Introduction of new combustion system and furnace insulation system in normalising furnace # 1 of Plate Mill.
- Installation & commissioning of Waste Heat Recovery Systems for SP 3 and SP 2.



RDCIS Projects Implemented at BSP During 2011-12

| Title of the project | Cost of Project Rs. In lakhs | Benefit of project, Rs. In lakhs |
|--|---------------------------------|-------------------------------------|
| Coking process management and control system in COB#4 | 200.00 | To be obtained in 2012-13 |
| Improvement in quality of iron ore fines by optimizing operation of classifiers and beneficiation of entire slime at Dalli mines | 80.00 | 210.00 |
| Stabilization of EMS technology in Caster-V for quality rail blooms. | 103.00 | To be obtained in 2012-13 |
| Improvement in lining life of hot metal ladles. | 5.00 | 32.00 |
| Development of improved quality nozzle filling compound at RMP#2 for steel ladles. | 5.00 | To be obtained in 2012-13 |
| Evaluation of residual stress, fatigue strength and fractural toughness of rail | 10.00 | 52.00 |
| Improvement in roll temperature profile at Plate Mill. | 82.00 | To be obtained in 2012-13 |
| Development of Z quality (through thickness ductility) and NACE quality (HIC resistant) plates | 10.50 | 63.00 |
| Development of soft iron plates for nuclear application. | 1.00 | To be obtained in 2012-13 |
| Improvement in performance of primary and secondary screens of SP#3 | 25.00 | To be obtained in 2012-13 |
| Implementation and stabilization of Document Management system in Personal Section. | 7.00 | 41.00 |
| Automatic system for monitoring and control of crop conveyor movement below 1000T shear of BBM for reducing mill down time and to minimize efforts of clearing the jammed bloom crops. | 12.25 | 50.80 |
| Development of an automatic system for cutting the slabs/blooms at desired length in Casters of CCS | 74.00 | To be obtained in 2012-13 |