



# *Chairman's Address*

44<sup>th</sup> Annual General Meeting  
21<sup>st</sup> September, 2016



*During the year, India was the only major steel consuming market in the world which exhibited a growth.*



## **Dear Shareholders,**

Good morning, ladies and gentlemen. It gives me immense pleasure to welcome you all on the occasion of 44<sup>th</sup> Annual General Meeting of your Company. I take this opportunity to apprise you about the Company's performance in the Financial Year 2015-16 and also share with you the strategy for the future.

The Report of the Directors and Audited Accounts for the year ending 31<sup>st</sup> March 2016, with the Reports of Auditors and the Comments of Comptroller and Auditor General have already been circulated to the Shareholders, and with your permission, I shall take them as read.

## **Steel Industry Outlook**

The year 2015-16 was an eventful one for the Country and also the Indian steel industry.

While almost all the major economies of the world witnessed sluggish growth, India emerged as the world's fastest growing major economy. As far as steel is concerned, the year also witnessed India going ahead of the United States of America to become world's 3<sup>rd</sup> largest steel producing nation.

During the year, India was the only major steel consuming market in the world which exhibited a growth. However, due to the oversupply scenario globally, there was an unprecedented surge in imports which increased by 27% over 2014-15 and by 123% over 2013-14. In fact, the increase in net imports in the year was more than the increase in domestic steel consumption. These imports, often at predatory prices, forced significant price cuts by the Indian steel producers, leading to severe squeeze in margins.

I would like to thank the Government of India for stepping in at this critical juncture and undertaking necessary corrective trade measures. The Minimum Import Price (MIP) mechanism was introduced in February 2016 followed by the imposition of provisional Anti-Dumping Duty for hot and cold rolled flat products in August 2016. But for these steps, the steel industry would have been reeling under a lot more pressure. However, as per the projected demand-supply situation, global oversupply would persist in the near future and there is a need for protracted trade measures to provide the Indian steel industry with a level playing field.

I would like to emphasize that while these trade measures are essential in the present context, the long term competitiveness of the steel industry in India will depend amongst

other, on providing the Indian steel industry with a level playing field vis-à-vis other major steel producing nations with respect to freight rates, cost of borrowing, regulatory costs and availability of energy at competitive prices.

## Performance of your Company during FY 2015-16

With this backdrop, the year 2015-16 was an extremely challenging one for your company. The free fall in steel prices to a historic low had an adverse impact on profitability of SAIL. While production of hot metal and crude steel was the highest ever, a commensurate increase in production of saleable steel and sales could not be achieved due to the depressed market condition and a major shutdown taken for



*Hon'ble Prime Minister, Shri Narendra Modi, dedicating SAIL's Modernised & Expanded IISCO Steel Plant, Burnpur to the Nation on 10<sup>th</sup> May, 2015.*



*Hon'ble Union Minister of Steel, Chaudhary Birender Singh addressing the Northern Region Customers' Meet at Jind, Haryana. Chairman SAIL, Shri P.K. Singh was also present on the occasion.*

upgrading the Hot Strip Mill in our Bokaro Steel Plant.

However, I am confident that the worst is behind us and your company would turnaround in this Financial Year. All the enablers are in place. Ramp-up of production from our new units is not only increasing production quantum and leading to better quality of products, but has also helped us in reducing cost of production. Higher production from the new units and rationalizing production from cost intensive routes has resulted in reduction in variable cost of production by 10% in Q4 compared to Q1 of 2015-16 and the same trend continues. This year we have targeted to increase our production and sales by more than 20% over last year.

The products being manufactured by our new rolling mills have been received well by the customers and it is our constant endeavour to add more and more value added grades from these mills. In conjunction with increased production, focus is being given to efficient and strategic marketing for improving sales and realisations. More emphasis is being given on marketing in regions where we have natural freight advantage, increasing retail sales and leveraging the brand image of SAIL.

In this current Financial Year we shall be completing the balance modernization and expansion projects in our Bhilai Steel Plant. The facilities include a state of the art Universal Rail Mill capable of producing the



longest single piece rail in the world. Commissioning of this mill would provide SAIL with the capability of producing high quality rails to meet the requirements of the Indian Railways, Metro projects, dedicated freight & passenger corridors as well as the exports market.

Besides the ongoing Modernization and Expansion program, which is on the verge of completion, we have taken up new projects to improve our product mix and profitability. The significant one being installation of a 3.0 Mtpa capacity 2250 mm wide Hot Strip Mill at our Rourkela Steel Plant. This mill scheduled to be commissioned in 2018 will enable us to produce very high quality hot rolled coils including advanced high strength grades to

cater to the growing automotive industry in the country.

## Raw Material Security

With regard to the raw materials security of your Company, the existing requirement of iron ore is being met from the captive mines in full. The capacities of existing iron ore mines are being expanded and new iron ore mines are being developed to meet the increasing requirement of iron ore. We have been allotted the Parbatpur Coking Coal block in Jharkhand which will add to our coking coal security. We intend to commence production from this block at the earliest after the approval of the revised mine plan based on simultaneous extraction of coking coal by SAIL and Coal Bed Methane (CBM) by ONGC.



*A batch of Management Trainee (Technical) at SAIL's Bhilai Steel Plant.*



*The committed workforce at Sinter Plant of SAIL's Rourkela Steel Plant.*

## **Environment & Sustainable Development**

Your Company has always been at the forefront for preservation of environment and sustainable development. In this direction, SAIL Plants have taken various initiatives for reducing environmental footprint. The state-of-the-art facilities installed under the current Modernisation & Expansion Program would significantly improve the environmental parameters, enabling us to produce steel in a greener and more environmental friendly manner than before. Realizing the significance of plantation in overall environment, till date close to 2 crore trees have been planted in SAIL plants and mines locations with more than 4.6 lakh trees planted in 2015-16 itself.

## **Corporate Governance**

Your Company is committed to conforming to the highest standards of Corporate Governance by ensuring transparency, disclosures and reporting as required under various laws, regulations and guidelines, including those issued by Department of Public Enterprises.

## **Future Outlook**

Despite the present challenges, India's long-term outlook for the steel sector continues to be bright. The Government of India is taking appropriate steps to bolster the growth of the sector. In the Union Budget 2016-17, a sum of ₹ 218,000 crore has been earmarked for infrastructure like roads and railways, which would increase steel consumption in

the Country. Other initiatives of the Government such as Housing for All by 2022, Power for All by 2019, 100 Smart Cities by 2022 and Atal Mission for Rejuvenation & Urban Transformation (AMRUT) are likely to drive steel demand in the country significantly.

In conjunction with the initiatives by the Government for increasing steel demand, it is our responsibility as the leading steel producer in the country to increase steel consumption through initiatives like increasing the steel intensity in construction and infrastructure projects by propagating the advantages of steel over other materials with respect to Life Cycle Analysis based costing, assured quality, safety and pace of construction. We are taking a special drive towards this initiative. As the per capita steel

consumption in the country increases from the current 61 kg even to the world average level of 208 kg, there is no looking back for the Indian steel industry.

## Acknowledgement

Finally, I would like to take this opportunity to thank you as shareholders of the Company for your constant support and trust. I would also like to thank our customers, suppliers, the Central and the state governments and our employees, who have always stood by the Company and I look forward for their continued support in the future.

With greater emphasis on increasing growth rate of manufacturing sector, infrastructure development, higher rates of urbanization



*Employees having result-oriented discussions at Wheels & Axle plant of SAIL's Durgapur Steel Plant.*





*Pir Panjal Tunnel, Jammu & Kashmir*



*New International Convention Centre at Patna*



*Pamban-Sea-Bridge, Rameshwaram*



*Solar Power Project, Rajasthan*

and rising middle class population, we are confident of a vibrant domestic steel industry in the country. Armed with cutting edge technology in its modernised Plants, your Company is poised for a big leap. We look forward to moving ahead with your unwavering and steadfast support as we work together to make SAIL a global giant in the years ahead.

Thank You,

*P.K. Singh*

**(P.K. Singh)**

Chairman, SAIL

New Delhi

Date: 21<sup>st</sup> September, 2016



**स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड**  
**STEEL AUTHORITY OF INDIA LIMITED**

*There's a little bit of SAIL in everybody's life*

[www.sail.co.in](http://www.sail.co.in)