



**Production to Potential**

*Chairman's Address*  
**45<sup>th</sup> Annual General Meeting**  
**22<sup>nd</sup> September, 2017**

*“ SAIL with newer and better technologies at its disposal aims to leverage potential of growth in steel demand by operating at rated capacities, product differentiation and customer satisfaction.”*



## **Dear Shareholders,**

Good Morning, Ladies and Gentlemen.

I am pleased to welcome you all on the occasion of 45th Annual General Meeting of your Company. I would like to take this opportunity to apprise you about the achievements and performance of your Company in the financial year 2016-17 and the roadmap for future.

The Report of the Directors and Audited Accounts for the year ending 31<sup>st</sup> March, 2017, 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.

## **Outlook: Steel Industry**

The World economic recovery is on track and a pickup in Global growth presents a healthy sign for industrial and manufacturing activities across globe. With Global output, as projected by IMF, to grow by 3.5% in 2017 and 3.6% in 2018 on

the back of better performing emerging economies, we expect more stability in the steel industry world-wide.

Meanwhile, India is projected to become the world's fifth largest economy in 2017, surpassing UK and France and the world's third largest economy by 2023, surpassing Japan and Germany. India's GDP is projected to rise from USD 2.2 trillion in 2016 to USD 3.6 trillion by 2020. This augurs well for businesses that are focused on domestic growth in the future.

With suitable trade measures put in place by the Government of India for providing a level playing field to the domestic steel producers, the Indian steel industry could perform as per its potential and in Financial year 2016-17 India became a net exporter of steel.

Given the current stage of development in Indian economy and the likely growth path for Country's economy in next decade, the steel demand in India will witness significant growth

in future. India with its stable government, strong reforms, rising infrastructure spend & robust consumption demand will provide a platform to reach per capita steel consumption of 160 kg and total steel capacity of 300 Million tonnes by 2030-31 as envisaged by National Steel Policy 2017.

## Company's Performance

Your Company achieved a turnover of ₹ 49,180 crore during Financial Year 2016-17, which is higher by 14% over previous year owing to increase in both sales volume (which grew by 8%) and Net Sales Realisation (NSR) of Saleable Steel of five Integrated Steel Plants by about 6%. The increase in NSR was partly due to an overall improvement in price levels and partly due to measures in enriching Company's product mix. Your Company's intensive focus on improving operational parameters resulted in positive EBITDA in all the four quarters of Financial Year

2016-17 and your Company has trimmed losses by 30% by recording an overall improvement in production, sales and efficiency.

During FY 2016-17, SAIL achieved highest ever Hot Metal production at 15.73 Million Tonnes (MT), Crude Steel production at 14.50 MT and Saleable Steel production at 13.87 MT. All-round improvements in major techno-economic parameters were also recorded.

The unprecedented increase in coal prices during FY 2016-17 however, adversely impacted the cost of production and our overall margins. Your company had an additional impact of around ₹ 4,300 crore as compared to FY 2015-16 on account of increase in prices of both imported and domestic coal. This increase in coal prices, neutralized the significant improvement in Net Sales Realization (NSR). Notwithstanding the increase in coal price, your Company could



*The Prime Minister, Shri Narendra Modi at the Dhola-Sadiya Bridge, across River Brahmaputra, in Assam on May 26, 2017.*





*Union Minister for Steel, Shri Birender Singh, flagging-off the First rake of 260 metre rails, made from world's longest 130 metre single rail panels at Universal Rail Mill, SAIL, Bhilai Steel Plant.*

reduce its operational expenditure per ton of saleable steel by 2% during the fiscal.

## Modernization and Expansion

Your Company is in the final leg of Modernization and Expansion Programme (MEP). The state-of-the-art New Universal Rail Mill at Bhilai Steel Plant (BSP) was inaugurated by Hon'ble Steel Minister in January this year. This mill produces World's longest single piece rail of 130 mtrs length and supplies welded 260 mtrs rail panels to the Indian Railways. With this capacity addition, BSP has the record of being the single largest rail producing facility at one location in the World.

The already operational new facilities under the Modernization and Expansion plan were ramped

up during the year. New Blast Furnace at Rourkela Steel Plant (RSP) achieved about 100% of its capacity, whereas, other facilities like the New Plate Mill (NPM) also produced near to their rated capacities and it is very near to operating at 100% of its capacity. At this point I feel happy sharing with you that RSP's NPM has obtained CE certification which is essential for exports to Europe and we have started exporting High Tensile Plates with CE marking from this mill. And the first consignment was shipped to European Nation earlier this year in January. With this despatch, meeting the international standards of DNV-GL Business Assurance, SAIL has now broadened its market base to Europe and strengthened its global footprints further.

The New 3 MTPA Hot Strip Mill at RSP is also scheduled to be installed by 2018 and this will enlarge the basket of the value added products. The new facilities at IISCO Steel Plant (ISP) have also been ramped up significantly. The Wire Rod Mill of ISP will be soon producing world class Wire rods in special grades to meet the requirement of the Indian and Global Steel industries.

## **Enriched Product Mix, R&D and New Markets**

Your Company has done significant value addition in its product mix, with higher grades of steel like API X-70 from RSP's New Plate Mill for the oil & gas sector, SAIL HT-600 for the automotive sector and high strength LPG steel grade from Bokaro Steel Plant, etc. Continuous product development efforts are being made with

intensive R&D efforts especially from the new state of the art mills commissioned under the Modernisation and Expansion Plan. Amongst the Indian steel producers your company continues to be in the forefront in R&D with the highest spending.

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. Products from the RSP NPM and BSL CRM-3 are being well received in export markets too. 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 last mile connectivity with the end users, marketing in regions where we have natural freight advantage, increasing retail & rural sales and leveraging the



*Parallel Flanged Beams produced at Medium Structural, Mill, SAIL Durgapur Steel Plant*





*Employees at New Plate Mill of SAIL's Rourkela Steel Plant.*

brand image of SAIL. Aimed to service the local demand, your Company envisaged Steel Processing Units (SPU) at several small centres including Kandrori ( Himachal Pradesh) and Jagdishpur (Uttar Pradesh) , and Kandrori SPU is ready for commencing commercial production. This SPU will service the local needs of this hilly terrain and the adjoining regions. We also plan to operationalize Jagdishpur within this year.

I am also happy to share that a Joint Venture Company between SAIL and RITES viz. "M/s. SAIL RITES Bengal Wagon Industry Pvt. Ltd. (SRBWIPL)" was formed for manufacture and rehabilitation of railway wagons and the JVC has commenced commercial operations at its factory at Kulti, West Bengal and Orders from Railways are being executed.

## **SAIL partnering / strengthening Nation Building**

The memory of recently inaugurated Dhola-Sadiya bridge on the mighty Brahmaputra river in Assam by our Hon'ble Prime Minister must be very fresh in everyone's memory. And I am proud to announce that your Company has supplied more than 90% of the entire steel used to build this longest bridge in India. Your Company has supplied steel for many prestigious and nationally important projects which reflects the confidence of Nation upon the quality of SAIL steel. The magnificent and huge Stainless steel Charkha, reverberating country's rich heritage which is centrally located in New Delhi, Sardar Patel Statue of Unity in Gujarat, a monument dedicated to Indian independence movement,

Irrigation project at Polavaram, Andhra Pradesh, IOCL Tankage work at Paradip, Odisha, Ennore Thermal Power Plant coming up at Tamil Nadu, Metro construction projects at NCR, Ahmedabad, Lucknow, Mumbai and Bangalore are all using substantial quantity of quality SAIL steel for their erection.

## New initiatives

**SAIL Uday:** A Companywide initiative named 'SAIL Uday' for improving our all-round performance has been launched where cross functional teams across plants, units and marketing have been formed and both short and long term action plans have been formulated.

**SAIL Gaon ki Ore:** Your Company has initiated a campaign 'SAIL steel - Gaon ki Ore' which is designed to boost consumption in Rural India. As you are aware that there is large disparity in steel consumption of urban India vis-à-vis rural India, which stands at only around 10 kg per capita.

Your company is familiarizing grass-root level end users with advantages of steel usage and SAIL product applications for their specific usages through various workshops.

**Large Group Interaction:** Recognizing the enormous power of internal communication in improving cross functioning within organization and to effectively harness SAIL's biggest capital - Company's human talent, your Chairman along with Functional Directors of your Company are personally interacting with large group of employees at every Plant in a phased manner. We are trying to establish a two-way communication model within the employees and management so that there is smooth and faster information flow regarding Company's priorities and targets.

**Adopting Social Media:** Your Company has established handsome presence in popular mediums of Social Media. It is a strong means to get connected with a large section of people who belong to your current and future consumers.



*SAIL Chairman Shri PK Singh & Directors interacting with large group of employees at Bokaro Steel Plant.*

## Responsible Corporate

Your Company is committed to conduct operations in an environmentally responsible manner and strive to replenish what we take from mother earth for our business process. In FY 2016-17 SAIL has planted more than 2 lakh saplings and in this financial year, we have already doubled that number this year and plan for much more. Our efforts in conducting operations in environment friendly manner have resulted in reduction of emissions and discharge levels, increase in utilization of solid wastes and green cover. Realizing the absolute necessity of water for human race and our requirement & dependence on this vital renewable energy, apart from technical measures at Plants, your Company undertook a 'Save Water' campaign aimed at raising awareness on water shortage within employees.

SAIL, in continuation with its philosophy of sustainable development and emphasis on renewable power project development and usage, has achieved a new milestone with installation of 2 MW of rooftop and ground mounted solar power generation systems across SAIL, including 350 KW rooftop solar power system installed at its Kanpur Warehouse making it self-sufficient in terms of its power requirements. SAIL's solar power generation

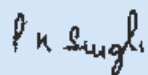
capacity shall be increasing manifolds by virtue of on-going projects and projects in the pipeline.

Standing true to SAIL's tagline of 'there's a little bit of SAIL in everybody's life' your Company shared its Social responsibilities. SAIL sports academies, a powerhouse to promote local talents and churn champions, supported many players during FY 2016-17 out of which substantial number belonged to tribal and underprivileged communities.

## Conclude

Finally, I would like to take this opportunity to thank you as the 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.

Thank You,



**(P.K. Singh)**

Chairman, SAIL

New Delhi

Date: 22<sup>nd</sup> September, 2017



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड  
STEEL AUTHORITY OF INDIA LIMITED

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