



Chairman's Address

46th Annual General Meeting

20th September, 2018

SAIL - Surging Ahead





“ *The persistent strategic approach to improve operational profitability assisted SAIL to improve the EBITDA in FY'18 to ₹ 5,184 Crore, a substantial increase over FY'17.* ”

Dear Shareholders,

I extend a warm welcome and greetings to all shareholders on the occasion of 46th Annual General Meeting of your Company.

I take this opportunity to apprise you about the achievements and performance of your Company during the financial year 2017-18 and our roadmap for future.

The Report of the Board and Audited Accounts for the year ending 31st March, 2018, with the Reports of Statutory Auditors and Comptroller and Auditor General of India have already been circulated to the Shareholders and with your permission, I shall take them as read.

Outlook

The World growth outlook projected by IMF in January' 2018 reflects a positive forecast for both advanced and developing economies. With financial conditions still supportive, Global growth is expected to tick up to 3.9 percent in 2018 and

2019. These healthy growth projections for World's economy indicate a steady growth prospect for the Global steel industry. World Steel Association (WSA), in its April 2018 forecast, said Global steel demand will reach 1,616 Million Tonnes (MT) in 2018, an increase of 1.8% over 2017, and it will grow by 0.7% to reach 1,627 MT in 2019.

World Bank has forecast growth rate of 7.3% for India this year and 7.5% for the next two years, making it the fastest growing economy among major emerging economies. The recently released GDP figures (8.2%) for Q1 FY'19 also indicates a rapidly growing economy. This augurs well for the domestic steel industry. The growth in domestic steel consumption is strongly backed by robust development of India's infrastructure sector. It is further supported by 7.8% growth in domestic finished steel consumption during the FY'18, as a result of growing activities of steel intensive sectors. India overtook Japan as World's second largest steel producing nation in the last quarter of the FY'18. It is likely that India may soon stake a

permanent claim to be World's second largest steel producer after China. The 300 MTPA steel production capacity for India by 2030 as envisioned in "National Steel Policy 2017" is commensurate with this growth projection.

Company's Performance

Your Company achieved gross sales turnover of ₹ 58,297 Crore during the FY'18, which is higher by 19% over previous year. However, the net sales turnover of ₹ 56,893 Crore was higher by 30% over last year's net sales turnover of ₹ 43,866 Crore. Slimming the losses by around 83%, your Company's Loss after Tax on standalone basis reduced to ₹ 482 Crore in FY'18 from ₹ 2833 Crore in FY'17. The consolidated Loss after tax of the

Company stood at ₹ 281 Crore for FY'18 as against ₹ 2,756 Crore in FY'17. The persistent strategic approach to improve operational profitability assisted SAIL to improve the EBITDA in FY'18 to ₹ 5,184 Crore, a substantial increase over FY'17.

The improvement in financial performance is backed by improved operational performance indicated by increase in Saleable Steel production, higher share of Concast production, improved product mix, improvement in BF Productivity, reduction in Coke Rate & Specific Energy consumption, reduction in specific wage bill, etc. However, the same has been partially offset due to provisioning towards various mining related issues, increase in average coal prices, higher usage of imported coal in the blend due to lower availability



Hon'ble Prime Minister, Shri Narendra Modi dedicating modernized and expanded Bhilai Steel Plant to the Nation at Bhilai.



Shri Birender Singh, Union Minister of Steel, dedicating to the Nation the upgraded Blast Furnace-1-Parvati of SAIL's Rourkela Steel Plant.

of indigenous coal, increase in average rate of purchased power and increase in interest and depreciation costs.

Your Company has almost finished its balance Modernization and Expansion Program. FY'18 witnessed several landmark achievements through ramping up of new facilities and surpassing all previous records in physical performance. Your Company achieved its highest ever production of Hot Metal of 15.983 MT, Crude Steel of 15.021 MT and Saleable Steel of 14.071 MT. It also clocked an all-time best performance of Continuous-Cast (CC) Steel production of 12.80 MT with a growth of 9% over previous best of 11.77 MT, achieved in FY'17.

The trend of positive news about SAIL continues in the Q1 FY'19 also with your Company clocking a PAT of more than ₹ 500 Crore and an EBITDA/ Net Sales of 17%. Total EBITDA during this period was ₹ 2685 Crore.

On the back of various new initiatives to improve productivity and efficiency across all Plants, every Unit has registered improvement in FY'18.

- ❖ Bhilai Steel Plant's new BF#8 'Mahamaya' and SMS-III were commissioned during FY'18. The Plant also supplied long rail panels (260 meters) to Indian Railways from new Universal Rail Mill and registered a growth of around 112% in FY'18.

- ❖ At Durgapur Steel Plant, Narrow Gauge Wheels from Wheel & Axle Plant and High Strength Structural E350 grade from Medium Structural Mill (MSM) were developed in-house.
- ❖ At Rourkela Steel Plant, the New Plate Mill recorded a growth of 48.1% over CPLY by rolling more than 8 lakh tonnes in FY'18. The Mill exported 1,27,000 tonnes of CE marked plates to the European Market as well.
- ❖ With consistent efforts, Bokaro Steel Plant registered record production of Cast Slab at 3.276 MT (previous best: 2.990 MT), highest ever production of CR Coil for sale at 0.916 MT against previous best of 0.776 MT.

During the year, your Company's total requirement

of iron ore was met from captive sources and the captive mines produced 26.83 million tonnes (MT) of iron ore.

Trustworthy Nation Builder

Your Company continues the tradition of being the trusted and valued partner in nation's development. In FY'18, SAIL has supplied steel to projects of national importance like Sardar Sarovar Project, Kishanganga and Tuirial Hydro Electric project, various new Metro Rail projects, etc. contributing to India's growth story under the ambit of National Steel Policy 2017 and 'Make in India' movement. SAIL also supplied steel for various defence projects including indigenously built Anti-Submarine Warfare (ASW), Stealth Corvette INS-Kiltan.



Iron Ore mining operation at Kiriburu Iron Ore Mine.



Shri Saraswati Prasad, Chairman & Managing Director, SAIL visiting Cold Rolling Mill - 3 of Bokaro Steel Plant.

Marketing Initiatives

On the marketing front, SAIL launched diverse initiatives to target defined market segments. During FY'18, your Company achieved its best ever sales volume of 14.1 million tonnes (MT), registering a growth of 7.4% over CPLY. In exports too, SAIL saw a growth of 4% over CPLY. For tapping vast potential of rural markets, your Company organized 114 "Gaon Ki Ore" workshops in 26 States/Union Territories. Small consumers continued to be a focus area and 0.8 MT of steel was sold through the retail marketing channels. As part of the strategy of increasing sales of value added steel, BSL's Cold Rolling Mill #3 commenced supplies to consumers. Your Company also supplied 50,000 tonnes of steel in customized

sizes from its service centres in FY'18.

Sustainable Steel Maker

Realizing the importance of restoration and rehabilitation of degraded eco-system for maintaining and enhancing bio-diversity, your Company is taking appropriate steps including ecological restoration of mined out areas, bio-sequestration of CO₂, enhancing utilization of wastes through application of 4Rs (Reduce, Reuse, Recycle and Recover), etc. Giving special thrust for plantation, more than 8.27 lakhs of saplings have been planted during FY'18.

Under the Company-wide turnaround program 'SAIL Uday', initiated in FY'17, a roadmap for improvement in the areas of Raw Materials,

Operations, Sales & Marketing, Supply Chain & Logistics, Personnel and Human Resource has been developed and deployed. This program has yielded positive results as evidenced by the performance during the year. Your Company realizes that future steel industry will look for smarter and faster logistics solutions. De-bottlenecking of transportation for procuring raw materials till reaching market with finished products will be need of the hour.

Corporate Governance

Corporate Governance in your Company is reinforced by its vision and credos. SAIL has formulated policies to ensure transparency, accountability, disclosures and reporting to uphold highest ethical standards in conduct of business while complying with laws, regulations and

guidelines including DPE Guidelines. Ethical conduct throughout the Organization is promoted with the primary objective of enhancing shareholders value. SAIL's effort as a responsible corporate citizen and partner in Nation Building has been recognized in the form of awards and accolades by several forums.

Your Company believes that building trust will enhance its reputation and boost the confidence of its investors and stakeholders. Upholding transparency at the highest level in every aspect of operation, SAIL believes in conducting fair business practices. Delegation of powers at the operational level has been increased for speedier decision making which will enhance the operational efficiency of your Company. SAIL has also been proactively and regularly sharing key information with all stakeholders through use of different



Felicitations of proud recipients of Vishwakarma Rashtriya Puraskar Winners for the year 2015 (awarded in 2017).



Under Make in India, SAIL's Durgapur Steel Plant despatched the first consignment of metro railway wheels for Kolkata Metro.

communication channels for enhancing transparency.

Acknowledgement

At the end, I take this opportunity to thank all the shareholders for their continued trust and support. I also thank all our other stakeholders who have contributed internally and externally in the improved performance of the Company. I must specifically thank our valued Customers, trusted suppliers, the Central and State Governments and

our talented employees, who have always stood by the Company and contributed in the progress of SAIL. I look forward to the continued support and unflinching trust they have placed in us.

(Saraswati Prasad)

Chairman & Managing Director

Place: New Delhi

Dated: 20th September, 2018



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
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