



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.

Acknowledgement

I take this opportunity to thank all our esteemed shareholders for their continued support and encouragement. With greater emphasis on increasing growth rate of manufacturing sector, higher rates of urbanization 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,

(Rakesh Singh)

Secretary (Steel) & Chairman, SAIL

New Delhi

Date : 24th September, 2015



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED

www.sail.co.in

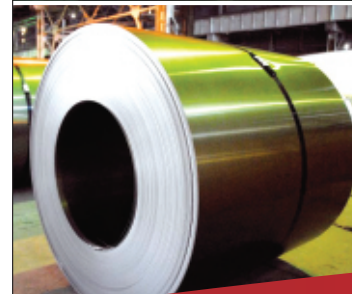
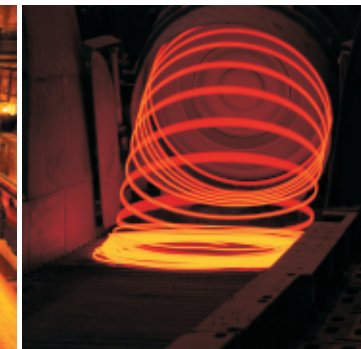
There's a little bit of SAIL in everybody's life

Chiranjiv Advertising

Chairman's Address

43rd Annual General Meeting

24th September, 2015



सेल SAIL



With greater emphasis on increasing growth rate of manufacturing sector, higher rates of urbanization 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, we are poised for a big leap to make SAIL a global giant in the years ahead.

Dear Shareholders,

Good morning, ladies and gentlemen. It gives me immense pleasure to welcome you all on the occasion of 43rd Annual General Meeting of your Company. I take this opportunity to apprise you about the Company's performance in the Financial Year 2014-15 and also share with you the strategy for the future.

The Report of the Directors and Audited Accounts for the year ending 31st March 2015, 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.

World Economic Environment

First let me briefly touch upon the Global economic environment and its impact on the Steel Sector. The World economy has experienced subdued growth of 3.4% in 2014. IMF projects a 3.3% growth for 2015, which is marginally lower than 2014, marked by a gradual pick up in advanced economies and a slowdown in emerging markets and developing economies.

Global Steel Industry Outlook

World crude steel production in 2014 was 1665 million tonne, marginally up by 1% compared to 2013. Average capacity utilisation fell to 76.7% as compared to 78.4% in 2013 implying that almost 1/4th of the steel capacity was surplus.

The world finished steel consumption rose marginally in 2014 to 1537 million tonne, recording 0.6% growth over 2013. Chinese steel demand in 2014 saw negative growth for the first time since 1995 due to the government's rebalancing efforts. With slowing domestic consumption, China targeted foreign markets, enhancing its exports to a record 94 million tonnes, an increase of 51% over 2013.

Indian Scenario

Domestic steel sector was impacted by a surge in imports which hit a record level of 10 million tonnes in FY15, an increase of 75%. Due to subdued domestic consumption in most of the major markets, particularly China, global steel prices started falling from Aug'14 and shed about 25% or \$135 per tonne till Mar'15. Indian steel

prices had to be adjusted in line with international markets resulting in a steep decline in realisations since Aug'14. This has impacted performance of the domestic steel producers, including your Company.

However, the Indian Economy has been on the recovery path with GDP growth estimated at 7.3% for 2014-15. Macro-economic stability has been restored and conditions have been created for durable higher economic growth in the coming years. The year has witnessed key policy reforms, aimed at aiding growth revival and overcoming the structural constraints in the economy. Government's focus on infrastructure augurs well for the Indian steel industry, and we are confident that good growth would be witnessed in domestic steel consumption in the coming years, bringing an end to the stagnant demand scenario.

Performance of your Company during FY 15

It gives me immense pleasure to inform my esteemed shareholders that the new 4160 m3 Blast Furnace at IISCO Steel Plant, Kalyani, which is the largest in the country, has become operational in November 2014 bringing about a quantum jump of 2.5 million tonne in our crude steel capacity. This marks a new chapter in the modernization and expansion of our Company.

At Rourkela Steel Plant, all new facilities under the integrated process route of BF-BOF-Caster-Plate Mill were made operational during the fiscal.

It is a matter of great honour and pride for your Company that Hon'ble Prime Minister of India dedicated the modernised & expanded Rourkela Steel Plant to the Nation on 1st April, 2015 and IISCO Steel Plant on 10th May, 2015.



Hon'ble Prime Minister Shri Narendra Modi dedicating SAIL's modernised Rourkela Steel Plant to the nation in the presence of Dr. S.C Jamir, Governor Odisha, Shri Naveen Patnaik, Chief Minister, Odisha, Shri Narendra Singh Tomar, Minister of Steel & Mines, Shri Jual Oram, Minister of Tribal Affairs, Shri Dharmendra Pradhan, Minister of State (IC) for Petroleum and Natural Gas, Shri Vishnu Deo Sai, Minister of State for Steel & Mines, Shri Rakesh Singh, Secretary, Ministry of Steel and the then Chairman, Shri C.S. Verma.



New Plate Mill of SAIL's Rourkela Steel Plant

SAIL's relentless drive to fast-track its Modernization & Expansion Plan (MEP), resulted in commissioning of projects worth ₹10,200 crore in 2014-15, which is the highest for a year since inception. A capital expenditure of ₹6,840 crore has been incurred during Financial Year 2014-15 and capex planned for 2015-16 is ₹7,500 crore.

Your Company achieved a turnover of ₹50,627 crore during the Financial Year 2014-15 which was almost at the same level as that of the previous year (₹51,866 crore). The profit after tax of your Company for the financial year 2014-15 was ₹2,093 crore compared to ₹2,616 crore in the previous financial year. Net profit was down largely due to the lower net sales realization resulting from a subdued market in the second half of the last fiscal. The Company paid an interim dividend of 17.5% and the Board of Directors has recommended a further dividend of 2.5% subject to the approval of the Shareholders, thus taking the total dividend to 20% for the fiscal.

During the year, divestment of 5% equity stake in SAIL by Government of India by way of Offer For Sale (OFS) was successfully concluded. With this divestment, the shareholding of Government of India in the Company has now come down to 75%.

On the production front, your Company achieved 15.4 million tonnes (MT) of hot metal production in FY'15, registering an improvement of 7% over FY'14. Saleable production was 13.5 MT which was 3% higher than the previous financial year. Several strategic actions were taken to achieve cost control savings in major areas of operation viz. optimisation of coal blend, higher yield, higher continuous casting production and improvement in revenue maximisation areas.

Research & Development

R&D Centre of SAIL continued its pursuit for development of niche products as per market requirement and developed 24 new products during the year. A few of them are, earth quake resistant steel for construction segment, steel for

lighter and safer LPG Cylinders, high quality Boiler Plates, Armour Plates for Bullet Proof Application, etc. In 2014-15, SAIL's R&D expenditure was 0.56% of sales turnover, which was the highest among the Indian steelmakers.

Your Company is proud to be a part of India's 'Make in India' initiative. One such initiative has been SAIL's contribution in the country's first indigenously built warship named INS Kamorta, an anti-submarine warfare corvette, which was built with special grade high-tensile steel (DMR249A) produced by Bhilai Steel Plant of SAIL. The ship was handed over to the Indian Navy by Garden Reach Shipbuilders & Engineers Limited in the month of July'14.

SAIL - Vision 2025

Your Company is also geared up to play a significant role in the economic development of the country with a quantum increase in its

production capacity in the coming years. SAIL is finalizing its Vision-2025 Document, which will steer the Company to increase its production capacity of Hot Metal to 50 million tonnes, along with related and enabling business activities. This will not only enhance SAIL's contribution to Nation building, but will put SAIL amongst the top steel companies globally. Your Company already has the land bank and the other necessary enablers for expanding its capacity to that level. However, considering that steel industry is cyclic in nature, the capital schemes under the Vision 2025 would be taken up depending upon the market conditions. Further, in order that the Company acquires requisite technologies to process raw materials as well as to produce steel in an environment friendly manner in the carbon constrained World, the Company is finalising its Technology Vision and also the Environment Vision.



Proud Employees of SAIL's IISCO Steel Plant



Skilled manpower and higher capacity HEMM set to hike production at RMD's Bolani Ores Mines in Odisha

Even while Vision-2025 for the Company is being given final shape, action on some of the key projects in this road map have been initiated. Work on installation of a state of the art 3.0 MTPA Hot Strip Mill at Rourkela Steel Plant has started. This mill will enable production of high quality HR coils including high strength API grades (upto API X 100), auto body grades and other special value added steels.

Human Resource & Corporate Social Responsibility

Your Company achieved the highest ever Labour Productivity of 302 TCS/Man/Year in 2014-15. As on 31.03.2015, the manpower strength of the Company was 93,353 with manpower rationalization of 4,544 achieved during the year. The enhanced productivity with rationalized manpower could be achieved as a result of judicious recruitment, redeployment

strategies, building competencies and promoting a greater sense of commitment and passion among employees to excel. Post the current modernisation and expansion the Labour Productivity would further improve to over 400 TCS/Man/Year.

Inspired by the call of the Hon'ble Prime Minister for "Swachha Bharat Abhiyan" SAIL took up construction of toilets in schools under "Swachha Vidyalaya Abhiyan", a drive to promote sanitation and hygiene in remote areas and I am glad to inform you that construction of all the targetted toilets has been completed by SAIL in time.

On the medical front, SAIL approached the doorsteps of 1.5 lakh underprivileged populace through its Mobile Medical Units (MMUs)/ Ambulances and 2500 health camps in 2014-15. More than 1 Lakh needy people availed free medical care including medicines at our exclusive

Seven Health centres (Kalyan Chikitsalaya) for the poor during last year.

In the field of education, SAIL owns and maintains over 129 schools in its Steel Townships for providing modern education to more than 59,000 children, besides actively providing assistance to over 629 schools with over 95,000 students. Your Company provided vocational and specialised skill development training targeted towards sustainable income generation for 3000 village youths and 7000 women of peripheral villages in 2014-15.

SAIL has constructed new roads and pathways and repaired damaged roads and pathways in rural areas to provide connectivity to over 77 lakh people across 435 villages for facilitating reach of education and healthcare amenities. SAIL, in association with Akshya Patra Foundation, is actively participating in provision of mid-day meals to 63,000 students of 570 Govt. schools everyday in and around Bhilai and Rourkela.

Accolades

Your Company continued to get laurels and appreciation from different quarters, which inter-alia include, "Excellent" MOU Rating for the year 2013-14 for the 12th consecutive year; Bhilai Steel Plant bagged the Prime Minister's Trophy for the Best Performing Integrated Steel Plant in the country for the year 2011-12 (declared in 2014-15) for a record 11th time (out of 21 times awarded).

The employees of your Company continue to maintain the tradition of winning maximum number of Prime Minister's Shram Award and Vishwakarma Rashtriya Puraskar in the Country in recognition of their creative and innovative abilities. 19 out of 28 Vishwakarma Awards were bagged by SAIL employees. Similarly, 3 out of 17 Prime Minister's Shram Awards declared in the country for the Public Sector have been won by SAIL employees this year.



Felicitation of SAIL's proud recipients of Vishwakarma Awards-2015