



Journey of Excellence

**REFORM,
PERFORM,
TRANSFORM**

Chairman's Address
47th Annual General Meeting

30th August, 2019

BUILDING A ROBUST INDIA

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Dear Shareholders,

I extend my heartiest greetings and a warm welcome to all of you on the occasion of 47th Annual General Meeting of your Company.

I would take this opportunity to apprise you on the performance and achievements of your Company during the Financial Year 2018-19 (FY'19) which has been the year of turnaround and also a look into the future.

The Annual Report of the Company containing, inter alia, the Report of the Board of Directors and the Audited Accounts for the Year ended 31st March, 2019 along with the Reports of Statutory Auditors and Comptroller & Auditor General of India have already been circulated and with your permission, I shall take it as read.

Company's Performance

Your Company earned a Profit after Tax (PAT) on standalone basis at ₹ 2,179 crore in FY'19 as against loss of ₹ 482 crore in the previous year FY'18. On consolidated basis, the Profit after Tax stood at ₹ 2,349

crore for FY'19 as against loss of ₹ 281 crore in FY'18. The change in fortune has been a result of determined efforts and strategic initiatives taken by the Company which helped improve the EBITDA in FY'19 to ₹ 10,283 crore, almost double of the performance of ₹ 5,184 crore in FY'18.

The improvement in financial performance was based upon the improvement in operational areas viz., increase in Saleable Steel production (7%), higher Net Sales Realisation (NSR) for 5 ISPs (16%) and 16% growth in sales turnover at ₹ 66,267 crore over the previous year. The operational efficiencies resulting from higher production through concast route, improved product-mix, reduction in Coke Rate, reduction in wage bill, etc. were the other highlights of the performance during the year.

However, the same has been partially offset by increase in imported coal prices, purchased power rate, higher expenditure on repairs & maintenance, stores & spares, security expenses, loss on account of foreign exchange variations, provisioning towards various mining related issues, provision for Entry Tax in the State of UP

following the Court Order, increase in interest & depreciation costs, etc.

FY'19 saw a number of new records being created. Your Company achieved its highest ever production of Hot Metal of 17.5 MT, Crude Steel of 16.3 MT and Saleable Steel of 15.1 MT. Production of Steel through Continuous Caste Route clocked the best ever performance of 13.8 MT with a growth of 8% over previous best at 12.8 MT in FY'18. Production improved substantially with ramping up of new facilities. Some of the highlights are as follows:

- ❖ Medium Structural Mill (MSM) at Durgapur Steel Plant (DSP) saw its production increase by almost 75% over FY'18 to 1.71 lakh tonnes.
- ❖ New Plate Mill (NPM) at Rourkela Steel Plant (RSP) which set the new benchmark by producing 8.61 lakh tonnes during FY'19.
- ❖ Universal Rail Mill (URM) at Bhilai Steel Plant (BSP) achieved its highest ever production of UTS-90

Rails at 3.69 lakh tonnes to take the total production of UTS-90 Rails during the year to 9.85 lakh tonnes, a growth of 83% over FY'18. Long Rails contributed a record 4.48 lakh tonnes.

Your Company, especially during H2 FY'19, took various initiatives for ensuring higher production, improvement in product-mix, increase in sales volume, better TE Parameters. Production of Hot Metal, Crude Steel and Saleable Steel increased by 12%, 13% and 10% respectively during H2 over H1. During this period, production of UTS-90 Rails grew by 35% with Long Rails production increasing by 28% over first half. TE Parameters viz., Coke Rate and CDI Rate showed an improvement of 3% and 11% in H2 over H1 while the production from Concast Route grew by 12%.

During the year, your Company's total requirement of iron ore was met from captive sources. SAIL's captive mines produced 28.35 million tonnes (MT) of iron ore.

The scenario in the current Financial Year has been quite challenging with both demand and realisation touching



Hon'ble Prime Minister, Shri Narendra Modi at SAIL's Bhilai Steel Plant.



Shri Dharmendra Pradhan taking charge as Minister of Steel on 31.05.2019, in presence of Minister of State for Steel, Shri Fagga Singh Kulaste and Secretary Steel, Shri Binoy Kumar.

new lows every day. Despite the challenges, your Company has been able to post a Profit before Tax of ₹ 104 crore for Q1 FY'19. With the new Government having accorded priority to infrastructure development in the Country, we hope for market scenario to improve henceforth. The demand from projects as well as retail sector is likely to pick up once the Monsoon Season is over. The onset of Festive Season may also bring in demand from segments like automobile, white goods, etc., all of which require steel as one of the major inputs.

Building Capacities

On 14th June, 2018, Hon'ble Prime Minister dedicated the modernised and expanded Bhilai Steel Plant to the Nation. During the year, Steel Melting Shop (SMS-III) at BSP was put into operation along with 2 Convertors, 3 Casters, 2 Ladle Furnaces and 1 RH Degasser. The trials for Bar Line and Rod Line of Bar & Rod Mill (BRM) at

BSP commenced during December'18 and February'19 respectively.

At Bokaro Steel Plant (BSL), the hot trial of Hot Dip Galvanising Line at Cold Rolling Mill-III was started in June'18.

Blast Furnace-1 (Parvati) at RSP was blown-in during May'18 after upgradation and was dedicated to the Nation on 11th June, 2018 by the Hon'ble Union Minister of Steel.

Steel Processing Units (SPUs) at Jagdishpur and Bettiah were put into operation after inauguration by the Hon'ble Prime Minister and the Hon'ble Minister of Steel on 3rd March, 2019 and 18th February, 2019 respectively.

Further, your Company has approved certain new projects for modernisation/augmentation of capacities. Some of these are:

- ❖ Revamping of Converter and installation of new Caster at SMS-1 of Bokaro Steel Plant.
- ❖ Setting up of 3.7 MTPA Sinter Plant-2 at Bokaro Steel Plant.
- ❖ Setting up of an Oxygen Plant of 2000 TPD capacity at Bokaro Steel Plant on BOO basis.
- ❖ New Hot Strip Mill of 3 MTPA at Rourkela Steel Plant.
- ❖ Installation of 4th Slab Caster in the SMS-2 at Rourkela Steel Plant.

The "National Steel Policy 2017" envisages production capacity of 300 MTPA for India by 2030. SAIL has also started deliberations for increasing its capacity commensurate with the same.

Trustworthy Nation Builder

Your Company has associated itself with every major national infrastructure project of the Country in the

areas of Defence, Railways, Infrastructure, Space, Power, Manufacturing, etc. Living up to the label of being the most trusted and valued partner in Nation's development, SAIL supplied steel to projects of national importance like Statue of Unity (tallest statue in the World), Bogibeel Bridge (longest rail-cum-road bridge in India), Kishanganga and Tuirial Hydro Projects, Eastern and Western Peripheral Expressways, Lucknow-Agra Expressway, etc. in FY'19 thus giving a fillip to India's growth story under the ambit of National Steel Policy 2017 as well as 'Make in India' movement. Aimed at import substitution, new grades like Quenched & Tempered Plates (SAIL WR 400, ASTM 517 F, S690 QL), High Tensile Parallel Flanged Beams, Medium Carbon Wire Rods (HC 52B, SAE 15B21), etc. were supplied for the first time. Your Company has also supplied steel for various defence projects including indigenously built Anti-Submarine Warfare (ASW), Stealth Corvette INS-Kiltan and the first indigenous artillery gun 'Dhanush' of the Indian Army.



SAIL's Durgapur Steel Plant supplied the first consignment of Linke Hofmann Busch (LHB) wheels to Indian Railways for improved safety and higher speed.



SAIL supplied steel for India's first indigenous long range artillery gun 'Dhanush'.

Marketing Initiatives

On the marketing front, SAIL has launched diverse initiatives to increase its market presence in different areas by targeting defined market segments. In order to bring in a focussed approach to various areas of Sales & Marketing, Central Marketing Organisation (CMO) workforce has been reorganised into three separate verticals viz., Sales, Marketing and Marketing Services. The Company introduced strategic processes like Sales Force Effectiveness (SFE) Programme and Key Accounts Management (KAM) Process during the year. The branding initiatives saw the launch of a new brand "NEX" to promote Parallel Flange Sections being manufactured by DSP and ISP. Further, in May 2019, your Company has launched its "SeQR" brand to promote the TMT Bars being manufactured by ISP based on its higher safety related properties and features against earthquake. The initiative "Gaon Ki Ore" saw organisation of more than 150 workshops aimed at

enhancing per capita usage of steel in rural construction sector.

During FY'19, your Company achieved its best ever sales volume of 14.12 million tonnes (MT). Despite second half of the year witnessing a strong undercurrent in the market for steel products, 10% higher volumes were pushed in H2 over H1. Continuing to strengthen its presence in international markets, SAIL exported 0.76 MT of steel, a growth of 9% over CPLY. With the emphasis on increasing sales of special quality steel, the proportion of these products was increased to 42% of the overall sales. In this regard, supplies from the Cold Rolling Mill#3 at Bokaro have been steadily increasing to consumers in the highly demanding, high value Auto segment, besides new customers in Power sector. Supplies of WRC in special grades has commenced from Wire Rod Mill (WRM) at IISCO Steel Plant. With focus on meeting the requirement of small consumers, 0.7 MT of steel was sold through the retail channel.

Logistics Initiatives

Further, to give an impetus to the Logistics Function, especially in the light of growing need to reduce dependence on Indian Railways, your Company took the initiative of constituting a new Logistics and Infrastructure Vertical. The Vertical has been dedicated for the Logistics requirement of all the SAIL Plants as well as RMD and CMO. The Vertical immediately upon its formation took various initiatives to improve the despatches from the Plants which touched the highest ever figure 14.86 MT during FY'19.

Sustainable Steel Maker

Your Company has been taking all appropriate measures to restore and rehabilitate the degraded eco-system, to maintain and enhance bio-diversity. This include ecological restoration of mined out areas, fresh plantation, bio-sequestration of CO₂, enhancing utilization of wastes through application of 4R's (Reduction, Reuse, Recycling and Recovery), environment friendly disposal of Poly Chlorinated Bi-Phenyls, utilization of renewable energy sources,

installation of bio-digesters for processing of wastes, etc. More than 20.5 million saplings have been planted across SAIL Plants and Mines till date since inception. Giving special thrust for plantation, more than 4.42 lakhs of saplings have been planted during FY'19.

Your Company has adopted a multi-pronged approach that includes organic growth, brown-field projects, technology leadership through strategic alliances, ensuring raw material security by developing new mines, diversifying in allied areas, etc. Some of the strategic initiatives include MoU for setting up of Pellet Plant, manufacturing of capital goods in the Country, setting up of Hydro Power Plant, closure of in-operative and non-performing Joint Venture and Subsidiary Companies.

Corporate Governance

Your Company is committed to the highest standards of Corporate Governance which are reinforced in its Vision and Credo. The philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures and reporting that conforms fully to laws,



Felicitation of Vishwakarma Rashtriya Puraskar Awardees in 2018.

regulations and guidelines including the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and the DPE Guidelines. The Company promotes ethical conduct with the primary objective of enhancing shareholders value, while being a responsible corporate citizen. SAIL's efforts as a responsible corporate citizen and partner in Nation Building have 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 & stakeholders. In line with this, SAIL has been proactively and regularly sharing key information with all stakeholders through use of different communication channels.

Outlook

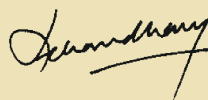
Looking at future, IMF has projected the World growth outlook in April'19 for the year 2019 and 2020 at 3.3% and 3.6% respectively despite challenges and uncertainties in the short term. Further, backed by policy accommodations in major economies, IMF has projected a pickup in the second half of the year which will boost the growth rate and return to 3.6% in 2020. Beyond 2020 growth will stabilize at around 3.5%, bolstered mainly by growth in China and India and their increasing weights in Global income.

Indian Economy expected to continue doing well augers well for the Steel Industry as the two enjoy a strong correlation. World Steel Association (WSA) in its Short Range Outlook of April'19 has echoed similar sentiments while projecting a growth of 1.3% and 1% in 2019 and 2020 respectively. WSA has further added that the Indian economy is expected to achieve faster growth

starting from second half of 2019. The wide range of infrastructure projects is likely to support growth in steel demand above 7%. India is poised to overtake US as the second largest steel consuming Nation in 2019.

Acknowledgement

At the end, I take this opportunity to thank all who have contributed towards the improved performance of the Company. I must 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 also convey my sincere thanks to the Ministry of Steel for its continued guidance and support. I appreciate the faith reposed in the Company by our shareholders including the Central Government when it has been unable to pay the dividend owing to the continued losses. As the Company has started its ascent to the top, it is time we keep our investors in good spirits. Accordingly, the Board of Directors has proposed a dividend of 5% for FY'19. I hope this will further strengthen the faith of the stakeholders in us and I look forward to their continued support and unflinching trust.



(Anil Kumar Chaudhary)
Chairman

Place: New Delhi

Dated: 30th August, 2019



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
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