

Today, our country is on a high growth path and needs more steel to build its infrastructure and strengthen its manufacturing base. We, in SAIL, are in the process of modernising & expanding all our steel plants & mines and are well poised to play a vital role in a growing economy of the country.

As a responsible corporate citizen, SAIL, since its inception, is strengthening India. We at SAIL are proud of touching the lives of millions of people and making a meaningful difference in their lives.



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# The Golden Era

## 50th year of production



1954: The sleepy pastoral village of Bhilai in Madhya Pradesh before its transformation into a pulsating giant

To realise Pandit Nehru's grand vision of an industrially self-reliant India, the Government of India had set up Hindustan Steel Limited (HSL) to develop and manage steel plants in the public sector. A modest beginning was made with commissioning of three 1 million tonne steel plants each at Rourkela, Bhilai and Durgapur in 1959.

It is a moment of great happiness and pride for SAIL to celebrate its 50th year of production from February, 2008. It was on 3rd February, 1959 that the then President of India, Dr. Rajendra Prasad had dedicated the first blast furnace of erstwhile HSL's Rourkela Steel Plant to the nation, followed by the dedication of the first blast furnace of Bhilai Steel

Plant on 4th February, 1959. Subsequently, the first blast furnace of Durgapur Steel Plant was dedicated to the nation on 26th December, 1959. These events marked the beginning of steel plant operations in the public sector in independent India, thus laying the industrial base for the country.

HSL's reincarnation as Steel Authority of India Limited (SAIL) in 1973 symbolised a young nation's belief in its strengths and capabilities to propel India into the future. The newly-formed Bokaro Steel Limited came into the SAIL fold along with other companies associated with the steel industry. Over the years, the SAIL family has grown to a turnover of over Rs. 45,000 crore company with the addition of three special steel plants; the country's one of the largest mining network, state-of-the-art R&D centre and a pan-Indian marketing network. The country's oldest iron making company, IISCO, is also now a part of the expanding SAIL family.

SAIL steel has, over the last half a century, been the sinews of the nation's infrastructure development,

including key sectors like defence, railways, oil & gas, construction, power and shipping. In addition to contributing significantly to India's economic growth, SAIL has also transformed remote and underdeveloped areas around its steel plants, mines and other units into vibrant mini-Indias.

SAIL marches ahead in its quest to maintain market leadership in the Indian steel business. The organisation is poised to make its mark globally in the years to come with the implementation of state-of-the-art clean and green technologies as part of its modernisation & expansion plans to increase its capacity to over 26 million tonnes by 2011 and 60 million tonnes by 2020.

As we celebrate 50th year of production, we salute the vision, grit and determination of the numerous steel men who continue to add "a little bit of SAIL in everybody's life".



2008: Bhilai Steel Plant forms the backdrop of a modern township

## Vision

To be a respected world-class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.

## Credo

We build lasting relationships with customers based on trust and mutual benefit.

We uphold highest ethical standards in conduct of our business.

We create and nurture a culture that supports flexibility, learning and is proactive to change.

We chart a challenging career for employees with opportunities for advancement and rewards.

We value the opportunity and responsibility to make a meaningful difference in people's lives.

## Highlights 2007-08

- ▶ Best ever turnover at Rs. 45,555 crore, up by 16%
- ▶ Best ever EBIDTA at Rs. 12,955 crore, up by 15%
- ▶ Best ever Profit before Tax at Rs. 11,469 crore, up by 22%
- ▶ Best ever Profit after Tax at Rs. 7,537 crore, up by 22%
- ▶ Highest ever Dividend of 37%, up by 19%
- ▶ Highest ever Hot Metal, Crude Steel and Saleable Steel production crossing 15 million tonnes, 14 million tonnes and 13 million tonnes respectively
- ▶ Highest ever sales of 12.3 million tonnes, up by 4%
- ▶ Lowest ever energy consumption at 6.95 G.Cal / TCS achieved
- ▶ Continued improvement in debt-equity ratio from 0.24:1 as on 31st March, 2007 to 0.13:1 as on 31st March, 2008
- ▶ Marketing Dealers Network expanded to all districts of the country



# Awards & Accolades



Performance of SAIL has been widely recognized by all stakeholders including leading financial institutions / rating agencies and industry bodies, winning several awards/ accolades in various fields during the financial year 2007-08. Some of the major awards are:

- ❑ **FICCI Annual Award 2006-07** to SAIL for its outstanding achievement in the category of Rural & Community Development Initiatives.
- ❑ **The Gold Trophy of the prestigious SCOPE Award** to SAIL for Excellence and Outstanding Contributions to the Public Sector Management for the year 2006-07.
- ❑ **Corporate Social Responsibility Award** for its significant contributions in this field, by Ministry of Rural Development, Govt. of India during the National Conference of Youth Hostels Association (YHAI).
- ❑ **Employer Branding Award 2007-08** to SAIL under the category "Best HR strategy in line with business" at the Asia Pacific Human Resource Management Congress.
- ❑ The prestigious **CNBC-TV18 Employers of Choice Award 2007** to SAIL in PSU category.
- ❑ **Vishwakarma Rashtriya Puraskar-2006** to 51 SAIL employees. SAIL bagged 12 out of 28 for their innovative suggestions leading to cost reduction, higher productivity, import substitution and improved efficiency of the organisation. Out of the twelve groups 7 are from Bhilai Steel Plant, 4 from Rourkela Steel Plant and 1 from Bokaro Steel Plant.
- ❑ SAIL has been selected as **Business Superbrand 2008** and falls within the top 5% of all brands across all segments and all categories.
- ❑ **ICWAI National Award for Excellence in Cost Management-2007** to SAIL in the category "Public Sector Manufacturing (Organisation)" for the 3rd time for its cost management efforts since the inception of the award in 2003.
- ❑ 1st rank to SAIL for **Largest & Most Profitable Steel Company (Public Sector)** at Construction World (NICMAR) Awards 2007.
- ❑ **Dun & Bradstreet's American Express Award 2007** to SAIL as the Top Indian Company in the Iron & Steel Sector.
- ❑ **The Good Green Governance (G-Cube) Award 2007** to SAIL at Peace with Earth in the large scale manufacturing category towards greening the environment.
- ❑ Runner-up Trophy to SAIL in the Category of **Most Innovative Industry Resource** in the Corporate University Best in Class (CUBIC) Award 2007 presented in Florida, USA.
- ❑ The **Special Award** (Top amongst all the categories) to SAIL pavilion at Udyog Mela in Ranchi from Jharkhand Govt. and Second Prize at Bhartiya Vigyan Sammelan & Expo-2007 from Govt. of MP, Vigyan Bharti, MP Council of Science & Technology.
- ❑ **Golden Peacock Award 2007** to BSP for Corporate Social Responsibility during the 3rd Global Conference of Social Responsibility at Vilamoura, Portugal.
- ❑ **Golden Peacock Innovation Award 2007** to RSP for the 3rd year in succession for its efforts in the innovative technologies adopted in the field of environment protection by Institute of Directors/ World Environment Council.
- ❑ **Golden Peacock Innovative Products/ Service Award 2007** from the Institute of Directors (IOD) to RDCIS for excellence in development of innovative value-added products.
- ❑ State Govt. **Exemplary Worker Award** for 2005 to five employees of SSP for their valuable suggestions for the improvement in safety standards, working environment and productivity.

- ❑ Nine **National Safety Awards** to BSP. Five Awards to three Mines of RMD - 2 awards to Kiriburu Iron Ore Mine for the Longest Accident Free Period (LAFP) consecutively for the year 2004 and 2005, 2 awards to Kalta Iron Mine for Lowest Injury Frequency Rate (LIFR) consecutively for the year 2005 and 2006, and in the same category 1 award to Kuteshwar Limestone Mine for the year 2005.
- ❑ **Ispat Suraksha Puraskar** to SSP at Annual Safety Awards at Visakhapatnam for its efforts in instilling a sense of safety, health and cleaner work environment.
- ❑ **National Sustainability Award for the year 2007** to SSP from the Ferrous Division of Indian Institute of Metals for the 4th consecutive time and for the 11th time since inception of the award.
- ❑ The second prize of **National Sustainability Award** in the Integrated Steel Plant category to RSP from Indian Institute of Metals.
- ❑ **National Gold Award** to RSP for e-governance from Department of Administrative Reforms and Public Grievances along with the Department of IT, Govt. of India.
- ❑ **Greentech Environment Excellence Gold Award** to RSP for 4th consecutive year for achieving excellence in Environment Management in the year 2006-07.
- ❑ Certificate of Merit in the integrated steel plants sector for the **National Energy Conservation Award 2007**, instituted by the Ministry of Power, Government of India to RSP for achieving significant success in improving the performance of the steel plant on the energy conservation front.
- ❑ **Gold Medal** to RSP's The Rising Sun Quality Circle from Plate Mill & **Bronze Medal** to ASP's Flip-Flop QC Team (EED, SMS & CCS) in the International Convention on Quality Control Circle 2007 held at Beijing, Federal Republic of China.
- ❑ The prestigious **Rajiv Gandhi National Quality Award 2007** to BSL. Plant received the coveted "Best of all awards for achieving excellence of the highest order among all participants".
- ❑ **International Quality Summit Award 2007** in the Gold Category to ASP from Business Initiative Directions (BID) for Excellence & Business Prestige at the Quality Summit in New York, USA.
- ❑ **Quality Circles Awards** - 8 Par Excellence awards, 13 Excellent awards and 3 Distinguished awards to BSP, 4 Par Excellence awards & 1 Excellent award to SSP, and RMD's BOM team adjudged at Par Excellence and Gua team at Par Distinguished in the 21st National Convention on Quality Circles at Kolkata.
- ❑ **Dr. M. Visvesvaraya Memorial Gold Medal** to a six member team of engineers from RDCIS for their paper titled "New challenges in project management for Indian Steel Industry" during the 22nd Indian Engineering Congress.
- ❑ **First prize for promoting the usage of Hindi** in the official work to SAIL from Town Official Language Implementation Committee (PSUs-Delhi) constituted by Govt. of India. **2 first prizes** for best in-house hindi magazine to Ispat Bhasha Bharti - one at national level from GOI, Ministry of Home Affairs and second from TOLIC-Delhi.
- ❑ **Silver Award** in the tabloid category & a **Bronze** for the Indian Language Category to Ispat Sambad, the fortnightly in-house journal of DSP at the 47th Annual Awards of Association of Business Communicators of India (ABCI).
- ❑ **The Champions Trophy** in the Junior National Hockey Championship for the second year in succession to SAIL Hockey Academy Team of RSP. The Academy Team also bagged **Second Prize** in the Late S.S. Tomar Memorial All India Hockey Tournament.



# Board of Directors

## Chairman

Shri S.K. Roongta

## Functional Directors

### Personnel

Shri G. Ojha

### Finance

Shri Soiles Bhattacharya

### Commercial

Shri S.S. Ahmed

### Technical

Shri V.K. Gulhati

## Managing Directors

### Durgapur Steel Plant

Shri V. Shyamsundar

### Rourkela Steel Plant

Shri B.N. Singh

### Bokaro Steel Plant

Shri V.K. Srivastava

### Bhilai Steel Plant

Shri R. Ramaraju

### IISCO Steel Plant

Shri S.P. Rao

## Government Directors

Shri B.S. Meena  
Additional Secretary & Financial Adviser  
Ministry of Steel, Government of India

Shri G. Elias  
Joint Secretary  
Ministry of Steel, Government of India

## Independent Directors

Dr. S.C. Jain  
Prof. R.P. Sengupta  
Dr. Velu Annamalai  
Shri Siddharth Kak  
Shri Shyamal Ghosh  
Shri Mohammad Yusuf Khan  
Prof. Deepak Nayyar  
Prof. Javaid Akhtar  
Shri P.K. Sengupta  
Dr. Vinayshil Gautam

## Secretary

Shri Devinder Kumar

## Bankers

- State Bank of India
- Punjab National Bank
- Canara Bank
- Bank of Baroda
- United Bank of India
- Bank of India
- Union Bank of India
- Oriental Bank of Commerce
- Allahabad Bank
- Bank of Maharashtra
- UCO Bank
- Central Bank of India
- State Bank of Patiala
- Indian Overseas Bank
- Syndicate Bank
- Punjab & Sind Bank
- Jammu & Kashmir Bank
- State Bank of Hyderabad
- State Bank of Saurashtra
- State Bank of Bikaner & Jaipur
- State Bank of Indore
- State Bank of Mysore
- IDBI Bank
- HDFC Bank
- Yes Bank
- Corporation Bank

## Statutory Auditors

**M/s. Ray & Ray**  
Chartered Accountants

**M/s. Dass Maulik Mahendra K. Agrawala & Co.**  
Chartered Accountants

**M/s. T.R. Chadha & Co.**  
Chartered Accountants

## Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003  
**Phone:** 24367481; **Fax-** 24367015  
**Gram:** STEELINDA

**Internet:** www.sail.co.in

**E-Mail:** secy.sail@sail.co.in

# Board of Directors



Shri S.K. Roongta



Shri V. Shyamsundar



Shri B. N. Singh



Shri V. K. Srivastava



Shri G. Ojha



Shri R. Ramaraju



Shri Soiles Bhattacharya



Shri S. S. Ahmed



Shri V. K. Gulhati



Shri S.P. Rao



Dr. S. C. Jain



Prof. R. P. Sengupta



Dr. Velu Annamalai



Shri Siddharth Kak



Shri G. Elias



Shri Shyamal Ghosh



Shri M. Y. Khan



Prof. Deepak Nayyar



Prof. Javaid Akhtar



Shri P. K. Sengupta



Dr. Vinayshil Gautam



Shri B. S. Meena



# Directors' Report



Inaugural function for commencement of Golden jubilee celebrations by SAIL, as it enters its 50th Year of Production. Shri S.K. Roongta, Chairman, SAIL presenting a memento to Hon'ble Union Minister for Chemicals & Fertilizers and Steel, Shri Ram Vilas Paswan, Shri B.S. Meena, Addl. Secretary & Financial Adviser, Shri George Elias, Jt. Secretary, Ministry of Steel and Shri G. Ojha, Director (Personnel), SAIL are also present on the dais.

To,  
The Members,  
The Directors have pleasure in presenting the 36th Annual Report of your Company together with the audited accounts for the year ended 31st March, 2008.  
The financial year 2007-08 has been a historical year for the Company, being an year for commemorating its Golden Jubilee year of iron making from February, 2008. It was on 3rd February,

1959 that the then President of India, Dr. Rajendra Prasad had dedicated the first blast furnace of erstwhile Hindustan Steel Limited at Rourkela Steel Plant to the nation, followed by the dedication of the first blast furnace of Bhilai Steel on 4th February, 1959. These events marked the beginning of steel plant operations in the public sector in independent India, thus laying the industrial foundation for the country as envisioned by our first Prime Minister, Pandit Jawaharlal Nehru.

## FINANCIAL REVIEW

The financial year 2007-08 has been another milestone year of achievement for your Company with an overall improvement in operational areas and financial performance. For the first time production of hot metal, crude steel and saleable steel crossed the 15 MT, 14 MT & 13 MT mark respectively during the year. The year saw further progress and strengthening in the areas of modernisation & expansion of SAIL plants, increase in the net worth of the Company and higher internal resource generation for funding the growth plan of SAIL. Your Company set a new record by achieving the turnover of Rs. 45,555 crore and profit before tax of Rs. 11,469 crore, registering a growth of 16% and 22% respectively over the previous year. Your Company recorded a net profit after tax (PAT) of Rs. 7,537 crore, an increase of 22% over previous year. There were improvements in all financial parameters as shown below:

(Rupees in crore)

|   | 2007-08   | 2006-07   |
|---|-----------|-----------|
| Sales Turnover  | 45,555.34 | 39,188.66 |
| Profit before interest, depreciation and tax (EBIDTA) | 12,955.15 | 10,966.66 |
| Less: Interest and finance charges                    | 250.94    | 332.13    |
| Depreciation  | 1,235.48  | 1,211.48  |
| Profit before Tax (PBT)                               | 11,468.73 | 9,423.05  |
| Less: Provision for taxation                          | 3,931.95  | 3,220.76  |
| Profit after Tax (PAT)                                | 7,536.78  | 6,202.29  |
| Key Ratios EBIDTA to Net Sales (%)                    | 32.8      | 32.3      |
| Return (PAT) on Net worth (%)                         | 32.8      | 36.1      |
| EBIDTA to Average Capital Employed (%)                | 48.0      | 46.4      |
| Earning Per Share (Rupee 10/- each)                   | 18.25     | 15.02     |
| Debt Equity Ratio                                     | 0.13:1    | 0.24:1    |

While an improved demand for iron & steel helped in recording better financial performance, significant improvements also came by way of several internal initiatives viz., higher capacity utilisation at 118%, record production through continuous cast route, best ever performance in key techno-economic parameters like overall energy consumption and coke rate, highest production and sales of value added products, continuous emphasis on cost reduction and prudent fund management.

Impetus on cost reduction at all levels, productivity improvements through benchmarking, proper utilization of in-house R&D services and application of new technology resulted in cost savings of Rs.328 crore during the year. Thrust areas during the year included achieving higher yields and improved techno-economic/productivity parameters.

The strong financial performance continued in 2007-08 contributing to an enhanced cash generation to meet the strategic growth objectives. Debt equity ratio has improved to 0.13: 1 (as on 31st March, 2008) from 0.24: 1 (as on 31st March, 2007). The Company had liquid assets of Rs.13,136 crore as at 31st March, 2008 invested in short term deposits with scheduled banks and



Shri S.K. Roongta, Chairman, SAIL handing over the interim dividend cheque of Rs. 673.49 crore for 2007-08, to Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, on 7th February, 2008.

considering borrowings of Rs. 3,045 crore maintained its virtual debt free status. The interest cost at Rs. 251 crore was lower by Rs. 81 crore over the previous year and the Company earned interest of Rs. 1,105 crore during the year on short term deposits. The entire capital expenditure of Rs. 2,181 crore during the year was funded through internal accruals.

During the previous year, your Company had constituted a Gratuity Trust under the name "Steel Authority of India Limited Gratuity Fund". An amount of Rs. 1,250 crore has been contributed to this trust during the year 2007-08 making a cumulative contribution of Rs. 2,000 crore. This measure will secure gratuity payment to the employees.

The Company has paid an interim dividend of 19% on the paid-up equity share capital during the year. The Board of Directors have further recommended a final dividend of 18% on paid up equity share capital subject to the approval of the shareholders, thus making the total dividend to 37% of the paid up equity share capital for the year 2007-08 (previous year 31%). A sum of Rs.770 crore has been transferred to the general reserves during the year for this purpose (previous year Rs.635 crore).

## PRODUCTION REVIEW

The year 2007-08 turned out to be another eventful year for SAIL in production and operational efficiencies. SAIL plants achieved all time best production performance by better input and logistics management, optimising operations and better value addition.

SAIL plants recorded the highest ever hot metal production of 15.2 million tonnes, achieving a capacity utilisation of 110% with a growth in production by 4% over the previous year. The increase in hot metal production of more than half a million tonne during the year, was achieved by implementing process improvements, like introduction of mobile equipment for cast house preparation job at BSP, installation of rocking runner in the cast house of BF#3 in single track, increased oxygen enrichment at RSP and higher furnace availability at BSL. Further, higher usage of auxiliary fuels and optimum utilisation of resources helped SAIL plants to produce more than capacity.

Highest ever crude steel production of about 14.0 million tonnes by SAIL plants was achieved with capacity utilisation of 109%. This was achieved through focused approach and maximisation of production through concast route, increase in hot metal & crude steel ratio with a reduction in pig iron production etc. Bloom Caster was also commissioned at DSP, which helped in increasing production through concast route.



# Directors' Report



MoU being signed amongst SAIL, Indian Railways, NMDC Ltd. and Govt. of Chhattisgarh for the construction of a railway line between Dalli-Rajhara-Rowghat-Jagdalpur, on 11th December, 2007, in the presence of (from left to right), Dr. Raman Singh, Hon'ble Chief Minister, Chhattisgarh, Shri Lalu Prasad Yadav, Hon'ble Minister of Railways, Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, Shri R. Velu, Hon'ble State Minister for Railways.

SAIL plants recorded highest ever saleable steel production of 13.0 million tonnes, a growth of 4% over the previous year and best ever finished steel component in saleable steel at 83%. This helped in attaining the highest ever capacity utilisation of saleable steel production at 118 %, surpassing the previous best of 114% achieved during 2006-07. The three special steel plants (ASP/SSP/VISL) together recorded a growth in saleable steel production of 13% during 2007-08 over the previous year.

Special thrust was given to increase production of the value added products and increasing the share of special steels. Highest ever production of special steel/value added items of 3.7 million tonne was recorded during the year, with a growth of 25% over the previous year. This included an improvement in the production of special quality steel products - Electrode quality wire rods (22%), 7 fold increase in TMT/500/550 HCRM grade, LPG-grade HR coils/sheets/plates (11%), SAILCOR HR/CR coils (44%), with record production of Rails at 9,16,000 tonne. The long rail production exceeded one lakh tonne, up by 56% over the previous year.

SAIL developed a number of new products during the year which includes Earthquake Resistant (EQR) TMT Wire Rods, with improved corrosion resistance. Vanadium Micro-alloyed Rail for application in tracks for higher axle load at high speed (SAILMA 550) and high yield strength rolled plates (SAILMA 550 HI) at the Bhilai Steel Plant (BSP), Armour steel plates for the defense sector at Rourkela Steel Plant (RSP), low carbon EDD HR/CR steel for auto bodies, Boron-treated Al-killed low carbon steel at the Bokaro Steel Plant (BSL), SUP-11 (DSP).

Your Company continued to achieve improvement in efficiency parameters. Continuous cast production went up to a record high of 8.93 million tonnes, a growth of 7% over the previous year. Coke rate was the lowest ever at 533 kg/thm, a reduction of 8 kg over the previous year and energy consumption came down to lowest ever 6.95 G.cal/tcs, a reduction of 3% over the previous year. There

was reduction in specific power consumption by 1% compared to the previous best of 457 kwh/tcs achieved earlier.

## SECURING RAW MATERIALS

Your company has ensured full availability of iron ore for its steel plants by stepping up production to about 26.37 million tonnes from its captive mines during 2007-08 (up by 7%). The production of limestone and dolomite from captive mines also increased to 2.6 million tonnes. The production of coking and non-coking coal crossed a million tonne during the year for the first time (up by 47%).

The requirement of iron ore is to go up to about 42 million tonnes post modernization and expansion by 2011. In order to meet the higher level of iron ore requirement, linkages have been formulated between plants and mines and plans have accordingly been made for development of the mines. The matter of delay in renewal of leases for Chiria has been taken up with the respective State Governments and Central Government including PMO. Your company is vigorously pursuing with Government for renewal of leases, forest & environmental clearances etc. On infrastructure front, an MOU has been signed on 12th December, 2007 amongst SAIL, Ministry of Railways, Government of Chhattisgarh and NMDC Ltd. for construction of railway line between Dalli-Rajhara-Rowghat-Jagdalpur.

Your Company has taken several steps to increase production of both coking coal and thermal coal in captive mines at Chasnalla, Ramnagore and Jitpur. Process has been initiated for development of new coking coal mines at Tasra and Sitanala. Grant of statutory clearances for production from these mines are in progress. For attaining the raw material security in steel related raw materials, your company has applied for prospecting license/mining lease in new areas for Iron ore, Manganese ore, Nickel, Chromium ore in the states of Jharkhand and Orissa.

## SALES & MARKETING REVIEW

During the financial year 2007-08, your company achieved highest ever sales of steel of 12.3 million tonnes recording a growth of 3.7% over previous year. Sales of special steel recorded 69% growth over previous year comprising 109% in long products and 8.5% in flat products. Major categories which recorded significant growth over previous year were TMT 54%, Plates 8%, HR Coils 7% and Medium Structurals 27%.

Record sales of 2.4 million tonnes of steel was made to projects of national importance to meet the critical requirements of key sectors, like airports, railway, metro rail, highways, power projects, registering a growth of 32% over previous year. Record supply of rails, wheels & axles, sheets, plates and structurals were made to Indian Railways (including Rail Vikas Nigam Limited) at 9,79,152 tonnes. During the year record supply of long rails was made to Indian Railways at 101,104 tonnes registering a growth of 56% over previous year. Supply of TMT steel was augmented through conversion and decoiling arrangements which helped in stepping up supplies of TMT to 1.31 million tonnes during 2007-08, against 0.85 million tonnes in the previous year (up 54%).

Dealer network was extended to cover 602 districts (out of 603 districts, in the country). With the addition of 1200 dealers during the year, dealers strength has gone up to 1897 as on 1st April, 2008. Sales through dealers at 3.3 lakh tonnes grew more than fourfold. 8 new stockyards were also made operational during the year. For better customer service, e-payment and e-receipt systems have been introduced at all branches of CMO. Towards improving customer satisfaction and greater logistics support, door delivery to customers was also stepped up.

Your company maintained its presence in neighbouring and traditional markets and exported about 4.72 lakh tonnes during the year. The products exported were primarily Billets, Wire Rods, Plates, HR Coils and CRNO Coils. Exports were made to new markets viz., Argentina and Brazil. Diesel Loco Wheels from Durgapur Steel Plant were exported to Malaysia for the first time. High Tensile and Ship Building Plates from Bhilai Steel Plant were exported to the European Union.

## GROWTH PLAN

Considering the fast growing demand for steel, your company is implementing growth plan to enhance its Hot Metal production from the base level of 14.6 million tonnes to 26.2 million tonnes per annum by 2011. The growth plan, besides targeting higher production, also addresses the need for eliminating technological obsolescence, achieving energy savings, enriching product-mix, reducing pollution, developing mines and collieries, introducing customer centric processes and developing matching infrastructure facilities.

As per the study of International Iron and Steel Institute, steel demand in India is projected to grow to a level of around 180 million tonnes by 2020. To maintain its current dominance in the domestic market and to meet the future challenges, your company is working on a long term directional plan 'Lakshaya 2020', which will steer the company towards meeting its strategic objectives of achieving profitability through growth and customer satisfaction.

## STRATEGIC INITIATIVES OF YOUR COMPANY

During the year 2007-08, your company continued to give impetus towards new business initiatives including formation of new Joint Ventures, mergers & acquisitions, entering into Memorandum of Understandings for its long term strategic objectives etc. As part of such initiatives, during the year your company has successfully concluded 11 (eleven) MOUs as well as 4 (four) Joint Venture Arrangements with leading organisations in diverse areas. These include:



Shri S.K. Roongta, Chairman, SAIL and Shri B. Muthuraman, MD, TATA STEEL signing an agreement for setting up a joint venture for Coal Mining in India on 3rd January, 2008.

- Joint Venture in cement production : A joint venture for setting up a 2.2 million tonnes cement plant at Bokaro Steel Plant has been formed, which is scheduled to commence production in 2010. Also, process for setting up of slag cement plant at Rourkela Steel Plant has been initiated, for which identification of a strategic JV partner is under progress.
- Joint Venture Agreement signed with Manganese Ore (India) Ltd. (MOIL) for setting up a Ferro Alloy Plant for production of ferro-alloys for SAIL. The plant is likely to be commissioned by 2011.
- MoU signed with Rashtriya Ispat Nigam Ltd. (RINL) to jointly explore and develop low silica limestone mines in the Sultanate of Oman.
- Towards achieving the target of making PSUs self reliant in the area of coking coal, Union Cabinet has accorded approval for formation of a Special Purpose Vehicle (SPV) comprising five companies SAIL, Rashtriya Ispat Nigam Limited (RINL), Coal India Limited (CIL), NTPC Limited and



Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, in the presence of Dr. Raman Singh, Hon'ble Chief Minister, Chhattisgarh and other dignitaries on the occasion of foundation laying ceremony for modernisation & expansion of Bhilai Steel Plant on 9th February, 2008. Also seen in the picture are Shri Ram Chandra Paswan, MP; Shri S.K. Roongta, Chairman, SAIL and Dr. J.S. Sarma, Secretary, Fertilizer & Steel.



# Directors' Report



Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, addressing a gathering on the occasion of foundation laying ceremony for modernisation and expansion of Rourkela Steel Plant, on 4th January, 2008. Seen in the picture are (from right to left) : Shri Jual Oram, MP; Shri Ram Chandra Paswan, MP; Shri Naveen Patnaik, Hon'ble CM, Orissa; Shri R.S. Pandey, Secretary, Steel, Shri S.K. Roongta, Chairman, SAIL and Shri B.N. Singh, MD, RSP.

NMDC Limited with an initial equity capital base of upto Rs. 3,500 crore to facilitate acquisition of coking coal assets abroad.

- Strategic decision taken to start the production facilities at Kulti in West Bengal for production of ferrous and non-ferrous castings for its steel plants. Production of non - ferrous castings has already commenced and for ferrous castings it will start during 2008.
- MoU signed with the Korean steel giant, POSCO, to collaborate in the strategic areas of mutual interest.
- Strategic decision taken for development of a Special Economic Zone (SEZ) at Salem, Tamil Nadu, which has also been approved by the Government of India.
- Decision taken to install Steel Processing Units in different states where SAIL has no steel plant. This decision is in view to make finished steel available to the end users.

Apart from this, following strategic initiatives are taken to augment supplies of key input raw materials and associated infrastructure on a long term basis:

- Signed an agreement with Tata Steel for joint development of coal blocks.
- MOU with Mineral Exploration Corporation Limited (MECL) for exploration by MECL at all SAIL mines for assessing the reserves and quality of ore available. MECL has already started exploratory work in Gua and Chiria mines.
- MOU with M/s. Bisra Stone Lime Company Limited (BSLC) for Dolomite.
- MOU with M/s. Heavy Engineering Corporation (HEC) for equipment/spares required for modernization/expansion.
- Agreement entered with Centre for Railway Information System (CRIS), Indian Railways for on-line tracking of rake movements.

## □ Merger of Bharat Refractories Limited (BRL) with SAIL

Government of India has approved merger of BRL with SAIL. Both the companies have been permitted to initiate the process of merger under section 396 of the Companies Act, 1956. The necessary activities for merger of BRL with SAIL have been initiated and a proposal for obtaining approval of shareholders to the Scheme of Amalgamation has been included in the business to be transacted in this year's Annual General Meeting.

## MODERNISATION & EXPANSION PROJECTS

Your Company has undertaken a massive modernization and expansion plan to expand capacity of hot metal to over 26.2 million tonnes from the base level of 14.6 million tonnes.

The implementation of growth plan is being done simultaneously in all the plants including mines and requires matrix planning, involvement / coordination with a large number of agencies, prudent fund management, selection of right technology etc. Your Company has already initiated actions in all areas including preparing the organization accordingly. The SAIL Board gave 'in-principle' approvals during the year for modernization and expansions at BSP, RSP and DSP with an estimated outlay of about Rs. 24,500 crore and final approval for modernization and expansion at ISP, SSP and BSL (New CRM).

The modernization & expansion plans include installation of new Coke Oven Batteries, three new Sinter Plants, three new Blast Furnaces of bigger capacity with upgradation of existing blast furnaces, three new Steel Melting Shops with addition of Converters in old shops, installation of new Rail Mill, Plate Mill, Compact Strip Mill, Bar and Rod Mills, Wire Rod Mills, Structural Mill, Universal Beam Mill, etc. All this will increase share of finished steel in saleable steel from current level of about 83% to almost 100%. Along with the addition of new facilities, most of the existing facilities are also being upgraded to enable production of value added steels, reduce energy consumption and improvement in productivity, etc.

Number of capital projects have been commissioned during the year and several major projects (> Rs.100 crore) are under implementation at various Plants which, inter-alia, include Rebuilding of Coke Oven Battery No.5, Installation of Slab Caster, Main Step Down Station-V, 700 tpd Air Separation Unit at BSP; Rebuilding of Coke Oven Battery No.4, New Coke Oven Gas Holder, Oxygen Plant, Simultaneous Blowing at SMS-II at RSP; Coal Dust Injection in Blast Furnace-2 & 3, Augmentation of Coking Coal Storage facilities, New Turbo Blower, Upgradation of Blast Furnace No.2 Rebuilding of Coke Oven Batteries 1 & 2 at BSL, Coal Dust Injection in BF No.3 & 4 at DSP and Rebuilding of Coke Oven Battery No.10 at ISP.

## HUMAN RESOURCES MANAGEMENT REVIEW

Your Company has always believed that human resource is its most important asset and continues to work for its development and realisation of its potential. To achieve growth and to foster motivational climate, several initiatives were undertaken in the HR area during the year. The thrust on optimal utilisation of manpower with focus on improvement in productivity continued. Manpower strength of SAIL as on 31st March, 2008 was 1,28,804 comprising 15,895 executives and 1,12,909 non-executives. The manpower was further rationalised with a reduction of 4,169 during the year. Labour productivity witnessed an increase of 7% over previous year to touch a new peak of 214 tonne/man/year.

Presidential Directives on Scheduled Castes (SC) and Scheduled Tribes (ST) continued to be implemented. As on 1st January 2008, out of the total manpower, 14.99% were SC and 12.26% were ST. During the year, out of total recruitments of 1398 employees made by the Company, 223 candidates (15.95%) and 191 candidates (13.66%) belonged to SC and ST categories respectively.

Other initiatives undertaken for the welfare for SCs/STs: SAIL steel plants and units including mines are located in economically backward regions of the country with predominant SC/ST population. Therefore, SAIL has contributed to the overall development of civic, medical, educational and other facilities in these regions. Besides, your Company has also undertaken several welfare initiatives for the welfare of SC/ST and other weaker sections of the society, such as:

- Your Company awards 14 scholarships to deserving SC/ST undergraduate engineering students in various disciplines to encourage technological education among them.



Shri G. Ojha, Director (Personnel), SAIL receiving the first prize for best in-house Hindi Magazine awarded to "Ispat Bhasha Bharti" from Shri Shivraj Patil, Hon'ble Minister of Home Affairs on 14th September, 2007.

- Your Company also awards merit-cum-means and merit scholarships and Jawaharlal Nehru Science and Technology Scholarships to the wards of its employees. 20% of these scholarships are reserved for the wards of SC/ST employees.
- Bhilai Steel Plant awards 18 scholarships for SC/ST students from PM's Trophy Fund.
- Rourkela Steel Plant has instituted a scholarship of Rs.1,00,000/- each to six SC/ST students from peripheral villages for pursuing professional courses like medical, engineering etc.
- Salem Steel Plant provides 10 scholarships on yearly basis, besides providing free uniform and books to SC/ST students from peripheral schools.
- Your Company has adopted 95 SC/ST children of Chhattisgarh Region and 12 Birhor Tribe children from the Jharkhand Region. They are being provided free education, boarding and lodging facilities.
- 51 tribal students are being provided education free of cost in Company sponsored DAV school at Chiria.
- SAIL's Tribal Sports Festival 2007 was organised at DSP on 31st December, 2007, in which 1458 villagers from 16 villages participated in different games.
- At each of the main integrated steel plant location, one school has been opened to provide free primary education to the children of economically weaker section living below poverty line. Students of these schools are also being provided free uniforms, books and other stationery items besides mid-day meals to encourage them to attend the schools.
- SAIL plants organises free medical camps for the welfare of villagers living in the peripheral villages of steel townships

Your Company has constructed roads in and around steel plant and mine locations for the benefit of the peripheral population. These initiatives help in making a meaningful difference in the lives of the local SC/ST population.

Your Company continued with the thrust on implementation of Official Languages Policy of Government of India. The Company won the first prize in the area of promoting the usage of Hindi in official work from Town Official Language Committee (PSUs-Delhi) constituted by G.O.I. The in-house-Hindi magazine "Ispat Bhasha Bharti" bagged 2, first prizes for best Hindi journal, one at the national level from Government of India, Ministry of Home Affairs and second from TOLIC-Delhi. The Company has also organised a two day National Seminar in Hindi on "Employees Motivation and Discipline", in which faculty from top management institutes like IIM, FMS, MDI etc. participated.

## AWARDS AND ACCOLADES

Your Company's excellent performance got recognition from several quarters during the year 2007-08. 51 employees received Vishwakarma Rashtriya Puraskar-2006 Awards instituted by the Government of India in recognition of their extraordinary contribution. 10 employees won 2 Shram Vir Awards under the prestigious Prime Minister's Shram Awards Scheme. Major awards received by your Company include SCOPE Award for Excellence & Outstanding contribution to the Public Sector Management-"Institutional Category" for the year 2006-07; FICCI Annual Award 2006-07 for outstanding achievement; CNBC-TV 18 "Employers of Choice Award 2007"; and the "Employer Branding Award 2007-08", under the award category 'Best HR strategy in line with business'.



# Directors' Report



Shri S.K. Roongta, Chairman, SAIL receiving the FICCI Award 2006-07 for Rural & Community Development initiatives from the Hon'ble Prime Minister, Dr. Manmohan Singh on 15th February, 2008

In addition, RSP won the prestigious "Gold Icon National Award for e-Governance" in 2007-08; SSP won the "National Sustainability Award" for the year 2007; RDCIS has won the "Golden Peacock Innovative Products / Service Award" for 2007.

The Institute of Cost & Works Accountants of India (ICWAI) under its National award for excellence in Cost Management, conferred upon SAIL, the first prize in the category of Public Sector Undertaking, as a recognition of the Company's efforts in the areas of cost management practices and attainment of cost consciousness in the organisation for the year 2007. This is the fourth time, when SAIL's endeavour in the area of cost reduction has been recognised.

The Institute of Cost & Works Accountants of India (ICWAI) also conferred upon Rourkela Steel Plant the second award in the category of Public Sector manufacturing unit having turnover of more than Rs. 1,000 crore for the year 2007.

Contribution of your Company towards environmental protection has been duly recognized with getting awards, viz. CII sustainability prize and Institute of Directors (IOD) Golden Peacock Environment Management award in Mining and Metal sector for BSP, Golden Peacock Innovation award and Greentech Environment Excellence Gold award for RSP and National Sustainability award for SSP.

SAIL has been a pioneer in introducing e-business and under this effort, RSP bagged the Golden Award for "Exemplary Usage of Information & Communication Technology (ICT) by PSUs" under the category of National Awards for e-governance conferred by the Government of India.

Your Company has received the FICCI Award on 'Rural and Community Development Initiatives' on 15th February, 2008 which was presented by Hon'ble Prime Minister, Dr. Manmohan Singh. BSP has been awarded Golden Peacock Award -2007 for its CSR jobs, at Portugal, on 15th February, 2008.

## ENVIRONMENT MANAGEMENT

Corporate Environmental Policy of your Company emphasises on "Conducting our operations in an environmentally responsible manner to comply with applicable regulations and striving to go beyond" and the Company recognises its responsibility and its commitment towards Corporate Responsibility of Environment Protection (CREP).

To ensure clean environment in plants/units and in the surrounding habitat, your Company continued its efforts in the areas of resource conservation, pollution prevention, compliance to legislative & regulatory requirements, waste management and conservation of waste to wealth and has complied with the norms relating to water consumption, particulate emission in air etc. Areas of major achievements during 2007-08 are:

- Lowest ever Particulate emission in air at 2.2 kg/tcs, a reduction over 5% over the previous year.
- Solid waste utilisation touched 80%, an improvement of 3%.
- Water consumption brought below 4.0 m3/tcs, an improvement of 8%.
- Restored over 200 acres of degraded mining area at Purnapani, Barsua and Kalta under the MoU between Delhi University, Department of Biotechnology and SAIL.
- Pisciculture has been taken in the abandoned mining areas at Purnapani and over 2 lakh fishlings have flourished in 100 acres of quarry water voids.

Your Company has actively associated with fora like Asia Pacific Partnership for Clean Development and Climate (APPCDC), New Energy and Industrial Technology Development Organisation (NEDO) and International Iron and Steel Institute (IISI), for adoption of energy and environment friendly technologies. Phasing out of Ozone Depleting Substances (ODS) has also been taken up in the SAIL plants under UNDP programme.

Your Company has launched an ambitious programme for tapping the carbon benefits under Clean Development Mechanism (CDM) of the Kyoto Protocol agreement on climate change. Over 71 potential projects have been identified across the Company's plants located at Bhilai, Durgapur, Rourkela, Bokaro and Bumpur for availing carbon credits. The CDM project entitled, "LD gas recovery at Rourkela Steel Plant" has been registered at UNFCCC for tapping the carbon benefits.

## IT RELATED INITIATIVES

Your Company is continuously moving ahead in innovative usage of Information Technology (IT). Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES) are being implemented in SAIL. At BSP, ERP will go-live soon. A Wide Area Network through VSATs has been installed in all the mines and Raw Material Division, Kolkata, to establish a strong and stable data-voice network and has been linked to SAIL's network making communication faster. Other initiatives include:-

### Employee Services

Intranet Web Portals have been developed by plants/units for providing on-line facilities like leave encashment, LTC/LLTC encashment, tour advance, festival advance etc. to employees. Information like circulars, orders, forms, pay details, PF status are available on the web site for employees. To provide Employee Self Services, Kiosks have been installed for accessing intranet web sites by the employees of plants/units.

An on-line Executive Performance Management System (EPMS) has been developed with an objective to create a performance culture through continuous performance improvements of individual employees, teams and the organisation.

### E-Commerce

Electronic commerce has been continuously given top priority to ensure equity and fairness besides efficiency in commercial transactions. By giving continuous thrust, the e-Purchase

(through Reverse Auction of Rs.1,508 crore and e-Sale (through Forward Auction of Rs.2,512 crore) totaling to Rs.4,020 crore in 2007-08, indicated a growth of 48% over previous year.

## CORPORATE SOCIAL RESPONSIBILITY

SAIL has been a pioneer in the area of Corporate Social Responsibility (CSR) since inception, substantially contributing towards betterment of social indices in and around the periphery of steel plants. SAIL has been structuring and implementing CSR initiatives right from inception with the underlying philosophy and a credo to make a meaningful difference in people's lives. These efforts have seen the obscure villages of yesterday, where SAIL plants are located, turn into leading industrial centres in the country today.

Since inception your company has established 40 primary health centres, 11 reproductive and child health centres 31 hospitals and 8 super-specialty hospitals. These have resulted in access to improved health infrastructure for 2.2 crore people from ailments from common cold to measles, diabetes, reproductive and child health care, open heart surgery, neuro surgery, kidney transplantation etc. Your Company has opened about 138 schools in the steel townships to provide modern education to about 81,000 children. Besides adopting and providing free education and facilities to tribal children, company has provided assistance to over 1407 schools, with more than 1,64,000 students of around 435 villages surrounding its units. In this endeavour, SAIL has achieved a Girl:Boy ratio of 1:1 for all levels of education and a survival rate (i.e. rate of retaining enrolled students) of 90% in all SAIL secondary schools and 95% in all SAIL primary schools. SAIL has started 5 free schools exclusively for the poor, under privileged children - one each at its 5 Integrated Steel Plant locations. Students are being provided free meals, uniforms, tuition, books & stationery and transportation, etc. in these schools.

In addition to contributing in areas of education and health, your Company provides access to potable water to about 1.1 lakh persons every year and constructs/repairs 33 km of (pucca) roads per year, thereby providing access to more than 2 lakh persons across 435 villages per year. During 2007-08, 61 kms of pucca road was built, 423 new water resources were created and 402 solar lights were provided.

Your Company has adopted 79 villages as Model Steel Villages across eight states. The developmental activities planned for these villages include medical and health services, education, roads and connectivity, sanitation, community centres, livelihood



Mahantabagan, one of the 79 villages adopted by SAIL for developing as Model Steel Villages.

generation, sports facilities, etc. Out of the 79 villages, 13 villages have been developed as Model Steel Villages, during the year 2007-08.

Your Company is also working towards preserving culture and heritage. Some of the key activities include assistance to maintenance of monuments in Lodhi Garden, New Delhi; contribution towards the development of infrastructural facilities and amenities etc. at Archeological Sites of Lauria Nanandargarh and Chankigarh in West Champaran District of Bihar and Light and Sound Show organised on 10th May, 2007 on the occasion of 150th anniversary of First War of Independence at Dhyana Chand National Stadium, New Delhi.

Besides, the Company extended support to a number of activities for the benefit of physically challenged persons and destitute. 193 physically challenged and hearing impaired persons from peripheral villages were identified and crutches, artificial limbs and hearing aids were provided with the help of Bharat Vikash Parishad, a reputed NGO; Besides 150 hearing aids, computer lab and furniture, 15 tricycle and 5 wheel chairs were also provided. CSR is ingrained in all spheres of industrial life and social responsibility for the Company and it is not only a virtue but a business imperative.

The objective of the Company is to focus on the following thematic themes/causes as part of Corporate Social Initiatives and Women Upliftment:

- Income Generating Schemes ( through Self Help Groups);
- Education; and
- Health issues

In line with the above themes, SAIL is working in tandem with State Government of Chattisgarh for establishing a Technical University at Bhilai, Chattisgarh. An ITI was inaugurated at Gua Mines in September'07 by Shri Madhu Koda, Hon'ble Chief Minister of Jharkhand in which classes in two streams have started.

Project 'Jaladhara' was taken up under the Corporate Social Responsibility initiatives of SAIL / CMO in tribal villages in Vishakhapatnam District. The project aimed to provide drinking water to the hamlets of Dummaguda and Sarada Bonguda village from the natural springs of the Ranajilledu water falls in the picturesque Araku Valley. Water from the perennial natural springs (at a height of 60m from the village) is brought down to the villages by taking advantage of the natural gradient (by the gravity) by constructing a cistern at the tapping point, laying a main pipeline (1.6 kms long) through mountain terrain to convey the water from the cistern at the tapping point to three tiny hamlets housing a population of about 450 in the village premises where filtration tanks and distribution tanks with taps are provided and distributed. Earlier the village folk (especially ladies) had to trek nearly 2.5 kms to collect water from the Ranajilledu Falls. The entire facility was handed over to the Sarpanch of the village on 15th December 2007.

In the field of health care, free medical health centres for poor have been set up at Bhilai, Bokaro, Rourkela, Bumpur (Gutgutpara) and Durgapur providing free medical consultation, medicines, etc. In addition, over 400 medical camps have been held in 2007-08 by all the plants and units in 12 states (Bihar, Jharkhand, Chattisgarh, Orissa, West Bengal, Tamil Nadu, Karnataka, Maharashtra, Madhya Pradesh, Haryana, Himachal Pradesh, Rajasthan) for providing free health check-up, path lab treatment, medicines, immunization, etc to over 5 lakh of the needy persons. Surgical cases were referred to plant hospitals (free stay, to and fro



# Directors' Report



Shri S.K. Roongta, Chairman, SAIL addressing the International Seminar on Iron Ore Beneficiation & Pelletisation, organised by the Ministry of Steel, Dr. U.P. Singh, Jt. Secretary, Ministry of Steel is seen on the dais.

transport and food with 1 attendant each) with the facility for post operative check up etc. In one of these camps organized by SSP, a 18 months old girl was detected with congenital cataract in both the eyes (nearly blind) and was restored vision after surgery at SSP hospital. Ten (10) numbers of Mobile Medicare units have also been provided to different organizations during 2007-08

Thirty three (33) child labour rescued by an NGO operating in MSV Thirumalaiviri, Salem, are being supported by taking care of their education, livelihood, hygiene and health care. Massive flood relief operation was organized by SAIL. Almost 100 employees were pressed into service. Flood relief operation was undertaken in 46 districts in 3 states namely, Bihar, Uttar Pradesh and Assam (in North East).

Your company is one of the first PSUs to get associated as an inter-sectoral collaborator of National AIDS Control Organisation (NACO), Ministry of Health and Family Welfare, Government of India. SAIL has continued its efforts to contribute to the society in prevention and control of HIV/AIDS through Information, Education and Communication (IEC) Programmes where more than one lakh people were covered. In the schools, AIDS Education Programme (for Class IX and above) has been taken up across the Company, in line with NACO guidelines.

In the field of Income generating schemes, vocational training has been provided to around 25,000 villagers in SMART Model for Vegetable Cultivation, WADI, Amrapali Drip Watering, Teak Plantation, Poultry Farming, Water Harvesting, Mobile Artificial Insemination, Vermiculture etc.

Your Company has well planned sports policy, with an accent on nurturing young talents through four specialized academies promoting Athletics, Hockey, Football and Cricket. SAIL sponsored several sporting tournaments at the national and the international levels to promote sports in the country. In order to provide impetus to sports, Archery Academy has been set up at Kiriburu Mines, Jharkhand. A host of tribal sports festivals have also been organized like SAIL Tribal Sports Festival-2007 at Durgapur, Gramin Khel Melas in Athletics, Football, Volleyball and Khokho for tribal students at Narayanpur, Chattisgarh. Another prestigious programme under sports promotion was SAIL sponsoring ADPROS Asian Tour Golf Tournament (SAIL Open Golf Tournament) and Nehru Champion Colleges Hockey Tournament besides supporting UP Badminton Association for UP Badminton Academy.

## CORPORATE COMMUNICATION

SAIL continued its efforts to project the image of the company by taking up brand building measures that included advertising through the outdoor and print media, participation in exhibitions sponsorships of various sports and cultural events, etc.

Sustained efforts were made to build the SAIL brand image as a steel producer of international repute and to generate confidence amongst customers and all the stakeholders through internal and external communication. Our house journal "Sail News" played an important role as an effective medium of communication amongst the employees and it has also provided a platform for sharing views of employees and their family members.

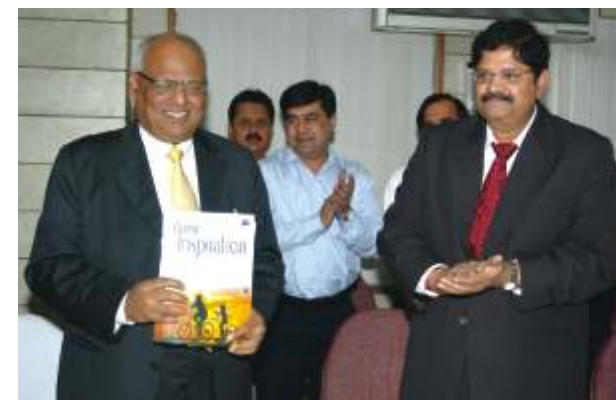
To commemorate the Golden Jubilee Year of Production on 4th February, 2008, at Vigyan Bhawan, New Delhi, a SAIL Logo on 50th Year of Production, was released. Several events have been planned to celebrate the Golden Jubilee Year of Production in all the plant/unit locations till 3rd February, 2009.

The Company continued to disseminate vital information related to Performance, Expansion Plans, Safety, Vigilance activities and Growth Plan through its house magazines, hoardings, posters, booklets and other channels.

## VIGILANCE ACTIVITIES

The Vigilance Department of your Company has received the coveted ISO 9001:2000 Certification for all its Plants/Units in 2007-08. Vigilance Department is playing a proactive role for continuous simplification of systems and procedures to facilitate faster and effective decision making, in a transparent manner. On the initiative of Corporate Vigilance, Integrity Pact has been implemented in the Company w.e.f. 16.8.07 for all procurements / contracts above Rs.100 crore. A procedure for procurement of quality medicines and consumables for its hospitals has been made by Corporate Vigilance in December, 2007 and implemented across the Company.

More than 160 training workshops involving around 3400 participants were held for enhancing Vigilance Awareness of employees. SAIL Vigilance also organized two training programmes at MTI, Ranchi for executives of other PSUs under the Ministry. The programmes were related to Disciplinary Proceedings, Purchase Procedures, CVC guidelines, RTI Act etc. As a step towards creating awareness of Vigilance matters, a half-yearly house publication titled "INSPIRATION" was launched during the Vigilance Awareness Week celebrated in November, 2007.



Shri S.K. Roongta, Chairman, SAIL releasing the new format Vigilance Bulletin "INSPIRATION" during the Vigilance Awareness Week Celebrations in November, 2007. Also seen in the picture, Shri Venugopal K. Nair, IPS, ADGP & CVO, SAIL

To ensure compliance of laid-down system and procedures, around 2900 surprise checks, including 500 joints checks, were conducted during the year and based on their outcome, actions were initiated for system improvement. During the 2007-08, about 49 system improvement initiatives were taken across the company which will smoothen the decision making process and enhance transparency in day to day working.

Vigilance Department maintained the thrust on e-governance as a result of which EPS system has been introduced in RSP and BSP and is being implemented in other Plants/Units also.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report covering the performance and outlook of the company is enclosed.

## AUDITORS' REPORT

The Statutory Auditors' Report on the Accounts of the company for the financial year ended 31st March, 2008 along with Management's replies thereon is enclosed at Annexure-I. The Comptroller & Auditor General of India (C&AG) vide its letter dated 20th June, 2008 has given 'nil' comments on the accounts of the company on accounts for the year ended 31st March, 2008, under Section 619 (4) of the Companies Act, 1956. A copy of the above letter of C&AG is enclosed at Annexure II.

## REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is given at Annexure-III to this report.

## PARTICULARS OF EMPLOYEES

There was no employee of the company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

## CORPORATE GOVERNANCE

In terms of listing agreement with the Stock Exchanges and the guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Government of India, Department of Public Enterprises, a compliance report on Corporate Governance is given at Annexure-IV. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-V. The Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company. The Code of Conduct has been posted on the website of the Company. All the Board Members and Senior Management Personnel have affirmed compliance with the code.

## CONSOLIDATED FINANCIAL STATEMENTS

In terms of listing agreement with the Stock Exchanges, the duly audited consolidated financial statements are placed at Annexure-VI.

## SUBSIDIARY

The Maharashtra Elektrosmet Limited (MEL) recorded a turnover of Rs.396.41 crore. The Net Profit after Tax (PAT) for the year was Rs.36.32 crore after charging depreciation of Rs.1.91 crore, interest/finance charges of Rs.0.11 crore and tax of Rs. 19.55 crore. MEL produced 64584 tonne of High Carbon Ferro Manganese and 37640 tonne of Silico Manganese during the year. Audited Accounts of Maharashtra Elektrosmet Limited for the year ended 31st March, 2008 are enclosed as Annexure-VII.

IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary of the erstwhile Indian Iron & Steel Company Limited (IISCO), was ordered to be wound up by BIFR. The Official Liquidator is continuing its liquidation process. SAIL (including IISCO) has received an amount of Rs. six crore from the liquidator as partial settlement.

## DIRECTORS

Shri K.K. Khanna, Director (Technical) ceased to be Director w.e.f. 30.09.2007 on attaining the age of superannuation.

Shri A.K. Rath resigned from the Board w.e.f. 16.11.2007

Shri V.K. Gulhati has been appointed as Director (Technical) w.e.f. 01.10.2007.

Shri B.S. Meena has been appointed as Director w.e.f. 20.12.2007

Shri Nilotpal Roy, MD, ISP ceased to be Director w.e.f. 31.01.2008 on attaining the age of superannuation.

Shri S.P. Rao has been appointed as MD, ISP w.e.f. 15.02.2008.

## ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SAIL family. The Directors are thankful to the State Governments, Electricity Boards, Railways, Banks, Suppliers, Customers and Shareholders for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India, particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

  
(S.K. Roongta)  
Chairman

New Delhi  
Dated: 31st July, 2008



# Management Discussion and Analysis Report

The Management of Steel Authority of India Limited presents its Analysis Report covering the performance and outlook of the Company.

## A. INDUSTRY STRUCTURE & DEVELOPMENTS

### General Economic Environment :

The world output grew by 4.9% in 2007, only marginally below the peak growth of 5% attained in 2006. While the growth rate of emerging and developing economies reached a peak of 7.9% in 2007, there was evidence of a deceleration in the growth of advanced economies at 2.7% compared to a growth of 3% in 2006. The reduction in growth was sharper for US at 2.2%, lowest in past 5 years, as fallout of the sub-prime crisis which affected the housing and the financial sectors.

With the sudden and sharp drop in market valuations of U.S. mortgage-backed securities in mid-2007, global markets have entered a phase of uncertainty. This has been reflected in increased volatility in equity markets, commodity prices, and exchange rates. Notwithstanding the increased volatility, the impact on developing countries has been relatively minor to date. Aggregate growth in developing countries continues to be strong, reflecting improved fundamentals in many countries and sizable revenues from commodity exports. Their strong gross domestic product (GDP) growth is partially offsetting weaker U.S. domestic demand, which is now expected to remain subdued well into 2008.

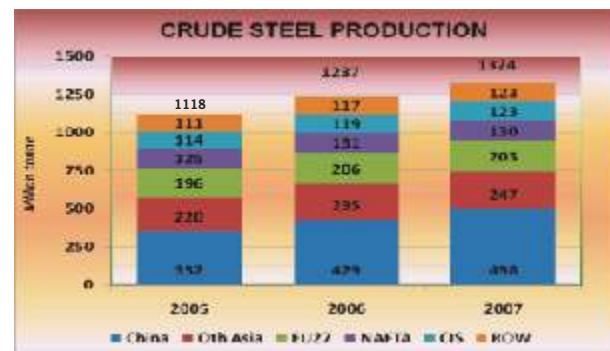
The impact of the sub-prime crisis is expected to be more pervasive in 2008 as the US and European banks start deleveraging, and repricing of risk takes place. The projections indicate a slowdown in the US economy which may come under minor recession during 2008. Despite weaker U.S. import growth, continued robust spending by oil-exporting countries and in China and India are projected to keep developing-countries growth strong. While high growth rate in the emerging and developing economies, will keep the world growth at a level of around 3.7% (IMF estimates), higher than the average growth of around 3% attained in 1990s, advanced economies are likely to experience a sluggish growth of less than 1.5% during 2008 and 2009.

The impact of sub-prime crisis is expected to be less on China and India where the growth, although milder, will continue to be fairly robust. In India containment of inflation and managing run away commodity price escalation is emerging as a bigger challenge. The GDP growth of 9.6% in 2006-07 has expected to be moderated to 9% in 2007-08. The growth in India in 2008-09 may come under further pressure due to a number of factors such as rupee depreciation, increase in the interest rates, containment of the overall liquidity as well as supply side factors such as unprecedented increase in oil prices. Increase in food and industrial raw materials prices have been a cause of concern and a number of fiscal measures have been taken to augment supplies by reducing customs duty and imposing levy on exports.

Projections for the GDP growth for India in fiscal 2008-09 indicate a softening of growth process. But the moderation is expected to be relatively mild, with GDP growing between 8 to 8.5% under the influence of robust investment, good corporate performance, and buoyancy in tax and savings rate.

India's global competitiveness (48<sup>th</sup>) compares well with those of the three other large emerging economies like China (34<sup>th</sup>), Russia (58<sup>th</sup>) and Brazil (72<sup>nd</sup>) (Source : World Economic Forum Annual Meet 2008). India has been moving towards greater innovation capabilities. Once India expands its resource base further, it should be able to produce quality goods at low price being a low cost economy with the high quality resource base.

### World Steel Scenario :



Global crude steel output witnessed a growth of 7.5% in 2007(IISI), scaling a level of 1343 million tonne. Of this the Asian Region alone accounted for 56%. Ten years ago the Asian Region accounted for 38% Only. China still remains the main driver of world steel production. Without China world steel production would have grown by a mere 3.3%. US was the only major country with a negative growth in steel production in 2007. Total crude steel production of US was 97 million tonne, a 1.4% reduction from 2006.

2007 was another year of strong growth in steel demand, with global finished steel consumption reaching 1.2 billion tonne. The steel consumption was propped up by the BRIC nations (Brazil, Russia, India and China) which registered a growth of more than 13% for the year and accounted for more than 80% of the incremental steel consumption. Finished steel consumption in India and China grew by 11% and 13% respectively during 2007. China remains the largest single market and the strongest growth area. Apparent use of finished steel at 408 million tonne in China recorded an impressive 13% growth in 2007. A strong positive trend is foreseen for China, Africa, Asia and South America in 2008.

The forecast for global steel consumption continues to be buoyant with growth rates for 2008 and 2009 expected to exceed 6%. While sub-prime crisis will impact steel growth in US and EU regions, rest of the world is expected to remain unaffected. The prospect for steel over the medium term is bullish with finished steel consumption projected at a level of around 1.75 billion tonne by 2016 (IISI estimate), a growth of 4% CAGR over the consumption level of 2007.

The BRIC countries will again be leading the growth with an expected increase of 11.1% for 2008 and 10.3% for 2009 (source: IISI). However, as steel demand growth increases in other emerging countries, the large gap in growth rate - that we have come to expect in recent times - between BRIC countries and the rest of the world (ROW) will narrow.

With rapid expansion in emerging countries, world crude steel making capacity grew by 7.4% or 108.3 million tonne to 1564



million tonne in 2007. The capacity addition in 2007 was the second highest in history after 112.2 million tonne added in 2005. China's crude steel capacity increased by 14.4% or 70.1 million tonne to 558 million tonne in 2007 and accounted for 65% of total world addition.

### Indian Steel Industry:

The finished carbon steel consumption in India for fiscal 2007-08 has been estimated at around 49 million tonne, a growth of 10.6% over the previous year (provisional estimates of JPC). The strong demand pull resulted in record finished steel imports of 6.5 million tonne, a 46% jump over the previous year, even as domestic producers curtailed their exports and redirected it for domestic consumption. The Indian steel industry has major expansion plans to meet growing demand. However incremental demand could lead to rising import volumes till commissioning of fresh capacities.

India produced 53.9 million tonne of crude steel in fiscal 2007-08, a growth of 6% over previous year's production. India ranks 5<sup>th</sup> largest steel producer globally, and is set to emerge as the second highest producer and consumer of steel in the world by 2015.

## B. OPPORTUNITIES AND THREATS

### Opportunities

Steel consumption in India is growing at a rate of more than 10%, a trend that is likely to persist as the nation enters into a steel intensive phase of development. The 11th Five Year Plan has given a major thrust on the infrastructure sector with the total spending planned at around US \$ 500 billion by 2012. Mega projects in the power, energy, ports, railways and surface transportation sectors, plans for rural infrastructure like Bharat Nirman, allocation for which was raised to Rs. 31,280 crore and building over 2 lakh kilometers of National Highways by 2010, present an unprecedented opportunity for SAIL which is implementing expansion cum modernization plan to cater to the emerging demand.

The size range and quality makes SAIL's long products a preferred choice for project customers. In case of flat products, SAIL remains a major supplier of HR Coils to the tube making sector and is slowly increasing its presence in cold reducing segment. Plates from SAIL are rated amongst the best and are in good demand from project customers.

The water supply and oil & gas sectors are the other segments where there is a large growth potential. The modernized ERW Pipe Mill at Rourkela Steel Plant is able to cater to the requirement of these sectors. Bokaro Steel Plant and Bhilai Steel Plant are also producing small quantities of API grade HR Coil and Plates for servicing these sectors.

The per capita consumption in India at around 46 kg remains very low compared to the world average of around 200 kg. One of the reasons for low steel consumption is low availability of steel in the rural area. SAIL in recent years has developed a dealers' network which covers all the districts in India. This will facilitate availability of quality steel in the interiors and promote market development and growth.

At a macro level, steel consuming segments such as construction, auto, capital goods etc. are growing rapidly registering a double digit growth in recent years and would continue to be the growth drivers given the structure of the economy. The auto sector in India has experienced rapid growth for a number of years. Improved road, growing middle class and globally competitive auto ancillary industry have been the facilitators of good growth for the sector. Technological break through and global competitiveness in two wheeler and small car segments are likely to make India a global hub for these products boosting demand for steel in the country.

### Threats

Customs duty on steel imports has been made nil in India and products such as TMT are also exempt from CVD. Sluggish market conditions in developing economies may make India destination for large scale imports adversely affecting domestic players.

Government of India has imposed export levy on steel products. India is a net exporter of galvanized products as its total capacity is in excess of domestic demand. Adverse impact on exports of galvanized products will have a cascading impact on domestic market for cold rolled and hot rolled coils and sheets.

China's production of crude steel at 489 million tonne in 2007 was around 36% of the global production. As Chinese economy matures and its steel consumption stabilizes, a part of the capacity will be serving only the export markets. The proximity and growing domestic steel consumption will make India a preferred destination for Chinese steel, significantly intensifying the competition.

### Strength and Weaknesses

SAIL is the largest steel company in India with a 26% share in total crude steel production. Captive iron ore mines, skilled manpower base, and existing infrastructure for brown-field expansion provide it the strength to retain its leadership position in the Indian steel industry. Its Captive power plants provide it with more than 60% of its total power requirement, a proportion that is likely to increase after expansion in capacity of power plants in its Joint Venture Companies.

SAIL has the largest distribution network in India comprising 37 branches, 64 warehouses and 24 customer contact offices. It has a presence in all districts in India through a dealers' network. Its wide range of product-mix enables it to meet the entire range of a customers' requirement. The Company has a strong Research and Development Centre enabling it to develop superior products matching customized needs.

As a top profit earner in India SAIL has a healthy balance sheet and is virtually debt free as its short term deposits are much higher than its total loans.

The current weaknesses of the Company stem from dependence on purchased coal from domestic and overseas suppliers. Some technologically obsolete processes such as ingot casting and the twin hearth furnaces continue to operate and will be eliminated only after implementation of the modernization cum expansion plan.

As the integrated steel plants of SAIL are located primarily in the eastern states, it increases the transportation cost to the fast growing markets of the west and south. Due to historical legacy the manpower cost in the Company is higher than its competitors. Also, being a public sector company adherence to a number of rules and procedures slows down the business decisions in some cases.

## C. RISKS AND CONCERN

The Indian economy has experienced inflationary pressure since beginning of March 2008. A variety of fiscal and monetary measures have been introduced to contain inflation. In case inflation rate does not subside Government may introduce stronger measures that could impact the growth rate of the economy and consequently domestic market for steel.

Pace of infrastructure development not keeping up with the pace of development of the industry is a key concern. Increase in oil prices will also have impact on production cost. The ocean freight continues to be high. Other infrastructure problems like availability of wagons, port congestion etc would



also affect operations at SAIL Plants and will have direct impact on operating margins.

SAIL has had the advantage of low operating cost but with the impending proposal to shift royalty rates of iron ore from the present specific duty to ad valorem rates at 10% of the sale price, the production cost is likely to increase.

The current year has witnessed historical high prices for inputs for steel making. Prices of iron ore and coking coal have been contracted at levels unimaginable only some time back. High cost of industrial raw materials will increase the marginal cost of production of steel and, therefore, the price of the metal in the market. At these prices steel may come under threat of substitution as end users look for cheaper options.

Availability of key raw materials such as iron ore and fluxes etc. give India an advantage in steel production. However, inordinate delay in clearance of mines may lead to shortage of input materials for steel making and thereby impact the growth of the sector.

Rapid growth in domestic demand for steel has come about due to increasing project and construction activity in the country, coupled with growth in consumer durables. Increase in cost of capital and reduced liquidity in the economy may result in postponing the activities resulting in reversal of demand growth. Similarly, construction and project activities may not take off as the increasing cost of construction make marginal projects unviable.

SAIL has taken up expansion plan at all its plants with a target to complete the projects by 2010. However there are only a limited number of equipment suppliers for steel plants. Currently the order books of steel plant equipment suppliers is overbooked which has exposed SAIL to the risk of higher project cost due to lack of competition amongst suppliers. In addition, the overbooked order position could also result in delay in supply of equipment.

#### D. OUTLOOK

Steel consumption in India is expected to continue its strong run in immediate future. According to the short term forecast of IISI, steel consumption in India is expected to grow at 9% and 12% respectively during 2008 and 2009.

The medium term outlook for steel industry in India is extremely bullish. It is anticipated that the steel consumption in India over medium term will grow at an average of more than 10%.

SAIL has undertaken expansion cum modernization plan to increase its saleable steel production by 10 million tonnes by end of 2010. Enrichment of product-mix, induction of state of art technology and introduction of new processes will facilitate the company in reaping benefits from an expanding market.

#### E. REVIEW OF FINANCIAL PERFORMANCE

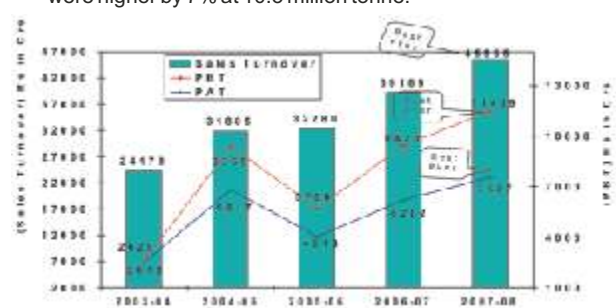
##### 1. FINANCIAL OVERVIEW OF SAIL

###### 1.1 Record Financial Performance

|                         | 2007-08<br>(Rs. in crore) | % increase over<br>Previous year |
|-------------------------|---------------------------|----------------------------------|
| Sales Turnover          | 45555                     | + 16                             |
| PBDIT                   | 12955                     | + 18                             |
| Profit Before Tax (PBT) | 11469                     | + 22                             |
| Profit After Tax (PAT)  | 7537                      | + 22                             |

During FY 2007-08 the company surpassed all previous records in production and saleable steel sales volume. Production of saleable steel at 13.0 million tonne compared to 12.6 million tonne in 2006-07 and sales volume of saleable steel at 12.3 million tonne against 11.9 million tonne in 2006-

07, resulted in a growth of 3.7% in each. Finished steel sales were higher by 7% at 10.3 million tonne.



During FY 2007-08, SAIL achieved the best ever turnover of Rs. 45555 crore and best ever profit before tax (PBT) of Rs. 11469 crore, surpassing the previous best PBT of Rs. 9423 crore achieved in FY 2006-07. Profit before tax was higher by Rs. 2046 crore over previous year. Higher production and sales volume; higher average price realization due to higher sales of value added products, better product mix and improvement in prices; improvement in techno-economic indices; cost control measures, increased interest income from investment of surplus funds and reduction in interest cost contributed to the record financial performance of SAIL. Interest costs were lower by Rs. 81 crore and interest earnings were up by Rs. 448 crore

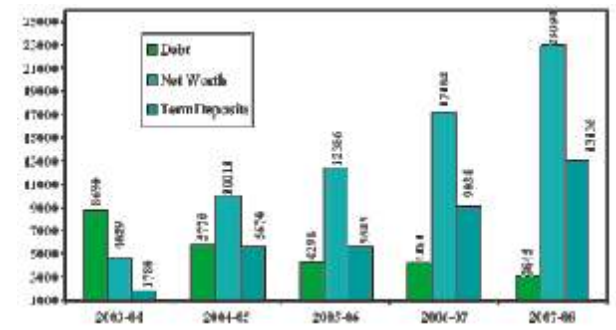
##### 1.2 Initiatives taken by the SAIL management include:

###### Cost Control Measures

- Emphasis on cost reduction and productivity improvement through systematic application of new technology, process improvement through R&D efforts and strong awareness to reduce cost at all levels of operation, has been maintained throughout the year.
- A saving of Rs. 328 crore has been achieved during the year through cost control and revenue maximization. Cost control savings have been achieved in major areas of operation, viz reduction in specific energy consumption, improvement on coke rate, higher CC production, low power consumption and improvement in other techno-economic parameters.

###### Fund Management

During the year, the company continued its thrust on debt reduction and better fund management. Overall debt of the company reduced by Rs 1135 crore during the year. This enabled the company to improve its debt/equity ratio to 0.13:1 as on 31.03.08 from 0.24:1 as on 31.03.07 and helped in reducing its total interest burden. Also, the company has



earned interest of Rs 1105 crore through short-term deposits with schedule banks. Thus, the company continued its virtual debt-free status with term deposits with Banks at Rs. 13136 crore against borrowings of Rs. 3045 crore at the year-end.

##### Contribution to SAIL Gratuity Trust

During the year, the company contributed Rs. 1250 crore in SAIL Gratuity Trust constituted in 2006-07. The total accumulation contributed by the company as on 31.03.2008 is Rs. 2000 crore. The fund size has grown to Rs. 2218 crore as on 31-03-2008, including returns on the investments made by the fund.

##### Capital Investments

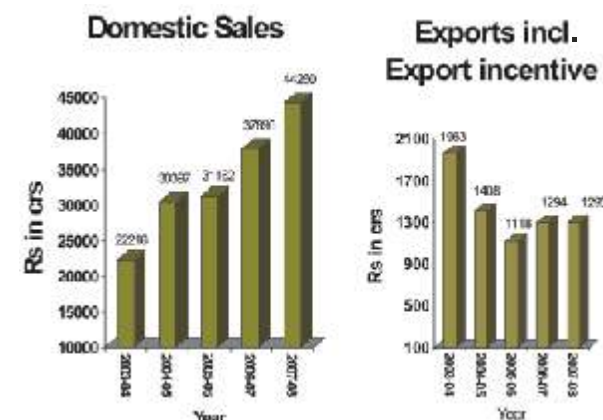
- The company has undertaken a massive modernization cum expansion plan to increase capacity of Hot Metal production to 26 million tonne by 2010 from the current level of 15.2 million tonne.
- Contracts for expansion plans of IISCO Steel Plant and Salem Steel Plant have already been awarded. The modernization & expansion plans of other integrated steel plants have been accorded in-principle approval and are at various stages of implementation. The contracts for about 30% of the total modernisation and expansion plan have so far been awarded.
- During FY 2007-08, capital expenditure of Rs.2181 crore was incurred (against Rs. 1150 crore in previous year) which has been funded through internal accruals.

#### 2. ANALYSIS OF THE FINANCIAL PERFORMANCE OF THE COMPANY

##### a) Sales turnover

|                                  | Rs in crore |          |          |
|----------------------------------|-------------|----------|----------|
|                                  | 2007-08     | 2006-07  | Change % |
| Sales of Saleable Steel Products | 43304.51    | 37014.06 | 17       |
| Sales of other products          | 2250.83     | 2180.48  | 3        |
| Total Sales turnover             | 45555.34    | 39188.66 | 16       |
| Less: Excise Duty                | 6046.89     | 5265.54  | 15       |
| Net Sales turnover               | 39508.45    | 33923.12 | 17       |

Saleable steel sales constitute about 95% of total turnover and were higher by 17%. Sales of other products like coal chemicals, pig iron were also 3% higher over CPLY. The company's main business arena continues to be the domestic market, which provides about 97% of its total sales turnover. Saleable steel exports at 4.77 lakh tonne during 2007-08, were



lower by about 7%. Export incentives of Rs. 61 crore were earned during the year.

The company caters to almost the entire gamut of the mild steel business. Flat products in the form of Plates, HR coils/sheets, CR coils/sheets, Galvanised plain/corrugated Sheets and Long products comprising Rails, Structurals, Wire-rods and merchant products. In addition, Electric Resistance Welded Pipes, Spiral Welded Pipes, Electric Tin Plates and Silicon Steel Sheets form part of company's rich product-mix. The product category-wise sales turnover during 2007-08 is as follows:

| Products Category   | % of sales value |
|---|------------------|
| <b>Saleable Steel:</b>  |                  |
| Flat Products   | 51.7             |
| Long Products   | 36.2             |
| PET (Pipes, Electrical sheets, Tin plates) Products               | 1.6              |
| <b>Integrated Steel Plants</b>                                    | <b>89.5</b>      |
| Alloy & Special Steel Plants                                      | 5.7              |
| <b>Total Saleable Steel</b>                                       | <b>95.2</b>      |
| Secondary products (ingots, pig iron, scrap, coal chemicals etc.) | 4.8              |
| <b>Total</b>  | <b>100.0</b>     |

##### b) Other Revenues

|                | (Rs. in crore) |         |          |
|----------------|----------------|---------|----------|
|                | 2007-08        | 2006-07 | Change % |
| Other Revenues | 646.27         | 779.66  | -17      |

Reduction in other revenues by Rs. 133 crore i.e. by 17% over previous year mainly on account of higher revenues during 2006-07 due to reversal of 'Interest on SDF Loans' and 'penal/surcharge written back for CSEB liabilities'.

##### c) Expenditure

|                                  | (Rs. in crore) |          |          |
|----------------------------------|----------------|----------|----------|
|                                  | 2007-08        | 2006-07  | Change % |
| Raw Materials Consumed           | 13963.77       | 13272.37 | 5        |
| Employee Remuneration & Benefits | 7919.02        | 5084.18  | 56       |
| Stores & Spares Consumed         | 3293.90        | 3002.23  | 10       |
| Repairs & Maintenance            | 552.15         | 383.43   | 44       |
| Power & Fuel                     | 2825.56        | 2574.40  | 10       |
| Freight Outwards                 | 717.85         | 692.04   | 4        |
| Other Expenses                   | 1836.32        | 1619.15  | 13       |

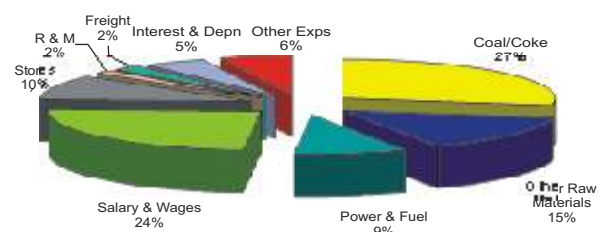
The increase in expenditure of the Raw materials is on account of escalation in prices of ferro & silico manganese, nickel, ferro-alloys and also increase in ocean freight on imported coal, domestic freight rates on iron ore, fluxes etc. The increase in expenditure on account of stores & spares consumption and repair & maintenance is due to major repairs undertaken for blast furnaces, coke oven batteries and other mills at integrated steel plants. Increase in power & fuel, freight & other expenses is mainly due to increased level of operations.

The employees cost increased by 56% mainly due to provision of Rs. 2428.33 crore made during the year 2007-08 for wage revision effective from 1.01.2007, apart from normal increase in dearness allowance related to price index.



A broad break-up of element-wise expenditure has been prepared and is presented for your information:

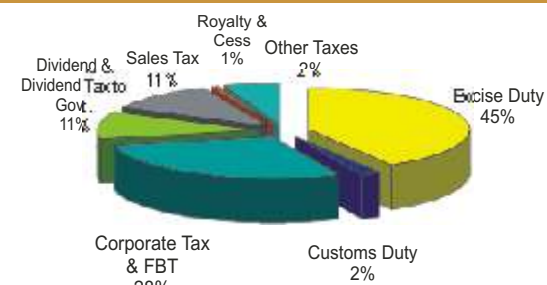
#### Elements of Expenditure 2007-08



#### d) Contribution to Exchequer

During the year 2007-08, SAIL has contributed Rs. 13,623 crore to the national exchequer by way of payment of taxes and duties

#### Contribution to Exchequer 2007-08



to various government authorities, which is higher by Rs. 1,897 crore over 2006-07.

#### e) Secured & Unsecured Loans

|                 | (Rs. in crore) |         |          |
|-----------------|----------------|---------|----------|
|                 | 2007-08        | 2006-07 | Change % |
| Secured Loans   | 925.31         | 1556.39 | -41      |
| Unsecured Loans | 2119.93        | 2624.13 | -19      |
| Total Loans     | 3045.24        | 4180.52 | -27      |

Secured loans decreased by 41% during the year on account of repayment of short term loan taken from banks and redemption of non-convertible bonds. Unsecured loans were lower by Rs. 504 crore on account of redemption of Non-Convertible Bonds.

#### f) Fixed Assets

|                          | (Rs. in crore) |           |          |
|--------------------------|----------------|-----------|----------|
|                          | FY2007-08      | FY2006-07 | Change % |
| Gross Block              | 30922.73       | 29912.71  | 3        |
| Less: Depreciation       | 19351.42       | 18315.00  | 6        |
| Net Block                | 11571.31       | 11597.71  | -0.2     |
| Capital Work-in-progress | 2389.55        | 1198.52   | 99       |

Projects worth Rs. 1010 crore were commissioned/capitalized during the year. The on-going expansion/ modernisation expenses are reflected in increased value of capital work-in-progress.

#### g) Current Assets, Current Liabilities and Provisions

|   | (Rs. in crore)  |                 |           |
|---|-----------------|-----------------|-----------|
|   | 2007-08         | 2006-07         | Change %  |
| <b>Inventories</b>                                |                 |                 |           |
| Semi-finished/Finished Products                   | 3944.97         | 3508.69         | 12        |
| Stores & Spares                                   | 1499.93         | 1361.95         | 10        |
| Raw Materials                                     | 1412.33         | 1780.83         | -21       |
| <b>Total Inventories</b>                          | <b>6857.23</b>  | <b>6651.47</b>  | <b>3</b>  |
| <b>Sundry Debtors</b>                             |                 |                 |           |
| Gross Debtors                                     | 3264.81         | 2517.03         | 30        |
| Less: Provision for doubtful debts                | 216.69          | 202.28          | 7         |
| <b>Net Debtors</b>                                | <b>3048.12</b>  | <b>2314.75</b>  | <b>32</b> |
| Loans & Advances                                  | 2379.75         | 1650.01         | 44        |
| Current Liabilities                               | 6400.92         | 5397.77         | 19        |
| Provisions  | 6797.83         | 5513.69         | 23        |
| <b>Total Current Liabilities &amp; Provisions</b> | <b>13198.75</b> | <b>10911.46</b> | <b>21</b> |

The increase in inventory of finished/semi-finished products by 12% was on account of valuation at increased cost of production. However, in terms of number of days of turnover, the inventory of finished/semi-finished products reduced to 32 days as on 31.03.2008 against 33 days as on 31.03.2007.

Increase in stores & spares inventory by 10% was due to price escalations and procurement for major repairs to be carried out in various plants. In terms of number of days, stores & spares inventory was almost at the same level of 31.03.2007.

Raw materials inventory was at 37 days consumption as on 31.03.2008 as against 49 days consumption as on 31.03.2007.

The increase of Rs. 733 crore in net debtors was mainly on account of increase in turnover. In terms of number of days of turnover, the debtors increased from 22 days as on 31.03.2007 to 24 days as on 31.03.2008.

Loans & Advances increased by Rs 730 crore. The increase was mainly on account of loans to employees and advances for operational supplies.

Increase in current liabilities by Rs 1003 crore were mainly on account of increased level of operations and employees related year-end dues. While there were increase in provisions on account of mines afforestation / restoration / closure costs, wage revision, dividend and tax on dividend; overall increase was marginal due to reduction in provision for gratuity on account of transfer of Rs. 1250 crore to a separate Gratuity Fund constituted during the previous year.

#### 3. PLANT-WISE FINANCIAL PERFORMANCE (BEFORE TAXES)

|  | (Rs. in crore)  |                |  |
|--|-----------------|----------------|--|
| Plant/Unit                             | 2007-08         | 2006-07        |  |
| Bhilai Steel Plant (BSP)               | 5366.37         | 4271.59        |  |
| Durgapur Steel Plant (DSP)             | 1008.61         | 623.76         |  |
| Rourkela Steel Plant (RSP)             | 1401.33         | 1336.40        |  |
| Bokaro Steel Plant (BSL)               | 2830.43         | 2736.96        |  |
| IISCO Steel Plant (ISP)                | -285.19         | -249.53        |  |
| Alloy Steels Plant (ASP)               | 2.69            | 14.08          |  |
| Salem Steel Plant (SSP)                | 102.74          | 118.31         |  |
| Visvesvaraya Iron & Steel Plant (VISL) | -58.79          | -40.92         |  |
| Central Units                          | 1100.54         | 612.40         |  |
| SAIL: Profit Before Tax (PBT)          | <b>11468.73</b> | <b>9423.05</b> |  |
| <b>SAIL: Profit After Tax (PAT)</b>    | <b>7536.78</b>  | <b>6202.29</b> |  |

Buoyant market, improvement in net sales realizations, increase in value added products, better product-mix, improved techno-economic parameters, higher production/sales volume, reduction in interest cost and increase in interest earned on short term deposits of surplus fund were the main factors for improvements. Profit of central units was higher on account of interest earned on surplus funds.

The Company has further consolidated its position to leverage its balance sheet to meet the funding of its modernization and expansion plan. The Net worth of the company has reached a new peak of Rs. 23004 crore along with term deposits with Banks of Rs. 13136 crore. The Overall debt of the company reduced by Rs. 1135 crore during the year (Borrowing as on 31.03.2008 reduced to Rs. 3045 crore). This enabled the company to improve its debt/equity ratio to 0.13:1 as on 31.03.2008 from 0.24:1 as on 31.03.2007 and helped in reducing its total interest burden.

#### Foreign Exchange Conservation

The Company endeavours to procure equipment, raw materials and other inputs from indigenous sources to the extent they become available to the company at the commercially acceptable prices/costs and meet the requirements of the technologies being used in the company. Further, the company also takes reasonable steps to ensure that all receivables in foreign exchange, which are due to the company, are realized within contractual period. As regards incurrence of expenditure in foreign currencies, besides exercising the requisite control, it is also ensured that it is in the commercial interest of the Company.

#### F. PROJECT MANAGEMENT

##### Major Projects commissioned

Eleven projects costing Rs. 890 crore have been commissioned during the year viz.

- Installation of Bloom Caster with associated facilities and Augmentation of Power Distribution System (Phase-I) at Durgapur Steel Plant;
- Rebuilding of Coke Oven Battery No.1 at Rourkela Steel Plant;
- Automation system of Tandem Mill-II of CRM, Installation of Cast House Slag Granulation Plant in BF-4, Rebuilding of Coke Oven Battery No.5, HCL regeneration plant for Pickling Line-II of CRM, Installation of EDT machine in RGS at Bokaro Steel Plant;
- Replacement of 4 no. of Medium HP Locos by High HP WDS-6 Locos at Bhilai Steel Plant;
- Rebuilding of BF-2 and Replacement of Turbo Blower at IISCO Steel Plant.

##### Major Capital (AMR) Schemes presently in progress

Capital Projects valued at about Rs.5,600 crore (i.e. projects costing more than Rs.20 crore each) are under implementation at SAIL Plants. The objective/benefit envisaged for these projects is given below:

##### Bhilai Steel Plant (BSP)

- New Slab Caster, along with RH Degasser & Ladle Furnace has been taken up for additional steel casting of 0.165 Mtpa, production of 0.3 Mtpa of API X65/X70 grade steel, processing of additional Rail Steel demanded by Indian Railway through new RH Degasser and creating a potential to produce special quality plates especially in high thickness range (40mm and above) and grades requiring vacuum treatment.
- Rebuilding of Coke Oven Battery No.5 has been taken up wherein state-of-art pollution control equipment will be

incorporated to achieve the latest statutory emission norms of Ministry of Environment & Forest.

- Hydraulic Automatic Gauge Control & Plan View Rolling in PM is aimed at achieving closer thickness tolerance as per requirement of customers, less crop end cutting & side trimming and improvement in the yield of plates.
- Hot Metal Desulphurisation Unit at SMS-II will help in production of low sulphur steel by desulphurisation of hot metal before steel making to meet the increasing demand for high quality steel, particularly for application in off-shore, transport and structural sectors
- Power supply facilities for 2x1250 tpd Oxygen Plant will help in evacuation of power at 220 KV from Power Plant3.
- Main Step Down Station (MSDS-V) has been taken up for evacuation of power at 220 KV from new Power Plant-3 (2 x 250 MW), which is under construction through NSPCL, a JV company of NTPC & SAIL, to meet the future power requirement of BSP.
- Under the Project of Thyristorisation of Plate Mill drives, replacement of old and unreliable MG sets by modern day thyristor converters with state-of-art digital control is being done as a technical necessity. This is required in order to achieve high quality of finished products and reliability in production.
- 4th Air Separation Unit of 700 tonne per day capacity is being installed in Oxygen Plant-II to meet the increasing requirement of oxygen, nitrogen & argon.
- Installation of Electro-magnetic Stirrer System in the existing Bloom Caster has been taken up on the request of Indian Railways to avoid concentration of non-metallic inclusions in the product.
- An End Forging Plant along with associated auxiliary units is being installed in the existing bay of Rail & Structural Mill for converting end profile thick web rails to profile of stock rails, needed by Indian Railways for manufacture of switches.

##### Durgapur Steel Plant (DSP)

- Coal Dust Injection system in Blast Furnace 3&4 for reduction in coke rate and improvement of furnace productivity.

##### Rourkela Steel Plant (RSP)

- Hot Metal Desulphurisation Unit at SMS-II will help in production of low sulphur steel by desulphurisation of hot metal before steel making to meet the increasing demand for high quality steel, particularly for application in off-shore, transport and structural sectors
- Pipe Coating Plant is being carried out in order to supply coated pipes, mainly to the hydrocarbon sector. Coating of 3-layers poly ethylene (3-LPE) to be applied on the external surfaces of the bare pipes (60,000 tpa capacity) would prevent corrosion of pipes.
- Coal Dust Injection system in Blast Furnace4 for reduction in coke rate and improvement of the blast furnace productivity.
- Rebuilding of Coke Oven Battery No.4 has been taken-up for incorporating state-of-the-art pollution control equipment to achieve the latest statutory emission norms of Ministry of Environment & Forests
- Turbo Blower No.5 of CPP-I is being up-rated by the Original Equipment Manufacturer M/s MAN Turbo, Germany with a discharge volume of 1,63,000 Nm<sup>3</sup>/hr at a pressure of 2.3 Kg/cm<sup>2</sup> for meeting the high top pressure requirement of BF-4 and also meeting air requirement of other BFs in case of shutdown/non-availability of other Turbo Blowers.

- A new 100,000m<sup>3</sup> capacity Coke Oven (CO) Gas Holder is being installed in Coal Chemicals Department as a replacement to the existing CO Gas holder in order to maintain adequate pressure in the gas grid, for storing surplus CO gas and utilizing it as & when required.
  - A new Oxygen Plant of 700 tpd capacity is being installed to produce Oxygen mainly for enrichment in blast furnaces and production of other gases (Nitrogen & Argon) for steel making process.
  - Installation of Online Ultrasonic Testing (UST) Machine at Plate Mill has been taken-up for producing quality plates to meet the substantial market demand.
  - Simultaneous Blowing of BOF Converters of SMS-II has been taken-up for enhancing the production capacity of the shop from 1.68 Mtpa to 1.85 Mtpa. For this, major facilities envisaged are strengthening of secondary refining facility, piping network for oxygen, nitrogen, water and other utilities, material handling facilities like ladles, slag pots, cranes etc.
- Bokaro Steel Plant (BSL)**
- Modification/Revamping of Mae West blocks in Hot Strip Mill has been taken up to ensure smooth functioning of Hot Strip Mill by avoiding repeated breakdowns in the finishing stands.
  - Air Turbo Compressor and Oxygen Turbo Compressor is being taken up for maintaining health of equipment and output of Oxygen Plant on a sustainable basis in future. Besides, a 50 MW Power Tapping Arrangement is being done to meet the electrical power requirement of proposed 1250 TPD Oxygen Plant on BOO basis.
  - 50 MW Power Tapping arrangement to meet the electrical power requirement of 1250 TPD Oxygen Plant to be set up on Built-Own-Operate (BOO) basis.
  - Coal Dust Injection in BF-2&3 system is a technical necessity for reduction in coke rate and improvement of the blast furnace productivity.
  - Computerised Process Control System of SMS-II shall help in improving the yield and production of quality steel as per customers' requirement.
  - Augmentation of storage facilities of coking coal in Coal Handling Plant envisages increasing coking coal storage capacity from 115,000 T to 202,500 T, extension of railway tracks, upgradation of conveyor facility, installation of new conveyors, 2 nos. new wagon pushers and PLC based automation of conveyors and associated facilities.
  - Ladle Furnace in SMS-II would facilitate production of value added steels, especially steel grades with low sulphur content, reduction in return heats, savings in oxygen consumption & ferro alloys, besides creating a buffer station for longer sequence at casters & flexibility in operation.
  - The extension of existing covered slag yard is being carried out, with provision for new slag pit, new crane with grab and magnet to cope with the increased production level of 3.2 Mt/yr crude steel from SMS-II under Expansion of Bokaro Steel Plant.
  - The replacement of 6 no. of Battery Cyclones of 720,000 m<sup>3</sup>/hr with 6 no. of Electrostatic Precipitators of capacity 900,000 m<sup>3</sup>/hr is being carried out in three machines of the Sinter Plant for cleaning of sinter process gas to meet the statutory requirement of emission level of outlet dust at 150 mg/Nm<sup>3</sup> as prescribed by Central Pollution Control Board.
  - One new Turbo-Blower along with associated facilities is being installed to meet the enhanced cold blast

- requirement of Blast Furnace-2 at blower discharge volume of 4000 Nm<sup>3</sup>/min and discharge pressure of 3.9 kg/ cm<sup>2</sup> at blower end.
- The Blast Furnace-2 is being upgraded to increase the working volume from 1758 m<sup>3</sup> to 2250 m<sup>3</sup> with higher productivity level (2 t/m<sup>3</sup>/day) by incorporating state-of-art technology in the blast furnace proper. Also installation of a top pressure recovery turbine has been envisaged.
  - Rebuilding of Coke Oven Batteries 1 & 2 with pollution control facilities has been taken up for achieving the emission standards as per CPCB norms of Govt. of India.

#### IISCO Steel Plant (ISP)

- Rebuilding of Coke Oven Battery No.10 has been taken-up wherein state-of-art pollution control equipment shall be incorporated to achieve the latest statutory emission norms of Ministry of Environment & Forests (MOEF) along with the renewal of By-product Plant.

#### VISL

- Bloom Caster in SMS has been taken up for replacing the old ingot teeming technology by continuous casting technology for steel production which will improve yield. The capacity of bloom caster is 125,000 tpa.

#### General (BSP, RSP, BSL)

- Procurement of 23 nos. of locos has been taken up to replace old medium horse power locos by high horse power locos.

#### Expansion Plans in progress

- Expansion Plans for IISCO Steel Plant (Rs.12743 crore) and Salem Steel Plant (Rs.1902 crore) have been accorded final approval by SAIL Board during the year. Work is in progress for all the major packages.
- Also final approval have been accorded for the New Cold Rolling Mill package (Rs.2524 crore) of Bokaro Steel Plant and two packages of Bhilai Steel Plant viz. Compressed Air Station-4 (Rs.135 crore) and Ore Handling Plant-A (Rs.184 crore) during the year.

#### G. IN HOUSE DESIGN & ENGINEERING

Centre for Engineering & Technology (CET) is providing its services in the areas of modernization, technological upgradation and, addition, modifications and replacement scheme to plants and units with SAIL and clients outside SAIL - both in India and abroad.

#### Major projects implemented during 2007-08:

- Rebuilding of Coke Oven Battery No.1, RSP
- Rebuilding of Coke Oven Battery No.5, BSL
- Installation of Bloom Caster, DSP
- Rebuilding of Blast Furnace No.2, ISP
- Installation of HCL Acid Regeneration Plant for Pickling Line-II, BSL
- Installation of Electro-Discharge Texturing Machine in CRM, BSL
- Revamping of Turbo Blower, ISP.

#### Major Ongoing projects:

- Rebuilding of Coke Oven Battery No.5 with Pollution Control Facilities at BSP
- Installation of new Slab Caster, RH Degasser and Ladle Furnace in SMS-II, BSP
- Desulphurisation of Hot Metal before SMS-II
- Installation of End Forging Plant for thick web rails, BSP
- Rebuilding of Coke Oven Battery Nos. 1 & 2 with Pollution Control Facilities, BSL

- Upgradation of BF-2, BSL
- Augmentation of storage facilities of coking coal in BSL
- Installation of CDI unit in BF-2 & 3, BSL
- Rebuilding of Coke Oven Battery No.4 with Pollution Control Facilities at RSP
- Installation of CDI in BF #4, RSP
- Installation of 3 LPE Casting Line, RSP
- Installation of 700 tpd Oxygen Plant, RSP
- Capacity expansion of SMS-II by simultaneous blowing, RSP
- Installation of CDI in BF-3 & 4 at DSP

#### H. RESEARCH AND DEVELOPMENT

Research & Development Centre for Iron and Steel (RDCIS) have provided innovative technological inputs to different units of SAIL, with special emphasis on cost reduction, quality improvement, product development, energy conservation and automation. In the year 2007-08, RDCIS had pursued 123 nos. of research projects; out of these 70 projects were targeted for completion. Surpassing the target, RDCIS had completed 73 nos. of projects during the year. Several new products were developed viz., Armour Quality Steel Plates for T-90 MBT & Rail Wagons at RSP, Low Carbon EDD HR/CR Steels for Auto bodies at BSL, SAILMA 550 HI Plate at BSP, Boron Treated Al Killed Low Carbon Steel at BSL and Vanadium Micro-alloyed Rail at BSP. The Centre strengthened its technology marketing efforts by providing consultancy services to M/s. Bhushan Power & Steel Ltd., Kolkata and M/s. KMMI, Bangalore. Specialised technology know-how was transferred to M/s. Refcom, Purulia, WB. The Centre also undertook contract research sponsored by Ministry of Information Technology, New Delhi, Petroleum Conservation Research Association, New Delhi and Coal India Ltd., Kolkata.

During the year, 179 nos. of technical papers were published/presented, besides filing of 36 patents (including 11 from SAIL plants) and 35 copyrights (including 10 from SAIL plants). The scientists at the Centre bagged ten national level awards.

#### I. ENVIRONMENTAL PROTECTION AND CONSERVATION

Environment Management Division in SAIL ensures continual improvement in environmental protection, technological conservation and renewable energy development. Trees have significant role in protection of environment and ecological balance thus acting as carbon sink. Extensive afforestation programme has been followed in all the SAIL Plants and mines. During 2007-08, 2.6 lakh saplings have been planted covering an area of 116 hectares. Apart from plantation, the division has also associated in restoring over 200 acres of degraded mining area at Purnapani, Barsua and Kalta. Pisciculture has been taken in the abandoned mining areas at Purnapani and over 2 lakhs fishlings are flourishing in 100 acres of quarry water voids.

#### Renewable Energy Developments

SAIL Board has accorded its approval to the approach of installing wind farms as a source of clean energy and directed for a phase wise implementation starting with Salem Steel Plant. Feasibility report for the wind farm has been prepared and C-WET engaged as technical consultants for the project. A 50 MW wind power plant project is being implemented in Tamilnadu for meeting the captive requirements of Salem Steel Plant.

#### J. TECHNOLOGICAL CONSERVATION

During the year, a number of pollution control facilities such as Dry fog dust suppression system in the stock house of BF #4 of BSP, Fume extraction system with ladle de-skulling at RSP have been commissioned/revamped for which the

Environment Management Division (EMD) has provided technical support. All the pollution control facilities were made to run effectively through regular maintenance and operation practices. The EMD has also provided consultancy service to Central Pollution Control Board for "Description of Clean Technology and Development of Environmental Standards for Iron Ore Mines in India.

#### K. CORPORATE SOCIAL RESPONSIBILITY

SAIL has been a pioneer in the area of Corporate Social Responsibility (CSR) since inception, substantially contributing towards betterment of social indices in and around the periphery of steel plants. With the underlying philosophy and a credo to make a meaningful difference in people's lives, SAIL has been structuring and implementing CSR initiatives right from the inception. These efforts have seen the obscure villages of yesterday, where SAIL plants are located, turn into leading industrial centers in the country today.

#### L. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The Company has an efficient system of internal controls for achieving the following business objectives of the company:

- Efficiency of operations
- Protection of resources
- Accuracy and promptness of financial reporting
- Compliance with the laid down policies and procedures
- Compliance with laws and regulations.

In SAIL, Internal Audit is a multi-disciplinary function which reviews, evaluates and appraises the various systems, procedures/policies of the Company and suggests meaningful and useful improvements. It helps management to accomplish its objectives by bringing a systematic and disciplined approach to improve the effectiveness of risk management towards good corporate governance.

The Company has taken a number of steps to make the audit function more effective. The Internal Audit is subjected to overall control environment supervised by Board Level Audit Committee, providing independence to the Internal Audit function, emphasizing transparency in the systems and internal controls with appropriate skill-mix of internal audit personnel etc. Annual Audit Plans are based on identification of key-risk areas with thrust on system/process audits and bench-marking of the best practices followed in the plants/units is being done so as to achieve cost reduction in overall operation of the company. Development of Internal Audit Executives, bringing awareness amongst auditees, converging on the pro-active role of internal audit remained other focused areas during the year.

The Internal Audit system is supplemented by well-documented policies, guidelines and procedures and regular reviews are being carried out by our Internal Audit Department. The reports containing significant audit findings are periodically submitted to the management and Audit Committee of the Company.

#### CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis, describing the Company's objective, projections and estimates are forward looking statement and progressive within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.



# Ten Years at a glance



## FINANCIALS

(Rupees in crore)

|   | 2007-08      | 2006-07      | 2005-06      | 2004-05      | 2003-04     | 2002-03     | 2001-02      | 2000-01     | 1999-2000    | 1998-99      |
|---|--------------|--------------|--------------|--------------|-------------|-------------|--------------|-------------|--------------|--------------|
| <b>Gross Sales</b>                                    | <b>45555</b> | 39189        | 32280        | 31805        | 24178       | 19207       | 15502        | 16233       | 16250        | 14994        |
| <b>Net Sales</b>                                      | <b>39508</b> | 33923        | 27860        | 28523        | 21297       | 16837       | 13519        | 14110       | 14311        | 13138        |
| Earnings before depreciation, interest & tax (EBIDTA) | <b>12955</b> | 10966        | 7381         | 11097        | 4652        | 2165        | 1011         | 2167        | 1202         | 1503         |
| Depreciation  | <b>1235</b>  | 1211         | 1207         | 1127         | 1123        | 1147        | 1156         | 1144        | 1133         | 1104         |
| Interest & Finance charges                            | <b>251</b>   | 332          | 468          | 605          | 901         | 1334        | 1562         | 1752        | 1789         | 2017         |
| <b>Profit Before Tax (PBT)</b>                        | <b>11469</b> | <b>9423</b>  | <b>5706</b>  | <b>9365</b>  | <b>2628</b> | <b>-316</b> | <b>-1707</b> | <b>-729</b> | <b>-1720</b> | <b>-1618</b> |
| Provision for tax/Income Tax Refund (-)               | <b>3932</b>  | 3221         | 1693         | 2548         | 116         | -12         | -            | -           | -            | -44          |
| <b>Profit After Tax (PAT)</b>                         | <b>7537</b>  | 6202         | 4013         | 6817         | 2512        | -304        | -1707        | -729        | -1720        | -1574        |
| Dividends   | <b>1528</b>  | 1280         | 826          | 1363         | -           | -           | -            | -           | -            | -            |
| Equity Capital  | <b>4130</b>  | 4130         | 4130         | 4130         | 4130        | 4130        | 4130         | 4130        | 4130         | 4130         |
| Reserves & Surplus (net of DRE)                       | <b>18874</b> | 13054        | 8255         | 5881         | 529         | -2141       | -1878        | 33          | 635          | 2756         |
| <b>Net Worth</b>                                      | <b>23004</b> | <b>17184</b> | <b>12386</b> | <b>10011</b> | <b>4659</b> | <b>1989</b> | <b>2252</b>  | <b>4163</b> | <b>4765</b>  | <b>6886</b>  |
| (Equity Capital and Reserves & Surplus)               |              |              |              |              |             |             |              |             |              |              |
| <b>Total Loans</b>                                    | <b>3045</b>  | 4181         | 4298         | 5770         | 8690        | 12928       | 14019        | 14251       | 15082        | 21017        |
| Net Fixed Assets                                      | <b>11571</b> | 11598        | 12162        | 12485        | 13168       | 14036       | 14798        | 15177       | 15873        | 18307        |
| Capital Work-in-progress                              | <b>2390</b>  | 1199         | 758          | 366          | 382         | 361         | 556          | 1221        | 1475         | 2589         |
| Current Assets (including short term deposits)        | <b>26318</b> | 20379        | 17384        | 14187        | 8075        | 7282        | 7107         | 8362        | 8259         | 11399        |
| Current Liabilities & Provisions                      | <b>9439</b>  | 6500         | 8108         | 6608         | 6025        | 4777        | 4849         | 5274        | 5027         | 4880         |
| Working Capital                                       | <b>16879</b> | 13879        | 9276         | 7579         | 2050        | 2505        | 2258         | 3088        | 3232         | 6519         |
| (Current Assets less Current Liabilities)             |              |              |              |              |             |             |              |             |              |              |
| Capital Employed                                      | <b>28450</b> | 25476        | 21782        | 20064        | 15218       | 16541       | 17056        | 18265       | 19105        | 24826        |
| (Net Fixed Assets + Working Capital)                  |              |              |              |              |             |             |              |             |              |              |
| Market price per share (In Rs.)                       | <b>185</b>   | 113          | 83           | 63           | 32          | 9           | 5            | 6           | 8            | 6            |
| (As at the end of the year)                           |              |              |              |              |             |             |              |             |              |              |
| <b>Key Financial Ratios</b>                           |              |              |              |              |             |             |              |             |              |              |
| EBDITA to average capital employed (%)                | <b>48.0</b>  | 46.4         | 35.3         | 62.9         | 29.3        | 12.9        | 5.7          | 11.6        | 5.5          | -            |
| PBT to Net Sales (%)                                  | <b>29.03</b> | 27.78        | 20.48        | 32.83        | 12.34       | -           | -            | -           | -            | -            |
| PBT to average capital employed (%)                   | <b>42.54</b> | 39.88        | 27.27        | 53.09        | 16.55       | -           | -            | -           | -            | -            |
| Return on average net worth (%)                       | <b>37.51</b> | 41.95        | 35.84        | 92.94        | 75.57       | -           | -            | -           | -            | -            |
| Net worth per share of Rs. 10 (Rs.)                   | <b>55.69</b> | 41.60        | 29.99        | 24.24        | 11.28       | 4.82        | 5.45         | 10.08       | 11.54        | 16.67        |
| Earnings per share of Rs. 10 (Rs.)                    | <b>18.25</b> | 15.02        | 9.72         | 16.50        | 6.08        | -           | -            | -           | -            | -            |
| Price - earning ratio (times)                         | <b>10.12</b> | 7.53         | 8.56         | 3.81         | 5.31        | -           | -            | -           | -            | -            |
| Dividend per share of Rs. 10 (Rs.)                    | <b>3.70</b>  | 3.10         | 2.00         | 3.30         | -           | -           | -            | -           | -            | -            |
| Effective dividend rate (%)                           | <b>2.00</b>  | 2.74         | 2.41         | 5.24         | -           | -           | -            | -           | -            | -            |
| Debt - Equity (times)                                 | <b>0.13</b>  | 0.24         | 0.35         | 0.58         | 1.87        | 6.50        | 6.23         | 3.42        | 3.17         | 3.05         |
| Current ratio (times)                                 | <b>2.79</b>  | 3.14         | 2.14         | 2.15         | 1.34        | 1.52        | 1.47         | 1.59        | 1.64         | 2.34         |
| Capital employed to turnover ratio (times)            | <b>1.60</b>  | 1.54         | 1.48         | 1.59         | 1.59        | 1.16        | 0.91         | 0.89        | 0.85         | 0.60         |
| Working capital turnover ratio (times)                | <b>2.70</b>  | 2.82         | 3.48         | 4.20         | 11.79       | 7.67        | 6.87         | 5.26        | 5.03         | 2.30         |
| Interest coverage ratio (times)                       | <b>46.39</b> | 29.29        | 13.07        | 16.43        | 3.88        | 0.76        | -0.09        | 0.56        | 0.04         | 0.17         |

## PRODUCTION TREND

(Thousand tonnes)

| Item   | 2007-08      | 2006-07 | 2005-06* | 2004-05 | 2003-04 | 2002-03 | 2001-02 | 00-01 | 99-00 | 98-99 |
|--|--------------|---------|----------|---------|---------|---------|---------|-------|-------|-------|
| <b>Main Integrated Steel Plants</b><br>(BSP, DSP, RSP, BSL, ISP) |              |         |          |         |         |         |         |       |       |       |
| Hot Metal  | <b>14981</b> | 14368   | 14398    | 12351   | 12749   | 12080   | 11327   | 11202 | 10939 | 11180 |
| Crude Steel  | <b>13649</b> | 13194   | 13177    | 11827   | 11828   | 11087   | 10467   | 10306 | 9788  | 9858  |
| Pig Iron   | <b>410</b>   | 452     | 558      | 147     | 278     | 288     | 353     | 358   | 574   | 731   |
| <b>Saleable Steel</b>  |              |         |          |         |         |         |         |       |       |       |
| Semi Finished  | <b>2243</b>  | 2278    | 2273     | 1751    | 2146    | 2057    | 2149    | 2141  | 2592  | 2293  |
| Finished   | <b>10288</b> | 9849    | 9351     | 8900    | 8581    | 8029    | 7315    | 7269  | 6637  | 6034  |
| <b>Total: Integrated Steel Plants</b>                            | <b>12531</b> | 12127   | 11624    | 10651   | 10727   | 10086   | 9464    | 9410  | 9229  | 8327  |
| <b>Alloy &amp; Special Plants</b><br>(ASP, SSP & VISL)           | <b>513</b>   | 454     | 427      | 379     | 298     | 266     | 234     | 293   | 301   | 275   |
| <b>Total Saleable Steel</b>                                      | <b>13044</b> | 12581   | 12051    | 11030   | 11026   | 10352   | 9697    | 9703  | 9530  | 8602  |

\* Includes IISCO, merged with SAIL from 2005-06

## VALUE ADDED STATEMENT

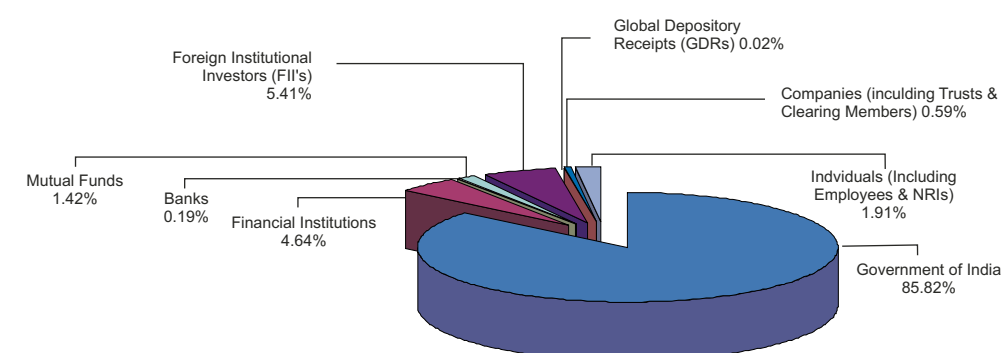
(Rs. in crore)

| For the year                       | 2007-08      | 2006-07 |
|------------------------------------|--------------|---------|
| Value of own production            | <b>46385</b> | 39841   |
| Other Revenues                     | <b>1831</b>  | 1532    |
| Less: Cost of Raw Materials        | <b>12632</b> | 12262   |
| Stores and Spares                  | <b>2845</b>  | 2602    |
| Power and Fuel                     | <b>2825</b>  | 2574    |
| Excise Duty                        | <b>6047</b>  | 5266    |
| Freight Outward                    | <b>718</b>   | 692     |
| Other Operating Cost               | <b>2275</b>  | 1927    |
| <b>Total Value Added</b>           | <b>20874</b> | 16051   |
| Establishment Cost                 | <b>7919</b>  | 5084    |
| Financing Cost                     | <b>251</b>   | 332     |
| Dividend                           | <b>1528</b>  | 1280    |
| Corporate Income Tax               | <b>3932</b>  | 3221    |
| Dividend Tax                       | <b>259</b>   | 198     |
| <b>Income Retained in Business</b> |              |         |
| Depreciation                       | <b>1235</b>  | 1211    |
| Retained in Business               | <b>5750</b>  | 4724    |
| <b>Total Value Applied</b>         | <b>20874</b> | 16050   |

## SHAREHOLDING PATTERN (As on 31st March, 2008)

| CATEGORY  | Number of Equity Shares Held | Number of Holders | Amount (Rs. in Crore) | % of Equity   |
|---|------------------------------|-------------------|-----------------------|---------------|
| Government of India                             | 3544690285                   | 1                 | 3544.69               | 85.82         |
| Financial Institutions                          | 191505961                    | 30                | 191.51                | 4.64          |
| Banks   | 8013743                      | 48                | 8.01                  | 0.19          |
| Mutual Funds                                    | 58421505                     | 116               | 58.42                 | 1.42          |
| Foreign Institutional Investors (FII's)         | 223582002                    | 293               | 223.58                | 5.41          |
| Global Depository Receipts (GDRs)               | 787050                       | 2                 | 0.79                  | 0.02          |
| Companies (including Trusts & Clearing Members) | 24391740                     | 3546              | 24.39                 | 0.59          |
| Individuals (Including Employees & NRIs)        | 79008259                     | 284907            | 79.01                 | 1.91          |
| <b>TOTAL</b>                                    | <b>4130400545</b>            | <b>288943</b>     | <b>4130.40</b>        | <b>100.00</b> |

## SHAREHOLDING PATTERN (% of Equity)



# Financial Highlights

