

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.

Management discussion and Analysis Report

A) Industry Structure & Developments

General Economic Environment

The first half of 2008 saw unprecedented rise in commodity prices all over the world. The global output also registered a significant rise. However, the second half of 2008-09 signaled a sharp slowdown in the economic activity world over. In the quarter ending December 2008, the world output of products and services was virtually stagnant at 0.2%, with the advanced countries registering a negative growth.

The stresses in U.S. financial markets that first emerged in the summer of 2007 transformed themselves into a full-blown global financial crisis in the fall of 2008. The worsening financial environment reached a climax in September 2008, with the sudden collapse of several major financial institutions in the United States, raising fears that escalating financial pressures could pose a systemic risk to the international financial system. Global output slowed down to 3.2 percent in 2008 from a peak growth of 5.2 percent in 2007. While growth in emerging and developing economies was moderate at 6.0 percent, growth of advanced economies decelerated to 0.8 percent.

GDP growth in the developing world will slow to a projected 1.5 percent in 2009 from 5.8 percent in 2008, according to IMF. The bank has projected a contraction of 1.4 percent for world GDP for the year 2009. This would be the first decline in world output since World War II.

Steel industry experienced huge swing in fortune in the last fiscal. International prices of steel reached a historic high of around US \$ 1200 / tonne during August 2008, which dipped sharply to less than US \$ 500 in October 2008, as demand shrunk under the impact of global slow down.

India - Economy

The Indian economy, which was on a robust growth path up to 2007-08, averaging at 8.9 per cent during the period 2003-04 to 2007-08, could not escape the global slowdown in 2008-09, with the deceleration turning out to be somewhat sharper in the third and fourth quarters. While the growth deceleration was primarily driven by the global economic crisis, it also reflected to some extent the slowdown associated with cyclical factors. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories, viz., the basic, capital, intermediate and consumer goods. In 2008-09, GDP registered a growth of 6.7 percent and industrial sector clocked 2.4 percent growth. The major impact of slowdown was felt in manufacturing sector which fell to a growth rate of 2.3 percent as compared to 8.2 percent in 2007-08.

Inflation declined from its intra-year peak of 12.9 per cent recorded on August 2, 2008 to -1.17 per cent as on July 11th, 2009 led by the reductions in the administered prices of petroleum products and electricity as well as decline in the prices of freely priced petroleum products, oilseeds/edible oils/oil cakes, raw cotton and cotton textiles. Iron & Steel products witnessed a fall of 21 percent in the week ending 11th July, 2009 as compared to same period last year.

The Index of Six core industries having a combined weight of 26.7 % in the Index of Industrial Production (IIP) with base 1993- 94 registered a growth of 2.7% as against 5.9% during the corresponding period of the previous year.

World Steel Scenario

The progression of the US financial crisis into a global economic crisis brought about a massive and regionally synchronised global decline of steel demand in late 2008. As per World Steel Association (WSA), cumulative production during the year 2008 declined to 1327 million tonnes, registering a negative growth of 1.8 percent over 2007 production. Steel production declined in all the major steel producing countries and regions including the EU, North America, South America and the CIS. However, Asia and the Middle East showed a positive growth in 2008.

China became the first country ever to produce more than 500 million

tonnes of crude steel in one year. It produced 502 million tonnes of crude steel, an increase of 2.6% over CPLY. Production volume in China has more than doubled in last 5 years, from 222 million tonnes in 2002. China's share of world production in 2008 grew to 38%. Asia produced 770 million tonnes of crude steel, 58% of world steel production a 1.9% growth over last year. South Korea recorded increases of 3.8%. Japan produced 119 million tonnes in 2008, a decrease of 1.2% over 2007. Crude steel production in India was 55.2 million tonnes, 4% higher than the Jan-Dec'07 production. Among other BRIC countries Brazil ended the year at almost last year's level, while in Russia production fell by 5.4%.

Top 10 steel-producing countries

Country	Rank	2008	2007	% 08/07
China	1	500.5	494.9	1
Japan	2	118.7	120.2	(-) 1
United States	3	91.4	98.1	(-) 7
Russia	4	68.5	72.4	(-) 5
India	5	55.2	53.1	4
South Korea	6	53.6	51.5	4
Germany	7	45.8	48.6	(-) 6
Ukraine	8	37.1	42.8	(-) 13
Brazil	9	33.7	33.8	0
Italy	10	30.6	31.6	(-) 3

Source : WSA

As per Interim Short Range Outlook of World Steel Association (worldsteel) announced in June, 2009, worldwide apparent steel use is expected to decline by -12.9% to 1,040.1 million metric tonnes (mmt) in 2009 after declining by -1.4% (1,197 mmt) in 2008. However, steel demand is expected to stabilise in the latter part of 2009 leading to a mild recovery in 2010. Within the NAFTA region, the US is expected to show the largest decline in steel demand in the post-war period. In 2009, apparent steel use in US is expected to fall by -36.6%.

Europe will be the most affected region outside NAFTA. The EU 27 and CIS regions are expected to show a decline of more than 25% in their apparent steel use in 2009. Japan has also been affected by a sharp decline in the exports of its steel-using industries, especially automotive and machinery. Apparent steel use is expected to fall by -29.2% in 2009.

India is projected to have a positive growth of 4.5% for apparent steel use in 2009 and BRIC countries as a whole are forecasted to grow by 2.1%. Projected apparent steel use for the world, excluding BRIC, is down - 25.2% in 2009. Demand forecast for China has been revised upwards and China is now expected to witness a growth of 6.1% in apparent steel use in 2009. Apparent steel use for the world excluding China is expected to decline by -23.4% in 2009.

Short range outlook for apparent steel use (2008-2009) in mmt

Regions	2008	2009	2008	2009
EU (27)	182.3	124.7	-7.9%	-31.6%
Other Europe	26.6	21.7	-15.6%	-18.7%
CIS	50.1	35.4	-11.5%	-29.2%
NAFTA	129.0	83.8	-8.7%	-35.0%
Central and South America	44.0	36.0	5.1%	-18.2%
Africa	25.3	25.5	1.0%	0.4%
Middle East	43.1	39.8	6.8%	-7.5%
Asia and Oceania	693.8	673.2	2.0%	-3.0%
World	1,194.2	1,040.1	-1.7%	-12.9%
BRIC	537.7	549.2	2.3%	2.1%
World (excl. BRIC)	656.5	490.9	-4.7%	-25.2%
World (excl. China)	768.5	588.7	-4.1%	-23.4%

Source : WSA

Production vis-à-vis Demand of Steel in India

As per provisional estimates of JPC, India produced 53.5 million tonnes of finished steel in fiscal 2008-09, a growth of 0.4% over previous year's

production. The apparent domestic consumption of finished mild steel during the year FY'08-09 was 48.7 million tonnes as compared to 49.4 million tonnes during the previous year, a decline of 1.5%. Imports and exports of steel declined by 21% and 24% respectively. Crude steel production at 54 million tonnes in 2008-09 was only marginally higher than 2007-08.

Position of Steel Authority of India Limited (SAIL)

India is ranked as the 5th largest steel producing country in the world, while SAIL is ranked as the 21st largest steel producer in the world during 2008 (Source: WSA) SAIL continues to be the largest steel producer of finished steel in India with around 1/5th of the market share.

Indian Steel Industry

Steel industry in India reflected the global trend. Prices which had firmed up in the first half of the fiscal 2008-09, plunged down sharply from October 2008. There was a sharp reduction in the off take as consuming segments resorted to destocking and deferring purchases in anticipation of best prices from customer's perspective.

B. OPPORTUNITIES AND THREATS

Opportunities

SAIL has five main integrated Steel Plants which have a combined capacity of 12.5 million tonnes of crude steel and 10.74 million tonnes of saleable steel with modernized facilities available to meet diverse customized requirements in terms of quality, size, grade, delivery etc.

The current per capita finished steel consumption in the country is approx. 44 kg as compared to the likely world average of around 190 kg. There is a substantial scope for increase in domestic steel consumption. Although during 2008-09, steel consumption contracted by 1.2% in the country, steel demand in India is poised to grow at a modest pace with thrust on infrastructure in the 11th Plan period. Approval to 37 infrastructure projects worth Rs.70,000 crore between August 2008 and January 2009 is likely to trigger steel demand. Expectations of 6%-7% growth in GDP in 2008-09 with possibility of its returning to higher growth trajectory in 2009-10, higher elasticity of steel demand with respect to growth in GDP due to investment in plant and machinery and push to construction activities are expected to boost steel 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. The Plates from SAIL are rated amongst the best and are in good demand from project customers.

India is emerging as a major hub, both for the automobile and for the auto components sector. 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.

SAIL has undertaken its expansion plan keeping these opportunities in mind.

The recessionary business environment while imposing a great challenge has also led to new pockets of opportunity. All the companies that are in the midst of expansion plan can take up capital projects at much more competitive rates than feasible earlier. With a number of companies deferring their projects in the wake of uncertain demand, the competition in the equipment supplying industry has intensified, leading to reduction in project cost. Lowering of commodity and metals prices is also going to bring down the cost of capital projects.

SAIL is in the midst of its expansion plan which after completion will add 10 million tonnes to its saleable steel capacity. The expansion plan will enable the company to increase the proportion of high value steel to more than 50% from the existing level of slightly more than 30%. Induction of rolling mills will eliminate the proportion of semis in SAIL's product-mix, around 20% as of now, and enable enhancement in value realization. Also, new products being introduced will help in supplying state of art products to railways, construction, auto, and oil & gas segments.

Slowdown in general economic activity has also made the cost of acquisition of coking coal and other mines abroad more affordable. This is likely to give a sustained advantage in the long run.

Threats

International prices of steel dropped by over 60% from their peak level in July, 2008. With import duty at 5%, and poor demand from developed countries, cheap imports are on an increase into the country putting pressure on realisation of the domestic steel producers.

Although green field expansion plans have suffered a setback due to implosion of demand, brown field capacities are coming up in the country. Some of the steel majors have added capacities during 2008-09 and some new capacities are likely to come on-line by 2009-10. Greenfield capacity expansions will re-emerge sooner in India compared to other countries due to positive signs of demand prospects.

There is substantial excess capacity for galvanised products in the country, which necessitates its exports in good volumes. Due to setback in export, the domestic market is suffering a negative impact and which has also had a cascading effect on Cold Rolled & Hot Rolled coils.

With significant excess capacity in the global steel industry during 2009 there is a threat of dumping cheap steel to India which is likely to be the only major steel consuming nation with a positive growth.

Clearance and renewal of mining lease, which involve multiple agencies at the State and Central levels, are an area of concern. Delay in opening new mines, and / or expanding existing mines may constrain raw materials availability, thereby impacting growth in saleable steel production, and overall economics of operation.

Law and order situation in mining areas in some of the states is also a cause of concern for smooth operations in remote areas.

Strength and Weaknesses

Strength

The diversified product mix and multi location production units are an area of strength for the company. SAIL as a single source is able to cater to the entire steel requirement of any customer. Also it has a nation wide distribution network with a presence in every district in India. This makes quality steel available throughout the length and breadth of the country.

SAIL has the largest captive iron ore operations in India, which takes care of its entire requirement. With plans in place to expand the mining operations, the company will continue to be self sufficient in iron ore after completion of the present phase of expansion.

SAIL's captive power plants take care of about 60% of its total power need. With augmentation of capacities of power plants operated under Joint Venture, the company will continue to have security in this key input in future as well.

SAIL's large skilled manpower base is a source of strength. There is emphasis on skill based training in the company. The expanded capacity will be operated with more or less similar number of employees in future. In fact, with selective recruitment and regular attrition on account of superannuation, the number of employees is likely to come down over time; while there will be improvement in overall skill set.

The company has one of the biggest in-house research and development centres in Asia. SAIL's RDCIS (Research & Development Centre for Iron & Steel) is a source of regular product and process innovation.

Low overall borrowings lend strength to the company's balance sheet as it can mobilize resources while keeping the leveraging at manageable levels.

Weakness

SAIL is dependent on the market purchase for a key input – coking coal. As India does not have sufficient coking coal deposits, most of the supply is from external sources. As international practice in purchase of coking coal is through annual price contract it exposes the company to market risk if the steel prices crash but input prices remain unchanged.

A large manpower base results in higher manpower cost as a proportion of turnover for the company. Although there has been significant reduction in manpower through natural and voluntary separations, the manpower strength in SAIL is still higher than the industry average.

A part of the operations in the company continue to be from energy

inefficient processes viz. open hearth and ingot route of production, which will be eliminated only after the completion of the current expansion program.

At present around 20% of the products are in the form of semi-finished steel, resulting in lower value addition. New rolling mills planned under expansion plan will contribute to value addition as almost all semis will be converted to finished steel.

SAIL being a Public Sector unit has to follow set procedures in conducting its business. On occasions, it slows down the decision making with attendant fallout.

C. RISKS AND CONCERN

General economic slowdown is anticipated to be long drawn with earliest recovery anticipated around October, 2009. The recovery in steel sector may also take a longer time. Excess capacity during this period will put pressure on the margins in the steel business.

The process of clearance of mining leases, in the country needs to be streamlined. As development of mines takes place over a number of years, delayed clearances may impact the overall economics of operations for the company.

Steel making is a raw materials intensive process. Each tonne of finished steel involves transportation of 4 tonnes of materials. Infrastructure cost in India is higher than international benchmarks. To have internationally competitive steel industry it is essential that infrastructure cost comes down in future.

In the current scenario, slowdown in demand from Automotive and construction sector is posing a big concern for the Indian steel industry. Steel capacity developments in India and China, production dynamics in China and the possible slowdown in China's steel consumption leading to a surge of steel into the country are other concerns. Proposals of various countries specially China with respect to steel export tariffs and safeguard measures initiated in key importing countries might have serious implications for the Indian steel producers.

SAIL has had the advantage of low operating cost but with the implementation of the National Mineral Policy, which contains provision of clearance of 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. Other infrastructure problems like availability of railway wagons, port congestion etc would also affect operations at SAIL Plants and will have direct impact on operating margins.

Coking coal continues to be a critical input and SAIL needs to develop new technologies to make the indigenous coal suitable for use in the steel mills and thereby reduce the dependence on imported coking coal. Another concern is Global warming. SAIL is adopting clean development mechanism projects to reduce the impact of Global warming.

D. OUTLOOK

India is the only major economy expected to show positive growth in steel use in 2009. Indian consumption is forecast to grow about 2% (WSA).

The first signs of recovery in the steel industry were evident in the production and sales trend during Jan-March'09. Encouraged by the buoyant demand from the infrastructure sector and slight revival in the auto industry, the steel sector raised production in January'09 by 1.6% as compared to declines recorded in the previous two months. The improved demand scenario is expected to continue in 2009-10. Production of finished steel for April-June 2009 was 3.06 million tonnes a growth of 4% over same period last year, while consumption of steel recorded a growth of 5.2 % over April-June 2008.

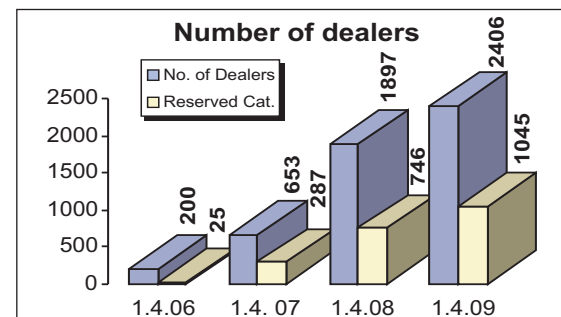
While Flat items are not expected to witness a significant revival in consumption in 2009-10, Long products would continue to spur major demand in the steel sector during the year. Government's emphasis on infrastructure spending in order to stimulate economic growth would keep demand of Longs healthy. Further, real estate activity is also expected to pick up in the second half of 2009-10 due to low interest rates and fall in property prices. This will create new demand for Long products.

SAIL took several measures to counter slowdown during the year 2008-09. Some of them are as given below-

- 1) Product mix was adjusted by increasing sales of value added and

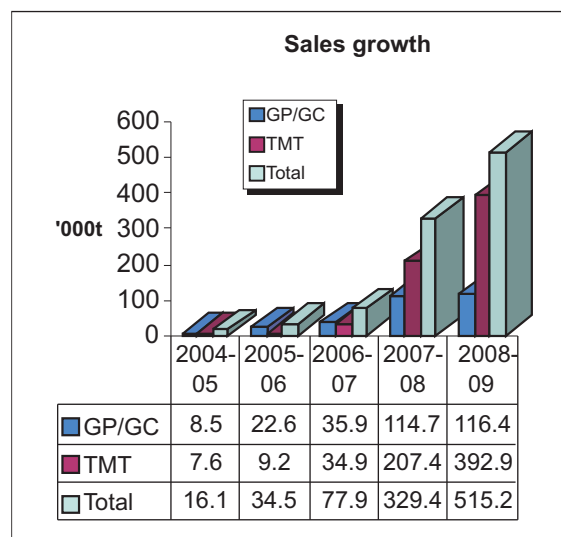
customized products where SAIL could maximize returns due to better realization. Sales of special steel registered a growth of 8% over CPLY.

- 2) Sales of TMT bars used for construction where slowdown was not so severe were augmented with the help of conversion/wet leasing. Sales of TMT registered 13.8% growth over previous year.
- 3) Dealer network was further expanded. As on 1st April, 2009 SAIL has 2406 dealers spread over 625 districts in the country. Sales through dealers were also increased and registered 56% growth during '08-09 over previous year sales. This measure was taken with a view to reach steel of mass consumption near the consuming centers at competitive rates fixed by SAIL to benefit the



common man.

Sales through dealer network which were merely 16,100 tonnes in the



year 2004-05 stood at 5,15,200 tonnes during 2008-09.

- 4) Order fulfilment was maximized against products/sectors from which sufficient orders could be booked like Railways. Record sales of Long Rails (130/260 m) were effected to Railways. Total supplies of rails to Railways (including RVNL) reached a record level of about 7.9 lakh tonnes registering 5.5% growth over previous year.
- 5) Suitable marketing strategies were employed to service strategic segments and growth achieved in such segments like Tube segment (2.4%), Heavy Machinery (113%), Cycle (42%), Containers (40%) and Boiler and Pressure Vessels (7%).
- 6) Record supplies of steel to projects of national importance: 38% growth in sales to BHEL in Power sector, 58% growth to BSNL in Telecom sector and 49% growth to DMRC achieved over previous year supplies. Order of 86000 tonnes of PM Plates bagged from Bangalore Water Supply and Sewage Board in Feb 09 to be

executed in 12 months, supplies commenced in March 09.

- 7) Door delivery was increased as a measure of customer service. Delivery at customers' (including projects) doorstep during '08-09 was highest ever at 1.0 million tonnes registering a growth of 61% over previous year.
- 8) New products were introduced into the domestic market like, CRNO in C-5 coating, SAILMA 600 Plates, MC HR Coil of M-55, M-60 Grade, High Strength grade LPG Coils, SAILCOR Grade CR Coils, API X-70 Grade HR Coils for cross country gas pipelines.

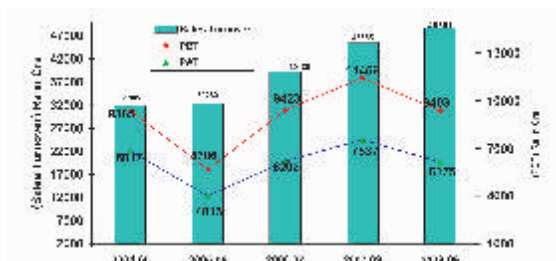
E. REVIEW OF FINANCIAL PERFORMANCE

1. FINANCIAL OVERVIEW OF SAIL

After witnessing a steep rise in demand and prices of inputs and finished steel globally in the first half of 2008-09, the second half of year 2008-09 witnessed the worldwide recession in all sphere of business impacting steel industry also. The booming Steel Sector seems to have been affected by slowing consumption and declining demand, resulting in reduction in production worldwide. SAIL also re-oriented its production in line with the market demand, which resulted in achieving saleable steel production of 12.5 MT representing 113% of capacity utilisation. However, this re-orientation in production resulted in 4% decline in saleable steel production as compared to 2007-08. Sales volume of saleable steel also declined by 8% at 11.3 MT as against 12.3 MT in 2007-08. The declining demand has also been driving down the prices of steel from October 2008.

1.1 Record Financial Performance

	2008-09 (Rs. in crore)	% increase(+)/ decrease(-) over Previous year
Sales Turnover	48,681	+7 %
PBDIT	10,942	-16%
Profit Before Tax (PBT)	9,403	-18%
Profit After Tax (PAT)	6,175	-18%



In spite of pressure on demand during second half of FY 2008-09, SAIL achieved the best ever turnover of Rs.48,681 crore because of higher average price realization during 1st half of 2008-09, higher sales of value added products and better product mix. However, as compared to CPLY the profitability was adversely affected due to increase in prices of indigenous and imported coal, adverse foreign exchange rates, increase in the provision for wage revision and payments on account of merger of DA with basic pay. The profit before tax (PBT) of Rs.9,403 crore, was lower by Rs.2,065 crore over previous year.

1.2 Initiatives taken by the SAIL Management :

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 control cost at all levels of operation, was maintained throughout the year.
- Continuous Monitoring of procurement of high value items and conducting negotiations for price reduction with suppliers including MoU parties.
- A saving of Rs.834 crore was achieved during the year through cost control and revenue maximization. Cost control savings were achieved in major areas of operation viz reduction in specific

energy consumption, higher BF productivity, improvement in coke rate, higher CC production, low power consumption and improvement in other techno-economic parameters.

Funds Management

During the year, the Company continued its thrust on better fund management. The high cost short term loans were replaced with low cost debts. Also, the Company earned interest of Rs.1,705 crore through short-term deposits with scheduled banks. The Company continued to maintain its virtual debt-free status with term deposits with Banks of Rs.17,714 crore against borrowings of Rs.7,539 crore as at the year-end. The total debt during the current year increased by Rs.4,494 crore on account of borrowings for capital expenditure as well as working capital. SAIL has been assigned AAA rating by FITCH Ratings and CARE Ratings for its long term borrowing programme.

Contribution to SAIL Gratuity Trust

During the year, the Company contributed Rs.500 crore to SAIL



Gratuity Trust. The total contribution made by the company as on 31.03.2009 was Rs.2,500 crore. The fund size has grown to Rs.2,896 crore as on 31.03.2009, including returns on investments made by the Trust.

Capital Investments

- The Company has undertaken a massive modernization cum expansion plan to increase capacity of Hot Metal production to 26.2 MT progressively from the current level of 14.4 MT.
- Contracts for all major packages of ISP and SSP expansion plans and part packages of BSP, DSP, RSP & BSL expansion plans have already been awarded. These packages are at various stages of implementation.
- During FY 2008-09, capital expenditure of Rs.5,233 crore was incurred (against Rs.2,181 crore in previous year) which has been funded by a mix of borrowings and internal accruals.

2. ANALYSIS OF THE FINANCIAL PERFORMANCE OF THE COMPANY

a) Sales Turnover

	2008-09	2007-08	Change %
Sales of Saleable Steel Products	46,172.21	43,304.51	7
Sales of Other Products	2,509.18	2,250.83	11
Total Sales Turnover	48,681.39	45,555.34	7
Less: Excise Duty	5,531.31	6,045.19	-9
Net Sales Turnover	43,150.08	39,510.15	9

Sales turnover increased to Rs.48,681 crore, mainly due to higher prices during 1st half of 2008-09, better product mix and sale of value



added products. Saleable steel sales constitute about 95% of total turnover and were higher by 7%. Sales of other products like coal chemicals, pig iron were also 11% higher over CPLY. The Company's main business arena continued to be the domestic market, which provided about 98% of its total sales turnover. Saleable steel exports at 2.50 lakh tonne during 2008-09, were lower by about 48%. Export incentives of Rs. 16 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/sheet, CR coils/sheets, Galvanised plain/corrugated Sheets and Long products comprising Rails, Structural, 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 2008-09 was as follows:

Products Category	% of sales value
Saleable Steel:	
Flat Products	49.4
Long Products	39.1
PET (Pipes, Electrical sheets, Tin plates) Products	1.7
Integrated Steel Plants	90.2
Alloy & Special Steel Plants	4.8
Total Saleable Steel	95.0
Secondary products (ingots, pig iron, scrap, coal chemicals etc.)	5.0
Total	100.0

b) Other Revenues

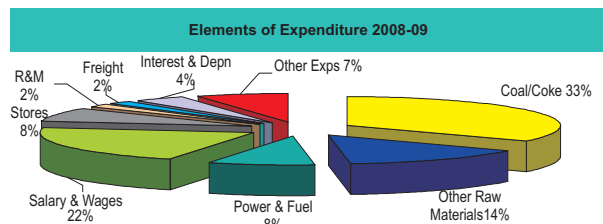
	2008-09	2007-08	Change %
Other Revenues	579.03	646.27	-10

There was a reduction in other revenues by Rs.67 crore, i.e. by 10% over previous year. Financial year 2007-08 includes foreign exchange gain booked under other revenues as per Accounting Standard 11 whereas in Financial year 2008-09, there is foreign exchange loss which is booked in other expenses. Non availability of concession to IISCO Steel Plant from West Bengal Government from 01.04.2008 onwards also reduced the other revenues.

c) Expenditure (Net of Inter Account Adjustments)

Particulars	2008-09	2007-08	Change %
Raw Materials Consumed	18,743	12,633	48
Employee Remuneration & Benefits	8,402	7,919	6
Stores & Spares Consumed	3,021	2,864	5
Repairs & Maintenance	617	532	16
Power & Fuel	3,115	2,822	10
Freight Outwards	767	718	7
Other Expenses	2,580	1,788	44
Interest	253	251	1
Depreciation	1,285	1,235	4

The profitability was also affected due to increase in all major elements of cost during 2008-09 compared with 2007-08. The increase in the raw materials cost was on account of escalation in input prices, particularly of indigenous and imported coal, ferro & silico manganese, nickel, ferro-alloys and increase in ocean freight on imported coal, freight rates on iron ore, fluxes, etc. The increase in



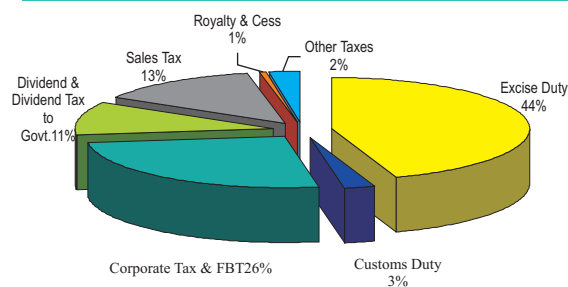
stores and spares consumption and repair and maintenance expenses was due to major repairs undertaken for blast furnaces, coke oven batteries and other mills at integrated steel plants.

The employees cost increased by 6% mainly due to provision for wage revision with effect from 1.01.2007 (provision of Rs.2,638 crore has been charged to Profit & Loss Account during the year), increase in dearness allowance and consequential increase in provisions for gratuity and leave salaries.

d) Contribution to Exchequer

During the year, SAIL contributed Rs.12,395 crore to the national exchequer by way of payment of taxes and duties to various government agencies, which is lower by Rs.1,228 crore over 2007-08 mainly on account of reduction in excise duty and lower corporate tax

Contribution to Exchequer 2008-09



due to lower profit.

e) Secured & Unsecured Loans*

	2008-09	2007-08	Change %
Secured Loans	1,473.60	925.31	59
Unsecured Loans	6,065.19	2,119.93	186
Total Loans	7,538.79	3,045.24	148

The total loans were increased by Rs.4,494 crore during the year. The increase in loans was there on account of additional borrowings for meeting working capital requirements and capital expenditure.

f) Fixed Assets*

	2008-09	2007-08	Change %
Gross Block	32,728.69	30,922.73	6
Less: Depreciation	20,459.86	19,351.42	6
Net Block	12,268.83	11,571.31	6
Capital Work-in-progress	6,544.24	2,389.55	174

Gross Block increased by Rs.1,806 crore mainly due to projects commissioned/capitalized during the year. The capital work-in-progress indicates the expenditure incurred on various capital schemes under implementation.

g) Current Assets, Current Liabilities and Provisions*

	2008-09	2007-08	Change %
Inventories			
Semi-finished/Finished Products	5,817.84	3,944.97	47
Stores & Spares	1,708.49	1,499.93	14
Raw Materials	2,595.12	1,412.33	84
Total Inventories	10,121.45	6,857.23	48
Sundry Debtors			
Gross Debtors	3,203.57	3,264.81	-2
Less: Provision for Doubtful Debts	179.21	216.69	-17
Net Debtors	3,024.36	3,048.12	-1
Cash & Bank Balances	18,228.53	13,759.44	32
Other Current Assets	1,014.47	273.08	271

Loans & Advances	2,122.06	2,379.75	-11
Total Current Assets	34,510.87	26,317.62	31
Current Liabilities	7,713.39	6,400.92	21
Provisions	9,408.21	6,797.83	38
Total Current Liabilities & Provisions	17,121.60	13,198.75	30

* As at end of the respective financial year.

The inventories increased mainly on account of increase in semi/finished inventory by Rs.1,873 crore, raw material inventory by Rs.1,183 crore and stores & spares inventory by Rs.209 crore.

Increase in finished/semi-finished inventories was due to increase in quantity and valuation rate on account of increase in cost of production and Net Sales Realisation. Also, the sudden meltdown of world economy during the middle of the year resulted in lower sales and accumulation of stocks. Increase in stores & spares inventory was partly due to price escalations and partly due to procurement for major repairs to be carried out in various plants.

Despite increase in sales turnover, there was marginal reduction in net debtors. In terms of number of days turnover, the debtors reduced from 24 days as on 31.03.08 to 23 days as on 31.03.09.

Loans & Advances reduced by Rs.258 crore. The reduction was mainly on account of decrease in advances recoverable from contractors and suppliers, employees, deposits with port trust, excise authorities, railways, etc.

Increase in current liabilities by Rs.1,312 crore was mainly on account of increase in sundry creditors for capital works, security deposits etc. The provisions were increased by Rs.2,610 crore mainly on account of increase in provision for accrued leave, taxation, wage revision.

3. PLANT-WISE FINANCIAL PERFORMANCE (BEFORE TAXES)

Plant/Unit	2008-09	2007-08
Bhilai Steel Plant (BSP)	4,965.45	5,366.37
Durgapur Steel Plant (DSP)	754.25	1,008.61
Rourkela Steel Plant (RSP)	1,011.20	1,401.33
Bokaro Steel Plant (BSL)	1,292.78	2,830.43
IISCO Steel Plant (ISP)	-182.36	-285.19
Alloy Steels Plant (ASP)	-110.25	2.69
Salem Steel Plant (SSP)	2.82	102.74
Visvesvaraya Iron & Steel Plant (VISL)	-149.29	-58.79
Central Units/RMD	1,818.85	1,100.54
SAIL: Profit Before Tax (PBT)	9,403.45	11,468.73
SAIL: Profit After Tax (PAT)	6,174.81	7,536.78

The profit before tax of most of the Plants/Units during 2008-09 was lower because of declining demand during second half of 2008-09. However, the early strategic actions taken by the management like increase in value added products, better product-mix, improved techno-economic parameters, optimization in procurement, prudent cash management, etc. marginalized the impact of global recession over SAIL.

MATERIALS MANAGEMENT

2008-09 has been challenging year for the Materials Management Functions as the strategies had to be frequently modified to keep pace with the changing market scenario. In the first half of the year the economy was booming, commodity prices were soaring and manufacturing capacities were booked. Therefore, the emphasis was on containing the prices and ensuring supplies from reliable sources. Hence MOUs and Long Term Contracts were entered into with the producers of important input materials and equipment. In the second half of the year i.e. from September, 2008 onwards, with economic downturn, there was reduction in the prices of all the materials. In order to contain the cost of inputs, contracted prices were reduced, orders short closed, supplies deferred, stock holding time reduced, new purchases and receipt of goods kept to the minimum. The continuous control reduced the specific consumption of stores and spares. These measures are continuing in 2009-10.

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

The Company incurred a capital expenditure of Rs.5,233 crore during 2008-09.

Major Projects completed

The following 12 projects costing Rs.1,304 crore have been completed during the year:

- Rebuilding of Coke Oven Battery No.5; Slab Caster, RH Degasser & Ladle Furnace; Power supply facilities for 2x1250 tpd Oxygen plant and End forging plant at Bhilai Steel Plant.
- Installation of CDI system in BF – 3 & 4 at Durgapur Steel Plant.
- Hot Metal Desulphurisation Unit in SMS-II; Conversion of CO Gas Holder from Klone type to Dry Seal type; and Installation of Pipe Coating Plant at Rourkela Steel Plant.
- Installation of 50 MW power supply for 1250 TPD Oxygen plant; Revamping of Maewest blocks in Hot Strip Mill; and Computerised process control system in SMS-II at Bokaro Steel Plant.
- Replacement of 11 no. of Medium HP Locos by High HP Locos at different plants (BSP-7, RSP-2 & BSL-2).

Major Capital (AMR) Schemes presently in progress

Capital Projects valued at about Rs.4,600 crore (costing more than Rs.20 crore) are under implementation at SAIL Plants. The objective/benefit envisaged for major projects is given below:

Bhilai Steel Plant (BSP)

- 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 tonnes 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.
- The sewage stream of Kutelabhata will be diverted to new 30 MLD Sewage Treatment Plant (STP), being installed near the industrial water cooling pond of Maroda-I. The treated water from STP will be used as industrial make-up water as a step towards zero discharge as per corporate policy.
- Rebuilding of Coke Oven Battery No.6 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.

Rourkela Steel Plant (RSP)

- Coal Dust Injection system in Blast Furnace-4 is a technical necessity 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 Nm³/hr at a pressure of 2.3 Kg/cm² 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 100,000m³ 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)

- 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.
- Coal Dust Injection in BF-2&3 system is a technical necessity for reduction in coke rate and improvement of the blast furnace productivity.
- 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.
- 2nd 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 m³/hr with 6 no. of Electrostatic Precipitators of capacity 900,000 m³/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/Nm³ 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 Nm³/min and discharge pressure of 3.9 kg/ cm² at blower end.
- The Blast Furnace-2 is being upgraded to increase the working volume from 1758 m³ to 2250 m³ with higher productivity level (2 t/m³/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.

RMD

- The proposal for enhancing loading capacity at Bolani Iron Ore Mines, modification of Railway line, overhead electrical work and signaling & telecommunication has been taken up to enable full rake (in one stretch) loading at both Fines as well as Lump Siding, resulting in reduced loading time and savings on demurrage.
- Replacement of 23 nos. of locos (BSP, RSP, BSL) has been taken up to replace the old medium horse power locos by high horse power locos.

Expansion Plans

- Work is in progress for various approved packages of Expansion plans of IISCO Steel Plant, Salem Steel Plant, Bokaro Steel Plant, Bhilai Steel Plant, Rourkela Steel Pant and Durgapur Steel Plant.
- During the year, final approval has been given for the following packages:
 - Bhilai Steel Plant (Rs.5,578 crore) includes amongst others, BOF package; CCP package; Plate mill up-gradation; and COB-11.
 - Bokaro Steel Plant (Rs.792 crore) includes Up-gradation of SMS-II and Power distribution facilities.
 - Rourkela Steel Plant (Rs.6133 crore) includes Coke Oven Battery; Blast Furnace; Sinter Plant; Coke dry cooling plant etc.
 - Durgapur Steel Plant (Rs.54 crore).

G. IN HOUSE DESIGN & ENGINEERING

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

Major projects implemented during 2008-2009 :

- Desulphurization of hot metal at BSP
- Housing machining & revamping of Maewest Blocks in finishing stand of HSM, BSL
- Installation of Power supply facilities for new 1250 TPD Oxygen Plant to be set up on BOO basis, BSL
- 3 LPE Pipe Coating Plant, RSP
- Desulphurisation of Hot Metal at RSP
- Conversion of COG holder from Klonne Type to Dry Type, RSP
- Installation of Re-heating Furnace at Blooming Mill, DSP
- Power System Augmentation at DSP
- Installation of Ladle Furnace # 2 in SMS, DSP

Major Ongoing projects :

- Modernisation & augmentation of Plate Mill Capacity, BSP
- Rebuilding of Coke Oven Battery no. 6, BSP
- Up gradation of BF-2, BSL
- Rebuilding of Battery No.-1 & 2, BSL
- Augmentation of storage facilities of coking coal, BSL
- Installation of Steel Processing unit at Bettiah (Bihar) – Phase-1, BSL
- Installation of CDI unit in BF-2 & 3, BSL
- Installation of 2nd ladle furnace at SMS-II, BSL
- Installation of one new Turbo-Blower in Turbo Blower Station, BSL
- Installation of 7 metre tall Coke Oven Battery #6 at RSP
- Installation of 700 TPD Oxygen Plant, RSP
- Rebuilding of Coke Oven Battery #4, RSP
- Capacity expansion of SMS II by simultaneous blowing of converters, RSP
- CDI in BF # 4, RSP

- Uprating of Turbo Blower # 5 in CPP- I, RSP
- Installation of CDI in BF# 3 & 4
- Enhancement of Loading Capacity at Bolani Ore Mines, RMD
- Procurement of 1500 TPH BWR at Kiriburu Iron Mines, RMD
- Installation of Bloom Caster in SMS, VISP
- Replacement of existing Reheating Furnace of Primary Mills, VISP

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 2008-09, RDCIS had pursued altogether 119 nos. of research projects; out of these 79 projects were targeted for completion. Surpassing the target, RDCIS had completed 80 nos. of projects during the year. Several new products were developed / commercialised viz. ASTM 537 Cl.1 Steel Plates at RSP, Earthquake Resistant TMT Rebars at DSP & ISP, SUP 9 Grade Billets for Leaf Springs at DSP; MC 40, MC55 and C30 Grades at RSP, and High Strength Formable Quality and High Strength LPG (EN P 310) Grades at BSL.

During the year, 161 nos. of technical papers were published / presented; besides filing of 36 patents and 35 copyrights. The scientists at the Centre bagged 10 national level awards which included coveted "Golden Peacock National Quality Award – 2008" and other prestigious awards like Metallurgist of the year, Young Metallurgist of the year, MECON Award, Essar Gold Medal, O.P. Jindal Gold Medal etc.

In addition, RDCIS undertook contract research work and provided significant consultancy services and know-how to organisations outside SAIL, yielding external earnings of Rs.212.15 lakh. While the consultancy services were provided to PCRA, New Delhi; JSW Steel, Bellary; and Orient Abrasive Ltd., New Delhi, the specialised technology know-how were transferred to M/s. Bijay Industries, B.S. City; M/s. Refcom, Purulia; and M/s. IFICO, BRL, Ramgarh.

I. ENVIRONMENTAL PROTECTION AND CONSERVATION

The key role of Environment Management Division is to facilitate the management of environment and pollution control activities around the steel works and mines of SAIL located across the country and liaisoning with state and central regulatory agencies regarding environmental matters. The division ensures continual improvement in environmental protection and conservation, technological conservation and reduction of green house gas emission, whereby contributing to reduction in global warming as given below:

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. 2.9 lakh saplings of various species have been planted during the year 2008-09.

Apart from massive plantation programme, the division is also actively engaged in eco-restoration of degraded mining areas of over 200 acres at Purnapani, Barsua and Kalta. About 92,000 saplings have been planted in more than 100 acres of degraded areas of the above mines during 2008-09. Pisciculture has been done in the abandoned quarries at Purnapani and 5 lakhs fishlings have been released in the quarry water during the year.

J. TECHNOLOGICAL CONSERVATION

During the year, Dry fog dust suppression system has been installed/revamped at RSP, Rajhara (Mech.) Mines, Dalli (Mech.) Mines and Bolani Ore Mines. Vent/Blow off silencers have been installed at Compressed Air Station #3 and Impact Mill has been put to operation for feeding 5mm LD slag fines to Sinter Plant II & III at BSP. To drive out roof carbon at Coke Ovens of DSP, De-carbonisation equipment in Ram Cars has been revived. Re-circulation of overflow water from the tailing pond of Dalli (Mech.) Mines is being practiced as a measure towards water conservation.

Reduction of Green House Gas Emission

SAIL has taken initiatives towards improving the energy efficiency of steel making operations, thereby bringing additional benefits of pollution control and reduction of Green House Gas emission. The

initiatives helped to contain global warming, facilitating SAIL to build the platform for drawing Clean Development Mechanism (CDM) benefit.

So far, 17 CDM projects have received the Host Country approval, out of which 7 projects are, at present, with UNFCCC for validation and subsequent registration.

In addition to the above, the division has been associated in promotion of renewable energy by facilitating installation of solar lights at various locations in and around Bhawanathpur and Tulsidamar Mines.

K. CORPORATE SOCIAL RESPONSIBILITY

SAIL has been a pioneer in the area of Corporate Social Responsibility (CSR). It has been structuring and implementing the CSR initiatives right from inception with the underlying philosophy and credo to make a meaningful difference in the lives of people. The company's business philosophy encompasses a triple bottom line approach covering the economic, environmental and social dimensions reflecting SAIL's commitment to building natural, human and societal capital.

Anchored in the social context, SAIL's programs have been developed to address the most basic capabilities for human development such as living a long and healthy life, beign educated, and having a decent standard of living. By systematically addressing issues such as health and medical welfare, education, access to water, sanitation, power & roads, women's empowerment, generation of local employment, etc. at each of its plant locations, the company has contributed to the human development.

These efforts which have been part of the SAIL's journey so far have seen the obscure villages of yesterday, where SAIL plants are located, turn into leading industrial centers in the country.

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 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 implemented so as to achieve overall efficiency improvement including cost reduction in 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)									
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-2000
Gross Sales	48681	45555	39189	32280	31805	24178	19207	15502	16233	16250
Net Sales	43150	39508	33923	27860	28523	21297	16837	13519	14110	14311
Earnings before depreciation, interest & tax (EBIDTA)	10942	12955	10966	7381	11097	4652	2165	1011	2167	1202
Depreciation	1285	1235	1211	1207	1127	1123	1147	1156	1144	1133
Interest & Finance charges	253	251	332	468	605	901	1334	1562	1752	1789
Profit Before Tax (PBT)	9404	11469	9423	5706	9365	2628	-316	-1707	-729	-1720
Provision for tax/Income Tax Refund (-)	3229	3932	3221	1693	2548	116	-12	-	-	-
Profit After Tax (PAT)	6175	7537	6202	4013	6817	2512	-304	-1707	-729	-1720
Dividends	1074	1528	1280	826	1363	-	-	-	-	-
Equity Capital	4130	4130	4130	4130	4130	4130	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	23854	18874	13054	8255	5881	529	-2141	-1878	33	635
Net Worth	27984	23004	17184	12386	10011	4659	1989	2252	4163	4765
(Equity Capital and Reserves & Surplus)										
Total Loans	7539	3045	4181	4298	5770	8690	12928	14019	14251	15082
Net Fixed Assets	12269	11571	11598	12162	12485	13168	14036	14798	15177	15873
Capital Work-in-progress	6544	2390	1199	758	366	382	361	556	1221	1475
Current Assets (including short term deposits)	34511	26318	20379	17384	14187	8075	7282	7107	8362	8259
Current Liabilities & Provisions	12228	9439	6500	8108	6608	6025	4777	4849	5274	5027
Working Capital	22283	16879	13879	9276	7579	2050	2505	2258	3088	3232
(Current Assets less Current Liabilities)										
Capital Employed	34552	28450	25476	21782	20064	15218	16541	17056	18265	19105
(Net Fixed Assets + Working Capital)										
Mkt price per share (In Rs.)	96	185	113	83	63	32	9	5	6	8
(As at the end of the year)										
Key Financial Ratios										
EBDITA to average capital employed (%)	34.7	48.0	46.4	35.3	62.9	29.3	12.9	5.7	11.6	5.5
PBT to Net Sales (%)	21.79	29.03	27.78	20.48	32.83	12.34	-1.88	-12.63	-5.16	-12.02
PBT to average capital employed (%)	29.85	42.54	39.88	27.27	53.09	16.55	-1.88	-9.66	-3.90	-7.83
Return on average net worth (%)	24.22	37.51	41.95	35.84	92.94	75.57	-14.35	-53.22	-16.32	-29.52
Net worth per share of Rs. 10 (Rs.)	67.75	55.69	41.60	29.99	24.24	11.28	4.82	5.45	10.08	11.54
Earnings per share of Rs. 10 (Rs.)	14.95	18.25	15.02	9.72	16.50	6.08	-0.74	-4.13	-1.76	-4.16
Price - earning ratio (times)	6.45	10.12	7.53	8.56	3.81	5.31	-11.94	-1.19	-3.17	-1.90
Dividend per share of Rs. 10 (Rs.)	2.60	3.70	3.10	2.00	3.30	-	-	-	-	-
Effective dividend rate (%)	2.70	2.00	2.74	2.41	5.24					
Debt - Equity (times)	0.27	0.13	0.24	0.35	0.58	1.87	6.50	6.23	3.42	3.17
Current ratio (times)	2.82	2.79	3.14	2.14	2.15	1.34	1.52	1.47	1.59	1.64
Capital employed to turnover ratio (times)	1.41	1.60	1.54	1.48	1.59	1.59	1.16	0.91	0.89	0.85
Working capital turnover ratio (times)	2.18	2.70	2.82	3.48	4.20	11.79	7.67	6.87	5.26	5.03
Interest coverage ratio (times)	29.59	46.39	29.29	13.07	16.43	3.88	0.76	-0.09	0.56	0.04

PRODUCTION TREND

	(Thousand tonnes)									
Item	2008-09	2007-08	2006-07	2005-06*	2004-05	2003-04	2002-03	2001-02	00-01	99-2K
Main Integrated Steel Plants										
Hot Metal	14317	14981	14368	14398	12351	12749	12080	11327	11202	10939
Crude Steel	13148	13649	13194	13177	11827	11828	11087	10467	10306	9788
Pig Iron	259	410	452	558	147	278	288	353	358	574
Saleable Steel										
Semi Finished	2206	2243	2278	2273	1751	2146	2057	2149	2141	2592
Finished	9846	10288	9849	9351	8900	8581	8029	7315	7269	6637
Total Saleable Steel	12052	12531	12127	11624	10651	10727	10086	9464	9410	9229
Alloy & Special Steel Plants										
(ASP, SSP & VISL)	442	513	454	427	379	298	266	234	293	301
Total Saleable Steel	12494	13044	12581	12051	11030	11026	10352	9697	9703	9530

* Includes IISCO, merged with SAIL from 2005-06

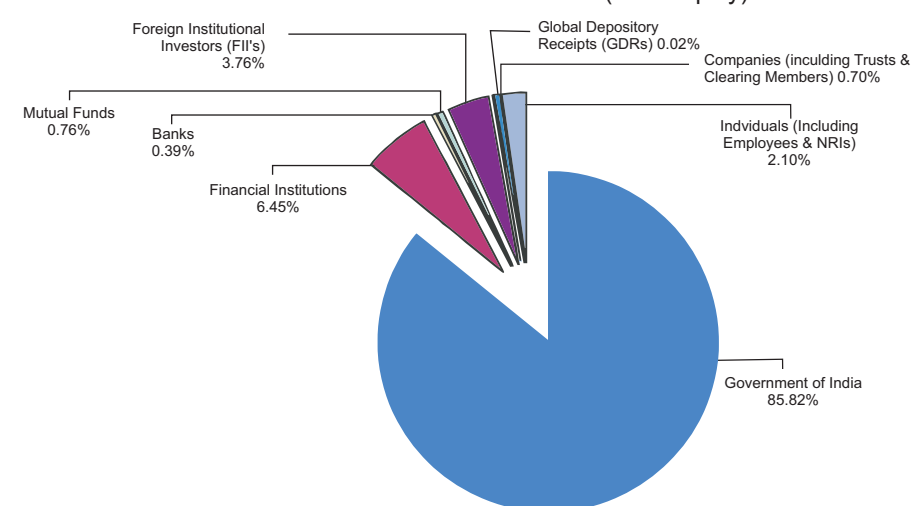
VALUE ADDED STATEMENT

	(Rs. in crore)	
For the year	2008-09	2007-08
Value of own production	51185	46384
Other Revenues	2408	1831
	53593	48215
Less: Cost of Raw Materials	18743	12633
Stores and Spares	3021	2864
Power and Fuel	3119	2826
Excise Duty	5531	6045
Freight Outward	767	718
Other Operating Cost	3067	2255
	34248	27341
Total Value Added	19345	20874
Establishment Cost	8403	7919
Financing Cost	253	251
Dividend Provision	1074	1528
Corporate Income Tax	3229	3932
Dividend Tax	181	259
Income Retained in Business		
Depreciation	1285	1235
Retained in Business	4920	5750
	6205	6985
Total Value Applied	19345	20874

SHAREHOLDING PATTERN (As on 31st March, 2009)

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	266341385	32	266.34	6.45
Banks	16226276	57	16.23	0.39
Mutual Funds	31391984	77	31.39	0.76
Foreign Institutional Investors (FIIs)	155491955	244	155.49	3.76
Global Depository Receipts (GDRs)	643345	2	0.64	0.02
Companies (including Trusts & Clearing Members)	28718088	3563	28.72	0.70
Individuals (Including Employees & NRIs)	86897227	354606	86.90	2.10
TOTAL	4130400545	358582	4130.40	100.00

SHAREHOLDING PATTERN (% of Equity)



Financial Highlights

