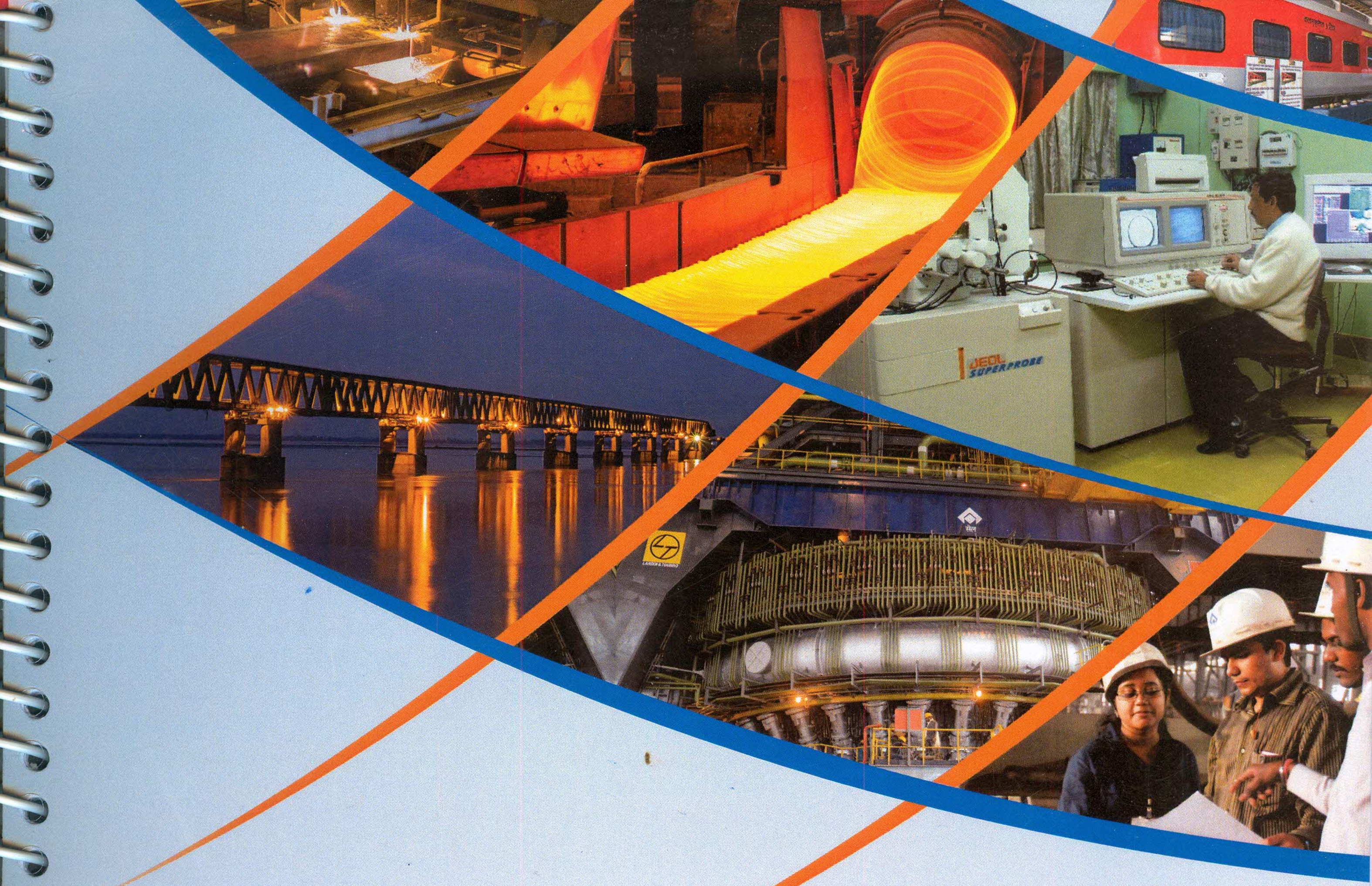

सेल SAIL

60 YEARS OF PRODUCTION

SINCE 1959

Journey of Excellence

Memorandum of Understanding (2019-20) between Ministry of Steel and Steel Authority of India Limited

Memorandum of Understanding (MoU)

2019-20

MINISTRY OF STEEL

AND

STEEL AUTHORITY OF INDIA LIMITED

INDEX

BRIEF ABOUT STEEL AUTHORITY OF INDIA LIMITED

1. **Introduction :-**Steel Authority of India Limited (SAIL) is Maharatna CPSE under the administrative control of Ministry of Steel. It was incorporated in 1973 for manufacturing and marketing of steel and related products.

2. SAIL is a leading steel making company in India. From 1973 to 1978, several steel and alloy manufacturing companies and iron ore mines were merged into and combined with SAIL's operations. At present SAIL has five Integrated Steel Plants, three alloy and special steels plants, one Ferro Alloys Plant, Refractory manufacturing unit and also is the holding Company for SAIL Refractory Company Limited (SRCL).

3. **Business Areas of SAIL:-** SAIL is a fully integrated iron and steel producer engaged in manufacturing, developing and marketing of iron and steel products of all major qualities and grades. It produces wide range of both basic and specialty steels for engineering, construction, power, railways, automotive and defence sector for domestic as well as international market. SAIL makes products such as flats (hot and cold rolled coils and sheets, plates, galvanized sheets, pipes, etc.) and longs (rails, structural, bars and rods, etc.) at five Integrated Steel Plants located at Bhilai, Durgapur, Rourkela, Bokaro and Burnpur and three Special Steel Plants located at Salem, Durgapur and Bhadravati. SAIL markets and sells most of its products through its Central Marketing Organisation (CMO) and through International Trade Division to other countries. Raw Materials Division manages operations of key captive mines and quarries of SAIL. The captive mines of iron ore and flux meet entire iron ore requirement and substantial part of the flux requirement of SAIL.

Business Environment :- Ever since decontrol of prices of steel in 1992, SAIL is operating in a fully competitive market wherein the prices of steel and important raw materials are decided by demand and supply in Global Market. Due to scarce availability of Coking coal from indigenous sources the sector is also exposed to highly fluctuating prices of Imported Coking Coal.

World crude steel production has grown by 4.6% during 2018 as compared to that during 2017. Production has shown an increase in Asia (5.6% up), , North America (increase of 4.1%) and C.I.S. (0.3%). During this period crude steel production in China increased by about 7.5% while the same has decreased in Japan by about 2.4% and in EU by 0.3%.

As per forecasts made by World Steel Association, world steel production is expected to grow by 0.7% in year 2019 to reach around 1627 million tonne. Healthy growth of about 3-4% has been forecast for North and South American Countries, Middle East, Africa and European Countries outside EU while the growth is expected to be marginal in EU and CIS. Chinese steel production is expected to decelerate.

WSA has predicted robust economic outlook for developed countries, however global steel prices may remain volatile due to possible escalation of trade tensions, rising inflationary pressure and tightening of US and EU monetary policies.

India has surpassed Japan to become second-largest crude steel producer in the world during the Financial Year 2018-19. As per the provisional figures released by JPC, crude steel production in India has increased by 3.1% during Financial year 2018-19 and reached 106.37 million tonnes as compared to a production of 103.13 Million tonnes during 2017-18.

5. SAIL has five subsidiary Companies. Inter-Ministerial Committee (IMC) had recommended exempting these subsidiaries from signing of the MoU for 2018-19. IMC has exempted these five subsidiaries from signing of MoU 2019-20 .

6. The score and MOU rating of SAIL for last five years is as follows:-

Year	Score	Rating
2013-14	1.483	Excellent
2014-15	1.562	Very Good
2015-16	79.6*	Very Good
2016-17	71.03*	Very Good
2017-18	79.42*	Very Good

* Change in Scoring Pattern.

MOU PARAMETERS AND TARGETS

Sl. No.	Parameters	Unit	Marks	2018-19 (Estimated)	Best in 5 years	MOU TARGETS FOR 2019-20					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
i	Revenue from operations (Net)	Rs. crore	10	68000	57494.74	79000	75000	69902	66540	63496	10.29%
ii	Operating profit / Surplus as percentage of revenue from operations (Net)	%	20	4.70%	3.16%	5.60%	4.80%	4.00%	2.00%	0.70%	2.13%
iii	Profit After Tax (PAT) or Surplus / as percentage of Average net Worth	%	20	5.8%	6.3%	8.5%	7.5%	5.0%	4.0%	3.0%	29.31%
iv	Production of Saleable Iron and Steel	000' Tonnes	5	15548	14362	17700	16500	16000	15500	15000	6.12%
v	Production of RAIL (UTS90)	000' Tonnes	3	985	985	1350	1250	1200	1100	1000	26.90%
vi	Reduction in Coke Rate over the previous year	%	3	453kg/thm *	456 kg/thm *	3.0%	2.5%	2.0%	1.5%	1.0%	2.5%
vii	CAPEX (Standalone)	Rs. crore	6	4200	9890	4000	3790	3590	3390	3190	
viii	Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year	%	4	92	96.7	100	95	90	85	80	
ix	Inventory of Finished goods and work in progress to Revenue from Operations (Net)	No. of days	4	52	49	47	51	53	55	57	1.92%

Sl. No.	Parameters	Unit	Marks	2018-19 (Estimated)	Best in 5 years	MOU TARGETS FOR 2019-20					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
x	Reduction in Claims against the Company not acknowledged as debt (overall)	%	3	4% (28521 Cr)		15.00%	12.00%	10.00%	8.00%	6.00%	
xi	Return (Share of Profit / Loss) on equity investment in JV(excluding ICVL) and subsidiaries	%	3	25.0%	29.97%	27.0%	25.0%	23.0%	21.0%	19.0%	NIL
xii a	Achievement of HR parameters as per list given below	nos.	3			7	6	5	4	3	
b	Initiatives for women employees for work life balance as well as leadership development	Nos. of Initiatives	3			15	14	13	12	11	
c	Capability development programs for executives to build their technical and managerial competencies for higher positions	No of Programs	2			12	11	10	9	8	
d	Formulate a Sabbatical Policy for executives and its implementation	Date	2			15.12.19	31.12.19	15.01.20	31.01.20	15.02.20	
xiii	Reduction in Reportable Lost Time Injury Frequency Rate (RLTIFR) as compared to previous year		3	0.21 RLTIFR	0.11 RLTIFR	0.11	0.07	0.05	0.03	0.02	
xiv	Improvement in Blast Furnace Productivity over the previous year	%	3	1.6 * (Tonnes/m3/ day)	1.7 * (Tonnes/m3/ day)	12.5	11.5	10	8	6	12.0%

Sl. No.	Parameters	Unit	Marks	2018-19 (Estimated)	Best in 5 years	MOU TARGETS FOR 2019-20					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
xx	Production of Coking Coal in Benga Mine of International Coal Ventures Limited	Million Tonnes	3	1.02	1.02	1.90	1.60	1.40	1.20	1.10	56.86%

*Absolute Value

Improvement would be worked out on very Good Target for MoU year over Current year expected actuals

S No	The list of HR parameters is given below
1	Continuation of online submission of ACR/APAR in respect of all executives (EO and above) along with compliance of prescribed timelines w.r.t writing of ACR/APAR
2	Continuation of online Quarterly vigilance clearance updation for Senior executives (AGM and above)
3	Regular updation of succession plan and its approval by Board of Directors
4	Implementation of recommendation of HR Audit, if any.
5	Regular updation of online Human Resource Management System (HRMS) Implementation (consisting of online employee data administration, employee self-service,exit procedure, talent management, etc.) and its integration with finance
6	Review and implementation of employee performance on the lines of FR (56)j and submitting a compliance report to Board of Directors at the end of the year
7	Doing away with requirement of attestation of documents from gazetted officer.

1 It was agreed that the targets finalized by the IMC are based on provisional/estimated figures submitted by the CPSE for the year 2018-19. In case of better performance of the CPSE as per actual results, the difference may be added to the targets for the year 2019-20 by the IMC. In case, figures for the year 2018-19 are recasted/restated in audited accounts, comparison of actual results shall be based on recasted/restated figures.

2 In working out achievements for the year 2019-20, quantified qualifications of CAG/ Statutory Auditors would be adjusted in case of overstatement of Revenue/ Profit/surplus or understatement of Loss/ Deficit in addition to the negative marks prescribed in MoU guidelines.

3 It was agreed that targets decided in MoU are unconditional and no offset will be allowed. Further evaluation would be subject to compliance of Additional Eligibility Criteria as contained in MoU guidelines

(Anil Kr. Chaudhary)
Chairman, SAIL

Binoy Kumar
(Binoy Kumar)
Secretary to GoI, Ministry of Steel

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Apr-Sep	2018-19 Estimated
1	Revenue from Operations -Gross	Rs. crore		52359.65	51148.96	43875.17	49767.10	68827.06	37845.26	78881.91#
	Revenue from Operations -Net	Rs. crore	Actual	46682.38	45730.36	39051.88	44452.41	57558.46	32625.23	68296
			MoU	*	*	*	41224.00	47526.00		59359
2	a. Profit before Tax	Rs. crore	Actual	3224.55	2358.91	-7007.50	-4850.86	-758.94	1675.81	3269
	b. Other Incomes		Actual	898.61	1001.19	594.67	535.61	484.45	212.09	426
	c. Extraordinary & Exceptional items		Actual	1056.26	0.00	0.00	-216.74	26.43	-311.56	-335
	d. Prior Period Items		Actual	150.08	-88.23	0.00	0.00	0.00	0.00	0
	e. Operating Profit/ Loss (a-b+/-c-/-d)		Actual	1119.60	1445.95	-7602.17	-5169.73	-1269.82	1775.28	3178
3	a. PAT	Rs. crore	Actual	2616.48	2092.68	-4021.44	-2833.24	-481.71	1094.12	2134
	b. Net Worth at year end (Excl. OCI)		Actual	42666.35	43504.78	39290.99	36362.66	35527.35	36807.79	37076.06
	c. Average Net worth		Actual	41845.50	43085.56	41397.88	37826.83	35945.01	36167.57	36302
	d. PAT/ Average Net Worth	%	Actual	6.25	4.86	-9.71	-7.49	-1.34	3.03	5.88
			MoU	*	*	*	*	*		*
	e. Paid-up Share Capital	Rs in Crores	Actual	4130.53	4130.53	4130.53	4130.53	4130.53	4130.53	4130.53
	f. GoI share	%	Actual	80%	75%	75%	75%	75%	75%	75%
	g. Reserves and surplus incl OCI (Net of DRE)	Rs in Crores	Actual	38535.82	39374.00	35065.00	31878.53	31583.14	32720.66	32946
4	Total Expenses (Excluding Excise Duty)	Rs in Crores	Actual	45562.78	44284.41	46654.05	49622.14	58828.28	30849.95	65118
5	Total Incomes (Less Excise Duty)		Actual	47580.99	46731.55	39646.55	44988.02	58042.91	32837.32	68722
6	Total expenses/ Total Incomes	%	Actual	95.76	94.76	117.67	110.30	101.35	93.95	94.76
7	Detail of other incomes	Rs. crore								
	a. Interest		Actual	584.13	475.10	345.02	147.29	166.09	100.12	195
	b. Dividend		Actual	124.91	103.00	70.85	91.93	76.16	11.97	60
	c. Other Incomes		Actual	172.37	423.09	178.80	296.39	242.20	100.00	170
	d. Total		Actual	881.41	1001.19	594.67	535.61	484.45	212.09	426

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
									Apr-Sep	Estimated
8	a. Cash and Bank Balance and equivalent	Rs in Crores	Actual	2855.95	2305.24	297.96	289.09	254.06	203.18	203.18
	b. Investment in mutual funds	Rs in Crores	Actual	0.00	0.00	0.00	0.00	0.00	0	0
	c. Investment in shares other than subsidiary/ JVs)	Rs in Crores	Actual	12.19	68.47	68.90	71.91	80.71	137.48	137.48
	d. Total (a+b+c)	Rs in Crores	Actual	2868.14	2373.71	366.86	361.00	334.77	340.66	340.66
	e. Cash credit/ Over-draft loan/ Short-Term loan	Rs in Crores	Actual	10634.48	14195.16	15530.31	20181.00	12205.00	12273	12273
	f. Balance in Current account	Rs in Crores	Actual	5.03	1.87	2.21	10.76	1.81	5.59	5.59
9	Dividend paid/ declared for the year, excluding Dividend Tax	Rs in Crores	Actual	834.35	826.10	NIL	NIL	NIL	NIL	NIL

Note: Trend would be given for actual figures for preceding five years (audited) and estimates of current year i.e. previous year to the year in respect of which targets are being negotiated.

MOU Target given is for Very Good Level (L-2)

* Was not an MOU parameter during the year

\# Revenue from Operations (Gross) has been estimated after adding GST as per last Year %

TREND ANALYSIS

Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Apr-Sep	2018-19 Estimated
Installed Capacity in respect of each product (Saleable Steel)	Million Tonnes	Actual	11.23	11.23	14.86	16.00	16.00	8.47	17.87
Capacity Utilisation for Each Product (Saleable Steel)	%	Actual	115%	114%	83%	87%	88%	84%	83%
		MoU	*	*	*	*	*	*	*
Contribution of each product in sales	%	Contribution varies widely with Product: shape, chemistry, mech properties, sizes of steel produced and also with market location (export vs domestic)							
Exports as a percentage of Revenue from operations (net)	%	Actual	3.27	3.49	1.45	4.06	4.04	4.74%	4.53%
		MoU	*	*	*	*	4.5%	3.8%	3.8%
Coke Rate	kg/thm	Actual	513	504	489	473	456	464.0	453.0
		MoU	*	*	512	1% reduction over previous year	1% reduction over previous year	0.75% reduction over previous year	
R&D. Innovation, Technology up-gradation parameter		Actual	R&D Parameters taken during these years included R&D Expenditure, Number of R&D Proejcts, Number of New Products developed, Patents filed etc			No R&D Parameter in MOU			
		MoU						Reduction in Longitudinal Midface Cracks in Slab Produced from Caster-3 of SMS-2 of RSP (L-2 Target 2.5%)	
CAPEX (Excluding investment in Joint Ventures)	Rs in Crores	Actual	9890	6443	5830	4878	5090	2324	4200
		MoU	10000	8000	6500	3500	3400	1700	3500
CAPEX projects running/ completed without time/ cost overrun to total value of CAPEX	%	Actual	96.7	93.2	#	89	19%	92	92%
		MoU	#			90	90	95	95
Inventory of finished goods and work in progress	Rs. crore		8972	10615	9941	9807	7644	8880	9550
Inventory of finished goods and work in progress to Revenue from Operations (Net)	Number of days	Actual	70	85	93	81	48	50	51
		MoU	#				84	70	70
Trade Receivables	Rs. crore	Actual	5482	3586	3143	2922	3870	3829	4350
Trade receivables as number of days of Revenue from Operations (Net)	Days	Actual	43	29	29	24	25.0	21	23

TREND ANALYSIS

Performance Criteria	Unit	Target v/s Actual	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 Apr-Sep	2018-19 Estimated
		MoU	*	*	*	[illegible]	24	26	26
Claims against the Company not acknowledged as debt :-	Rs in Crores	Actual	19966	23902	32873	36905	26917	27690	'28521
Total		MoU	*	*	*	*	4% reduction over previous year	3.5% reduction over opening balance	
Return (share of profit/loss) on Investment in Joint Ventures and subsidiaries (Excluding ICVL)	%	Actual	20.83%	17.80%	17.95%	29.97%	26.69%	**	25.0%
		MoU	*			#	#	**	23.0%
Blast Furnace Productivity	t/m3/day	Actual	1.58	1.56	1.58	1.67	1.70	1.58	1.60
Safety : Reportable Lost Time Injury Frequency Rate (RLTIFR)	RLTIFR	Actual	0.23	0.27	0.20	0.11	0.17	0.12	0.21
Production of Coking Coal in Benga Mine of International Coal Ventures Limited	Million Tonnes	Actual	NA	0.47	1.02	0.03	0.08	0.65	1.02

* Was not a MOU parameter during the year.

** Joint Ventures of SAIL do not publish Quarterly / Half yearly Accounts

\# Was not an MoU parameter in the present form

Profit of NTPC SAIL Power Company Limited for Financial year 2016-17 include abnormal profit to the extent of approximately Rs 140 Crores due to change over to IND AS Accounting, CERC Order on revision of Tariff, MAT Credit Written back and increased profit due to trading of Untilised share of power allocated to Dadra Nagar Haveli (DNH) and approximately Rs 10 Crores for Bokaro Power Supply Company Limited due to change over to IND AS Accounting. These are not expected during future years.