

## 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 30th 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.

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### 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 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.

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MoU being signed amongst SAIL, Indian Railways, NMDC Ltd, and Govt. of Chhattisgarh for the construction of a railway line between Dalli-Rajhara-Rourkela-Jagdalpur, on 11th December, 2007, in the presence of (from left to right), Dr. Raman Singh, Hon'ble Chief Minister, Chhattisgarh, Shri Lulu Prasad Yadav, Hon'ble Minister of Railways, Shri Ram Vilas Paswan, Hon'ble Union Minister for Chemicals & Fertilizers and Steel, Shri R. Veju, 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 H) 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/tm, a reduction of 8 kg over the previous year and energy consumption came down to lowest ever 6.95 Gcal/ct, 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/ct 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-Rourkela-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 Tazra and Sitazala. 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 5,73,152 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 decolling 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 'Lakshyas 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. Rongta, 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. Rongta, Chairman, SAIL and Dr. J.S. Sarma, Secretary, Fertilizer & Steel.

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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 China 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 RSP 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 of 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 'Isbat Bhasa Bharat' from Shri Shrawaj Patil, Hon'ble Minister of Home Affairs on 14th September, 2007.

- Your Company also awards meriti-cum-means merit scholarships and Jawaharlar 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 organise 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 'Isbat Bhasa Bharat' 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 'Employee 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'.

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Shri S.K. Rongta, 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 (ICWA) 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 (ICWA) 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 FSUs" 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/ctcs, a reduction over 5% over the previous year.
- Solid waste utilisation touched 80%, an improvement of 3%.
- Water consumption brought below 4.0 m<sup>3</sup>/ctcs, 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 (APFCCD), 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/LTC 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 indios 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



Mahantsabagan, 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 Nandandargh and Chankargh 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 Dhyani 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 Gus 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 Ranajiludu 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 Ranajiludu 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 (Gulugupara) 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 Thimulaviti, 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, Annapali 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 ADFRQS Asian Tour Golf Tournament (SAIL Open Golf Tournament) and Nehru Champion Colleges Hockey Tournament besides supporting UP Badminton Association for UPA 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.

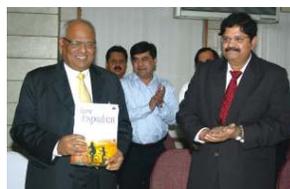
To commemorate the Golden Jubilee Year of Production on 4th February, 2008, at Vigyan Bhawan, New Delhi, a SAIL Logo on 50th Year of Production, was released. Several events have been planned to celebrate the Golden Jubilee Year of Production in all the plant/unit locations till 3rd February, 2009.

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, IAS, ADGP & CVO, SAIL.

To ensure compliance of laid-down system and procedures, around 2900 surprise checks, including 500 joint 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(2A) 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.

ISCO-Ujain Pipe & Foundry Company Limited, a wholly owned subsidiary of the erstwhile Indian Iron & Steel Company Limited (ISCO), was ordered to be wound up by BIFR. The Official Liquidator is continuing its liquidation process. SAIL (including ISCO) 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

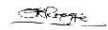
Shri Nilotpal Roy, MD, ISP ceased to be Director w.e.f. 31.01.2008 on attaining the age of superannuation.

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