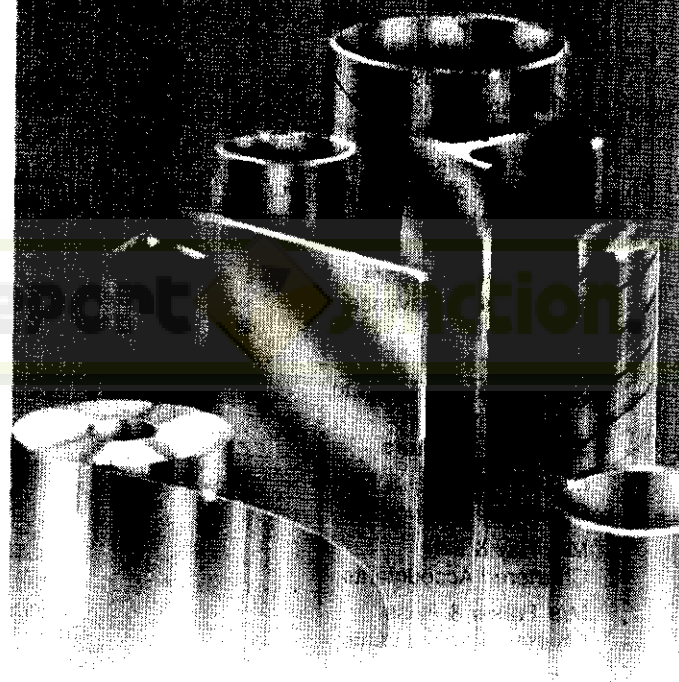


ANNUAL REPORT 1998-99



STEEL AUTHORITY OF INDIA LIMITED

Board of Directors

As on 31.07.1999

Chairman

Shri Arvind Pande

Managing Directors

Bhilai Steel Plant

Shri V. Gujral

Durgapur Steel Plant

Shri S.B. Singh

Bokaro Steel Plant

Shri B.K. Singh

Rourkela Steel Plant

Shri A.K. Singh

Functional Directors

Finance

Shri V.S. Jain

Commercial

Shri M.K. Moitra

Projects

Shri S.C.K. Patne

Research & Development

Dr. S.K. Bhattacharyya

Operations & Raw Materials

Shri S. Pandey

Directors

Shri G.S. Garcha

Shri A.H. Jung

Dr. Atul Sarma

Shri D. Basu

Dr. Y.R.K. Reddy

Shri K.S. Rajendra Kumar

Secretary

Shri R.K. Garg

Bankers

State Bank of India

Bank of Baroda

Canara Bank

Punjab National Bank

United Bank of India

Syndicate Bank

Union Bank of India

Bank of India

Indian Overseas Bank

Oriental Bank of Commerce

Central Bank of India

UCO Bank

State Bank of Patiala

Punjab & Sind Bank

Allahabad Bank

Jammu & Kashmir Bank Limited

State Bank of Saurashtra

State Bank of Hyderabad

ANZ Grindlays Bank

Bank of Maharashtra

State Bank of Indore

China Trust Commercial Bank

Bank of America

State Bank of Bikaner & Jaipur

Times Bank

Deutsche Bank

State Bank of Mysore

State Bank of Travancore

Vijaya Bank

Indian Bank

The Karnataka Bank Ltd.

Statutory Auditors

M/s. S.R. Battiboi & Co.

Chartered Accountants

M/s. Ray & Ray

Chartered Accountants

M/s. Fraser & Ross

Chartered Accountants

M/s. A.K. Sabat & Co.

Chartered Accountants

M/s. S.N. Nanda & Co.

Chartered Accountants

CONTENTS

1. Notice	1
2. Directors' Report	4
3. 10 Year Digest	9
4. Annual Accounts	10
5. Auditors' Report	43
6. Comments of C & AG	50
7. Review of Accounts by C & AG	53
8. Cash Flow Statement	62
9. Principal Executives	65
10. List of Stock Exchanges	66
S subsidiary Companies' Annual Report and Accounts	
11. The Indian Iron & Steel Company Limited	67
12. Maharashtra Electrosmelt Limited	91

Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003

Phone: 4367481; Fax : 4367015

Gram: STEELINDA

Internet: www.sail.co.in

E.Mail: corporate.delhi@sail.sprintpg.ems.vsnl.net.in

Board of Directors

As on 31.07.1999

Chairman

Shri Arvind Pande

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Shri V. Gujral

Durgapur Steel Plant

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Punjab National Bank

United Bank of India

Syndicate Bank

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Punjab & Sind Bank

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Jammu & Kashmir Bank Limited

State Bank of Saurashtra

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ANZ Grindlays Bank

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CONTENTS

1	Notice	1
2	Directors' Report	4
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5	Auditors' Report	43
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7	Review of Accounts by C & AG	53
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9	Principal Executives	65
10	List of Stock Exchanges	66
	Subsidiary Companies' Annual Report and Accounts	
11	The Indian Iron & Steel Company Limited	67
12	Maharashtra Elektrosmelt Limited	91

Notice



STEEL AUTHORITY OF INDIA LIMITED
REGISTERED OFFICE: ISPAT BHAWAN, LODI ROAD
NEW DELHI-110003

NOTICE IS HEREBY GIVEN THAT the 27th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Wednesday, the 22nd September, 1999 at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1999, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint Directors in place of those retiring.

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modification the following resolution as SPECIAL RESOLUTION:

- a) **"RESOLVED THAT** approval of the Shareholders be and is hereby accorded to the renumbering of Article 20 and Article 22 of the Articles of Association of the Company as Article 20(a) and Article 22(a) respectively and also to the amendment of Articles of Association by inserting the Article 20(b), Article 22(b), Article 84(21), Article 84(22), Article 84(23) and Article 84(24) as follows :

Article 20(b)

Transfer of shares in Electronic Form

Notwithstanding any provisions contained in these articles regarding certificates/transfer/transmission of shares, the provisions of Depositories Act, 1996, as amended, shall apply for transfer done in electronic form.

Article 22(b)

Underwriting and Brokerage

The Company may, at any time, pay commission and/or brokerage to any person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription (whether absolutely or conditionally) for any shares, debentures or debenture stock or any other security of the Company; if the commission and/or brokerage in respect of shares shall be paid or payable out of capital, the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission and/or brokerage shall not exceed the rates prescribed by the Act. The commission and/or brokerage may be paid or satisfied in cash or shares, debentures or debenture stock of the Company.

Article 84(21)

To enter into Joint Ventures/strategic alliance

To enter into technology Joint Ventures or strategic alliances.

Article 84(22)

To obtain technology know-how

To obtain by purchase or other arrangements, technology and know-how.

Article 84(23)

To effect organisational restructuring

To effect organisational restructuring including establishment of profit centres, opening of offices in India and abroad, creating new activity centres etc.

Article 84(24)

To structure personnel schemes

To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.

- b) **"RESOLVED FURTHER THAT** approval of the Shareholders be and is hereby accorded to the substitution of Article 57, Article 58, Article 73(b)(viii), Article 84(12), Article 84(18)(i) and Article 84(19) of the Articles of Association of the Company by the following Articles:

Article 57

Subject to the provisions of the Act, these Articles and the extant guidelines/instructions, if any, of the Government of India in this regard, the directors shall have the power to pass a resolution at a meeting of the Board and not by circulation to raise or borrow or secure the payment of any sum or sums of monies for the purposes of the Company provided that the total amount borrowed at any time together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of the business) shall not, without the consent of the Company in General Meeting, exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

Article 58

Subject to the provisions of the Act and the extant guidelines/instructions, if any, of the Government of India in this regard, any bonds, debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings and allotment of shares. Bonds, debentures, debenture stock or other securities with the right to allotment of or conversion into shares shall be issued only with consent of the Company in general meeting.

Article 73(b)(viii)

Appointment in the Company or in any of its subsidiaries of any person, other than foreign technical personnel, who has attained the age of 60 years.

Article 84(12)

To create and wind up all posts including and upto those of non-Board level Directors i.e. Functional Directors who may have the same pay scales as that of Board level Directors but who would not be members of the Board. All appointments upto this level would also be in the powers of the Board and would include the power to effect internal transfers and redesignation of posts.

Article 84(18)(i)

To authorise undertaking of works of the capital nature and to invite and accept tenders including variations, if any, in approved estimates.

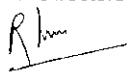
Notice

Article 84(19)

Subject to provisions of the Act, to promote or establish wholly or partly owned companies or subsidiaries and to establish financial joint ventures in India or abroad with the stipulation that the equity investment should be limited to:

- a) Rs.200 crores in any one project.
 - b) 5 per cent of the net worth of the Company in any one project.
 - c) 15 per cent of the net worth of the Company in all joint ventures/ subsidiaries put together.
- c) **"RESOLVED FURTHER THAT** approval of the Shareholders be and is hereby accorded to the amendment of Articles of Association by deleting the Article 73(b)(i), Article 73(b)(ii), Article 73(b)(iii), Article 73(b)(iv), Article 73(b)(vi) and Article 84(18)(ii)."
4. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:
- "RESOLVED THAT** Shri D. Basu who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 23rd September, 1998."
5. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:
- "RESOLVED THAT** Dr. Y.R.K. Reddy who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956, and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 23rd September, 1998."
6. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:
- "RESOLVED THAT** in supersession of the Resolution passed at the Annual General Meeting held on 25th September, 1997, consent be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293(1)(d) of the Companies Act, 1956, for borrowing from time to time any sum or sums of money which together with the money already borrowed by the Company (apart from temporary loans obtained from the Bankers of the Company in the ordinary course of the business) shall not exceed in the aggregate at any one time Rs.20,000 crores."

By order of the Board of Directors


(R.K. Garg)
Secretary

New Delhi
31st July, 1999

Registered Office:
Ispat Bhawan, Lodi Road, New Delhi-110003.

Notes:

1. The relevant Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos.3 to 6 above are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. THE PROXY FORM IS ENCLOSED AT THE END OF ANNUAL REPORT.
3. Only members carrying the attendance slips or holders of valid proxies registered with the Company will be permitted to attend the meeting. In case of shares held in joint names or shares held under different registered folios wherein the name of the sole holder/first joint-holder is same, only the first joint-holder/sole holder or any proxy appointed by such holder, as the case may be, will be permitted to attend the meeting.
4. Members attending the meeting are requested to bring their copy of the Annual Report as extra copies will not be supplied.
5. The Register of Members of the Company will remain closed from **26th August, 1999 to 22nd September, 1999 (both days inclusive)**.
6. Members should notify change in their addresses, if any, specifying full address in block letters with **PIN CODE** of their post offices, which is mandatory.
7. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Shares Department enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
8. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company atleast 7 days before the meeting so that relevant information can be kept ready at the meeting.
9. The Shares Department of the Company is located at **4th Floor, 'Arunachal', 19 Barakhamba Road, New Delhi - 110001** and is open for public dealings between 10.00 a.m. and 4.00 p.m. from Monday to Saturday except 2nd & 4th Saturdays and holidays. Members are advised to send all correspondence(s)/Documents relating to transfer of shares, dividend only to Shares Department.
10. Members who have not encashed the dividend warrant(s) so far for the years 1994-95, 1995-96, 1996-97 and 1997-98 are requested to make their claims to the Company immediately for its revalidation and subsequent encashment.
11. **Entry to the Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**
12. *No Brief case or Bag will be allowed to be taken inside the auditorium.*

Annexure to the Notice



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3

Government of India, Department of Public Enterprises vide its Office Memorandum No.DPE/11(2)/97-Fin. dated 22nd July, 1997 has decided to grant the enhanced autonomy and delegation to the Boards of selected PSEs. The Department of Public Enterprises also vide their O.M. No.DPE/11(2)/97-Fin. dated 24th July, 1997 has advised to take action for making necessary changes in the rules, notifications, instructions, Articles/Memorandum of Association, etc. to give effect to the proposed delegation to the selected PSEs. In order to give effect to the delegation by the Government, the existing Articles of Association of the Company need to be altered.

In view of above and also to meet certain statutory requirements such as transfer of shares in Electronic mode and payment of underwriting commission and brokerage for raising of funds, the amendment to the Articles of Association has been proposed.

Under Section 31(1) of the Companies Act, 1956 approval of the Shareholders is required for amending the Articles of Association of the Company.

The Directors, therefore, recommend the Special Resolution. None of the Directors of the Company is interested or concerned in the resolution.

ITEM NO. 4

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL.I dated 23rd September, 1998, Shri D. Basu was appointed as an Additional Director of the Company with effect from 23rd September, 1998 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri D. Basu as a candidate for the office of Director of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.

None of the Directors other than Shri D. Basu to the extent of his appointment as Director, is concerned or interested in the above resolution.

ITEM NO. 5

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL.I dated 23rd September, 1998, Dr. Y.R.K. Reddy was appointed as an Additional Director of the

Company with effect from 23rd September, 1998 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Dr. Y.R.K. Reddy as a candidate for the office of Director of the Company.

Board considers it desirable that the Company should continue to avail itself of his services as a Director and recommend this Resolution for approval of the shareholders.


None of the Directors other than Dr. Y.R.K. Reddy to the extent of his appointment as Director, is concerned or interested in the above resolution.

ITEM NO. 6

Pursuant to the provisions of clause (d) of sub-section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any one time except with the consent of shareholders of the Company in the General Meeting. At the Annual General Meeting of the Company held on 25th September, 1997 consent of the members had been obtained for the Directors to borrow upto the maximum amount of Rs.18000 crores. The Company would be needing substantial amount of funds for financing capital expenditure, meeting operational requirements and debt servicing obligations. In the absence of internal resources, the requirement has to be met by way of additional borrowings, in view of which the borrowing limit of the Company of Rs.18000 crores approved by the shareholders is likely to be exceeded soon. Your Directors, therefore, place before you the proposal to increase the maximum borrowing limit upto Rs.20000 crores.

None of the Directors of your Company is interested or concerned in this Resolution.

By order of the Board of Directors


(R.K. Garg)
Secretary

New Delhi
31st July, 1999

Registered Office:
Ispat Bhawan, Lodi Road, New Delhi-110003

Directors' Report

To,

The Members,

The Directors have pleasure in presenting the Twenty-seventh Annual Report of the Company together with audited accounts for the year ended 31st March, 1999.

FINANCIAL REVIEW

During the year, the Company has recorded, a sales turnover of Rs.14993.85 crores (previous year Rs.14665.25 crores). The Net Loss after tax at Rs.1573.66 crores (previous year Net Profit after tax Rs.132.99 crores) is after providing interest of Rs.2017.44 crores (previous year Rs.1553.76 crores) and depreciation of Rs.1104.06 crores (previous year Rs.794.86 crores). Despite higher sales, there has been a sharp decline in the profitability of the Company. The continuing sluggishness in steel demand, intense competition from imports and increased domestic supplies led to sharp drop in the Net Sales Realisation. This coupled with higher burden of depreciation and interest on the commissioning of major modernisation schemes at Rourkela Steel Plant (RSP) and Bokaro Steel Plant (BSL) affected the bottom line of the Company. The benefits of the modernisation would, however, materialise in phases over a period of time.

Pursuant to order No.1124(E) dated 29th December, 1998 issued by Ministry of Law, Justice & Company Affairs, Visvesvaraya Iron & Steel Limited (VISL), a wholly owned subsidiary of SAIL has been dissolved and amalgamated with the Company. The entire business and undertaking of VISL on "as is where is basis" was transferred to and vested in SAIL on and from the appointed date i.e. 29th December, 1998. For accounting purposes, the amalgamation has been given effect with reference to the audited accounts and Balance Sheet of VISL as on 31st March, 1998. This also adversely affected the financial results of the Company for the year 1998-99.

In view of the loss, the Directors do not recommend a dividend. Further, no appropriation towards Bond Redemption Reserve is proposed to be made.

With a view to overcome the adverse situation, the Company has undertaken massive cost control and revenue maximisation measures resulting in a saving of about Rs.902 crores during the year. The cost reduction drive has resulted in increased operational efficiencies, improvements in techno-economic parameters, reduction in arisings etc. and lower administrative expenses. In house manufacturing of various items has been maximised which helped in regulating procurement from outside agencies. Capital investment is being restricted to only on-going capital schemes and schemes relating to statutory requirements, viz. safety, environment, etc. Other measures include the introduction of Voluntary Retirement Scheme (VRS) to rationalise manpower, improvement in techno-economic parameters, increasing sales through aggressive and customer oriented marketing, exploring new ways to bridge the resource gap through initiatives

including business restructuring, closure of uneconomic units and hiving-off of non-core assets etc. Idle assets have been identified and sales also started during the year.

FINANCIAL AND BUSINESS RESTRUCTURING

To overcome the adverse business scenario, Company has formulated a Turnaround Plan and identified the areas of intervention and the actions required for ensuring both the long term and short term viability of the Company. The four pronged strategy consisting of Financial Restructuring, Assets Restructuring, Operational Improvements and Organisational Improvements has been identified.

Based on the IDBI recommendations and the Turnaround Plan, a proposal for financial and business restructuring has been submitted to the Government of India for their consideration. The proposed restructuring will help in mitigation of financial risk by reducing debt/equity ratio and improvement in debt servicing capability.

A Competitiveness Plan was formulated by M/s. McKinsey & Company for SAIL which was aimed to improve market valuation of SAIL and make it a low cost steel producer. The major recommendation includes assets and organisation restructuring, operational cost control, manpower reduction, capital expenditure control, marketing initiatives, purchase policy review etc. Company has taken up these recommendations for implementation in a phased manner.

During the year, the Company has initiated the process for transfer of 542 MW of captive power generation assets and related facilities at Rourkela, Durgapur and Bokaro alongwith Supervisory Load Control Centre at Calcutta into a separate Subsidiary Power Company. The proposed restructuring is a part of SAIL's comprehensive business plan to retain market leadership in its core steel business through increased focus while introducing greater efficiency and technological improvements in its power plant operations. The selection of strategic alliance partner for the proposed power company is under way.

SALES AND MARKETING REVIEW

During the year, the steel market exhibited definite signs of stagnant demand mainly due to the lower growth in steel intensive segments like heavy machinery, consumer durables and construction and also poor investment in infrastructure sector. Excess availability of steel in the domestic market coupled with cheap inflow of imports particularly of flat products adversely affected the sales realisation of the Company. SAIL had adopted aggressive marketing strategies which included intensified customer contact and feedback system coupled with a customer friendly order booking system and after sale services. The requirements of specific market segments were met through regular improvement in the quality parameters of the new modernised mills at Durgapur, Rourkela and Bokaro. Customer satisfaction was further enhanced through a larger component of direct despatches which



constituted around 50 per cent of total sales. Steel Industry had also taken up the issue of fixation of a floor price against cheap import of HR Coils and the Government of India issued notification on Reference Prices for HR Coils and other flat products in December 1998. This helped in arresting continuous dip in sales realisation.

SAIL had marketed 8.97 million tonnes of saleable steel and 0.66 million tonnes of Pig Iron in the domestic and international markets during the year under review. Consequently the Company was successful in depleting around 5 lakhs tonnes of saleable steel inventory.

The continuous decline in international prices and economic slow down in the various countries had affected the export of steel during the year. The financial turmoil in South East Asia had forced SAIL to look for other destinations for exports like Europe, Middle East, South Africa and neighbouring countries, in addition to USA and Nepal. In view of this, the company could export only 0.49 million tonnes of steel and pig iron and earned Foreign Exchange of about Rs.553 crores through exports and other activities.

PRODUCTION REVIEW

The Company faced another critical year, with external business environment continuing to remain adverse. The production strategy, therefore, focused on market-led production and further improving efficiency of operations. The plants shifted their production to new modernised facilities, utilisation of assets was optimised, uneconomic production processes were stopped, input inventory was maintained at lower levels and direct despatch to customers was maximised. Cost reduction efforts were intensified during the year, with encouraging results. Some of the achievements were as under:

- Lowest ever coke rate of 581 kg/thm, with 2 per cent reduction over previous year.
- Lowest ever energy consumption of 8.09 Gcal/tcs which was 2 per cent lower than last year.
- Refractory consumption declined by 11 per cent to lowest ever 16.8 kg/tcs.
- Captive power generation improved by 3 per cent to 464 MW.

The production was regulated in line with market demand. SAIL main steel plants produced 11.18 million tonnes of hot metal, 9.86 million tonnes of crude steel and 8.33 million tonnes of saleable steel during the year. The production of crude steel through continuous casting route in four main plants increased by 42 per cent over previous year, with proportion of BOF-CC production going up from 29 per cent in 1997-98 to 43 per cent in 1998-99.

Raw Materials

The total iron ore production from company's captive mines during the year was 20.01 million tonnes and entire requirement of iron ore for different plants was met from company's own mines. Flux production was 2.75

million tonnes.

The Rowghat iron ore mines have been identified by the company to meet the iron ore requirement for its Bhilai Steel Plant in the coming years. Subsequent to the signing of the Memorandum of Understanding on the railway line project in April, 1998, the stage is set for the transportation of the ore to the plant. Bhilai Steel Plant has also been granted the Prospecting Licence for the project in November, 1998 to carry out the Phase-II prospecting.

Total Quality Process

SAIL continued its efforts in implementing ISO 9000 standards in its plants/units. During the year, Blast Furnaces and Hot Strip Mill of RSP, Coke Ovens and Blast Furnaces of BSP, Hot Rolled Coil Finishing Lines (HRCF) and Cold Rolling Mill -1 of Bokaro, Kakinada Port of CMO and SAIL Consultancy Division (SAILCON) have achieved ISO 9002 Certification.

MODERNISATION AND OTHER CAPITAL SCHEMES

The Modernisation schemes at Durgapur, Rourkela and Bokaro Steel Plants started yielding results during the year. Durgapur Steel Plant after modernisation, has reached 83 per cent of its rated capacity and the techno-economic parameters like energy consumption, coke rate, yield, etc. have shown significant improvements.

Rourkela Steel Plant Modernisation was completed in August 1998 except Reheating Furnace No.5 of Hot Strip Mill which is expected to be completed by March, 2000. After completion of the modernisation, significant improvement in production has been achieved in all the units and the major modernised units have achieved around 70 per cent of the capacity utilisation and at times have exceeded the rated capacity. 100 per cent of the steel produced in the plant is now through Basic Oxygen Furnaces - Continuous Casting route.

At Bokaro Steel Plant, modernisation work was completed by February, 1999 except for Reheating Furnace No.3 and fourth Coiler, which are in advanced stage of completion. After the completion of modernisation, there has been a considerable improvement in the quality of the finished product.

The Coal Dust Injection facilities at Bhilai and Bokaro Steel Plants were introduced at Blast Furnace-6 and 4 respectively during the year.

The Installation of Sinter Plant-3 at Bhilai Steel Plant is in advanced stage of construction and is likely to be completed by March 2000.

The Company incurred a capital expenditure of Rs.1174 crores during the year on fixed assets and capital work-in-progress which has been primarily financed through borrowings from external sources.

HUMAN RESOURCES MANAGEMENT REVIEW

SAIL continued to utilize its human resource towards attainment of organizational goals. A conducive and

Directors' Report

congenial work environment was maintained through the support and cooperation of the trade unions and officers' association.

The **manpower strength** as on 31st March, 1999 was 174736 comprising 18249 executives and 156487 non-executives. The **manpower productivity** was 95 tonnes of crude steel per man year. As a consequence to the Government's decision, the retirement age for employees has been increased from 58 to 60 years with effect from 29th May, 1998. As a result no natural separations occurred during May 1998 to March 1999. A Voluntary Retirement Scheme based on a system of deferred payment was introduced from 1st March, 1998 to 31st August, 1998. During this period 5975 employees separated on Voluntary Retirement. A Scheme for Sabbatical Leave has been introduced w.e.f. 31st March, 1999 as a tool for manpower rationalization.

Training continued to play a crucial role in the on-going process of change and development to meet the priorities of the Company. The focus was on managerial competence building and skill development of our employees during the year. Out of 77228 employees trained during the year, 42615 employees were trained in the area of skill and efficiency enhancement and 20396 employees were trained in the special areas identified for the year.

Company continued to provide community support through various **welfare measures** which included providing avenues for social and cultural activities, education for children, housing facilities of co-operative societies, and extension of mediclaim schemes to retired employees.

Preventive measures for averting accidents at works sites received top most priority in the **Safety** Management Programme of the Company. Steps initiated to enhance safety performance in Steel Plants included system of internal benchmarking, guidelines to line Managers for their responsibilities towards safety, spread of 5-Star Safety & Health Management System, development of Standards on Safety Procedures for hazardous jobs, inclusion of safety measures in Standard Operating Practices (SOPs) & Standard Maintenance Practices (SMPs) with a view to integrate safety with work processes and realistic assessment of cost of accident. Award for "Best Safety Man of the year" was introduced under Ispat Suraksha Puraskar in addition to existing awards under various competitions organized for motivating employees towards safety.

A team of four employees from BSP was selected for the Prime Minister's Shram Ratna **Award** during the year. For the second time since inception this highest award has been bagged by a SAIL team. In addition one employee from BSL and one employee from VISL have been selected for Shram Vir and Shram Shri Award respectively during the year.

Presidential directives on **Scheduled Castes and Scheduled Tribes** continued to be implemented and

monitored on a regular basis. As on 31st December, 1998 out of the total manpower 15 per cent were Scheduled Castes and 11.13 per cent were Scheduled Tribes.

The Company continued its efforts in the implementation of **Official Language** Policy of the Government of India. Emphasis was given to create an environment in which employees voluntarily adopt Hindi in their office work. SAIL's quarterly journal on Official Language 'ISPAT BHASHA BHARTI' received wide acclaim from all quarters. Raw Materials Division, Calcutta, Central Marketing Organisation, Chennai and Bokaro Steel Plant were awarded prizes by the Deptt. of Official Language, Ministry of Home Affairs for noteworthy implementation of Hindi.

In line with **Sports** Policy of the Company efforts and investments in youth sports were intensified further during the year. "Catch them young" particularly at SAIL Plants through top coaches was the main theme. Indian Handball youth team from Bhilai reached Finals of the tournaments. Under-14 Subroto Cup was lifted by SAIL Bokaro Academy and SAIL Hockey Team was declared most promising team of Jawahar Lal Nehru Hockey during the year. SAIL sponsored sports persons rose to remarkable performance levels. SUBROTO-CUP soccer was sponsored and WON by SAIL during the year. More than two dozens of SAIL youths from its townships were amongst National Medals in different disciplines of Sports. Pursuit of excellence in youth sports is now a way of life at SAIL.

IN-HOUSE ENGINEERING

Centre for Engineering & Technology (CET) has been 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.

Some of the major projects implemented during 1998-99 with in-house consultancy services include Coal Dust Injection System in BF-6 of Bhilai Steel Plant and BF-4 of Bokaro Steel Plant, Installation of Re-heating Furnace No.6 in the Hot Strip Mill, Ladle Furnace and Slab Casting Shop-I at RSP and On-line Ultrasonic Testing of Rails at BSP.

Besides the above, Sinter Plant No.3 (raw materials handling package) of BSP, Rebuilding of Coke Oven Battery No.3 of BSL and Rebuilding of Coke Oven Battery No.5 at RSP are some of the major projects under implementation with in-house service.

MARKETING OF SERVICES

Despite difficult market conditions for steel industry world-wide, SAIL Consultancy Division (SAILCON) succeeded to make a mark as a leading global Engineering and Management Consultant and obtained orders worth Rs.3.96 crores registering a growth of 80 per cent over the last year. The major orders booked during 1998-99 included Engineering services for setting up a Bar Mill in West Bengal, Basic Engineering for a Romelt Technology



based Iron Plant in Madhya Pradesh, Training of Personnel of an upcoming steel plant in Western India, Project Report for revival of a Steel Mill in Bangladesh and Consultancy Services for setting up an R&D Institute in Iran. With quality as its hall mark, SAILCON has been awarded ISO-9002 Certification by RWTUV, Germany.

RESEARCH & DEVELOPMENT

Research & Development Centre of the Company completed 98 R&D projects during the year. These projects provided technological inputs to SAIL plants/units with thrust on cost reduction, value addition, quality improvement and development of new products. Out of these projects, some of the noteworthy ones were:

- Technology upgradation for production of CRNO steel grades at RSP through CC route.
- Introduction of slag splashing technology in converters at BSL, DSP and RSP have resulted in substantial increase in lining life.
- Development and introduction of innovative burner designs and heating systems at BSP, RSP and VISL.

The Centre has filed 3 foreign and 42 Indian patents in 1998-99. During the year 2 patents which were filed earlier have been sealed by the Patent office. The Centre also filed 15 copyright proposals. In addition, RDCIS undertook contract research work, provided significant consultancy services and know-how to organisations outside SAIL yielding external earning of Rs.116 lakhs.

During the year 8 prestigious national awards were bagged by the employees of RDCIS.

ENVIRONMENT MANAGEMENT

During the year 1998-99, one more Pollution Control Action Plan scheme was completed, bringing the total number of schemes completed to 110. Implementation of these schemes has led to improved performance in respect of compliance with norms for ambient air quality, effluent discharge quality and stack emissions.

A drive was initiated for implementation of Environment Management System (EMS) linked to ISO-14001 at some of SAIL Plants/Mines. Salem Steel Plant has been awarded ISO-14001 certificate by M/s TUV, an authorised certification agency.

Several training programmes, aimed to sensitize practicing managers to meet the environmental requirements of SAIL have been periodically conducted during 1998-99.

SAIL as a responsible corporate citizen took an early initiative to encourage school children to participate in activities related to environmental conservation through formation of Eco-clubs. Sustained efforts to green the SAIL Plants, Mines and Townships with plantation were continued during the year.

PERIPHERAL DEVELOPMENT

Peripheral development continued to be an important

aspect for improving the quality of life around the steel townships. A sum of Rs.2.18 crores was spent for providing drinking water facilities, health care programmes, educational and recreational facilities, among other things, for the people living in areas near the steel plants/mines.

Y2K PREPAREDNESS

The Company has carried out a study of various operations, processes and functions which could be affected due to the Y2K issue. Based on this study, the Company anticipates no business/embedded system problem, as corrective measures are already in progress. The work for carrying out these corrective measures would be completed by end October'99 including testing and implementation. Further, services of M/s UEC SAIL Information Technology Limited (USIT), a joint venture of SAIL with M/s USX Engineers Consultants Inc., USA in the field of Information Technology, have been engaged to assist SAIL in its Y2K effort at its various plants/units. The estimated expenses for carrying out remediation measures is Rs.4.50 crores, which includes replacement/upgradation of hardware/system software and implementation.

SUBSIDIARIES

The Indian Iron & Steel Company Limited (IISCO)

The Company recorded a turnover of Rs.910.64 crores during the year. The net loss for the year after charging depreciation (Rs.25.41 crores) and interest (Rs.193.69 crores) was Rs.357.24 crores compared to net loss of Rs.395.15 crores during 1997-98. The major factors contributing to the losses were mainly cost escalation of various inputs, higher interest cost and lower net sales realisation due to adverse and sluggish market condition. The company produced 738 thousand tonnes of Hot Metal, 301 thousand tonnes of Crude Steel, 285 thousand tonnes of Saleable Steel and 375 thousand tonnes of Pig Iron during the year.

IISCO was declared a sick industrial company by the Board for Industrial & Financial Reconstruction (BIFR) on 17th August, 1994. The proposal for revival/modernisation of IISCO is pending with Government of India which envisages relief towards accumulated losses of IISCO through Steel Development Fund (SDF) mechanism besides other reliefs and concessions.

IISCO-Ujjain Pipe & Foundry Company Limited, a wholly owned subsidiary of IISCO, is a sick company and its production has been suspended since 27th January, 1993. The Hon'ble High Court of Calcutta at its hearing on 10th July, 1997, directed that the company be wound up. The Official Liquidator has taken over the possession of the assets of the company. However, the Hon'ble High Court vide order dated 29th April, 1999, recalled its earlier order of winding up and BIFR has been directed to consider a fresh Scheme of Rehabilitation of IISCO-Ujjain. IISCO has filed an appeal before the Divisional Bench of