

# ANNUAL REPORT

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**STEEL AUTHORITY OF INDIA LIMITED**

# Board of Directors

As on 31.07.2001

## Chairman

Shri Arvind Pande

## Managing Directors

*Durgapur Steel Plant*  
Dr. S.K. Bhattacharyya

*Bokaro Steel Plant*  
Shri S. Pandey

## Functional Directors

*Finance*  
Shri V.S. Jain

*Personnel & Corporate Planning*  
Shri M.K. Moitra

*Projects*  
Shri S.C.K. Patne

*Technical*  
Shri B.K. Singh

*Commercial*  
Shri A.K. Singh

## Directors

Shri D. Basu  
Dr. Y.R.K. Reddy  
Shri D.V. Singh  
Shri R.C. Jha  
Shri C.S. Rao  
Shri R.V. Gupta  
Shri Deepak Parekh  
Prof. Ram Prasad Sengupta  
Shri Pyarimohan Mohapatra  
Dr. Atul Sarma  
Dr. Isher Judge Ahluwalia

## Secretary

Shri R.K. Garg

## Registered Office

Ispat Bhawan, Lodi Road, New Delhi-110003  
Phone:4367481; Fax-4367015  
Gram: STEELINDA  
Internet: www.sail.co.in  
E.Mail: secy.sail@sail.com

## 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 Ltd.  
Allahabad Bank  
Jammu & Kashmir Bank  
State Bank of Saurashtra  
State Bank of Hyderabad  
Bank of Maharashtra  
State Bank of Indore  
State Bank of Bikaner & Jaipur  
State Bank of Mysore

## Statutory Auditors

M/s. S.R. Batliboi & Co.  
Chartered Accountants  
M/s. Ray & Ray  
Chartered Accountants  
M/s. A.K. Sabat & Co.  
Chartered Accountants  
M/s. S.N. Nanda & Co.  
Chartered Accountants  
M/s. Chaturvedi & Co.  
Chartered Accountants

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

NOTICE IS HEREBY GIVEN THAT the 29th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Friday, the 21st September, 2001 at NDMC Indoor Stadium, Talkatora Garden, New Delhi-110001 to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2001, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint Directors in place of those retiring.
3. To fix the remuneration of Auditors appointed by Comptroller & Auditor General of India.

**SPECIAL BUSINESS**

4. To consider and if thought fit, to pass with or without modifications, the following as ORDINARY RESOLUTION:

**RESOLVED** that pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the provisions of the Memorandum and Articles of Association of the Company and subject to any other provisions, consents, permissions, and/or sanctions of the Government of India ("GOI") and other authorities, institutions or bodies as and to the extent may be necessary for such purpose and subject to such conditions and modifications, if any, as may be prescribed by the Government of India or by such authorities, institutions or bodies in granting any such approvals and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to mean and include any Committee(s) which the Board may have constituted or may hereafter constitute to exercise its powers including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to sell, lease or otherwise dispose of by divesting the 74 MW capacity Captive Power Plant-II (CPP-II) of Bhilai Steel Plant of the Company either through joint venture arrangement or otherwise as may be felt appropriate and necessary for such divestment purpose by the Board while protecting the jobs of existing employees:

**RESOLVED** further that for the purpose of giving effect to the above resolution, the Board be and is hereby authorised to complete the divestment of the above undertaking on the consideration, terms and conditions and time frame as may be decided and deemed appropriate by the Board for such purpose and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such divestment in the interest of the Company.

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

**"RESOLVED THAT** Shri R.V. Gupta 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 21st March, 2001."

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

**"RESOLVED THAT** Shri Deepak Parekh 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 21st March, 2001."

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

**"RESOLVED THAT** Prof Ram Prasad Sengupta 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 21st March, 2001."

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

**"RESOLVED THAT** Shri Pyarimohan Mohapatra 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

# Notice

Company, liable to retire by rotation, for a period of three years from the date of his initial appointment i.e. with effect from 21st March, 2001."

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

**"RESOLVED THAT** Dr. Atul Sarma 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 21st March, 2001."

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

**"RESOLVED THAT** Dr. Isher Judge Ahluwalia 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 her 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 her initial appointment i.e. with effect from 21st March, 2001."

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

**"RESOLVED THAT** the Company has received a notice in writing from Shri Ramjilal Choudhary, a member of the Company, signifying 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."

By order of the Board of Directors

  
(R.K. Garg)  
Secretary

New Delhi  
16th August, 2001  
Registered Office:  
Ispat Bhawan, Lodi Road,  
New Delhi-110003.

## Notes:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. 4 to 11 above is 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 25th August, 2001 to 21st September, 2001 (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 at least 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 Stadium 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. 4

As the members are aware that with a view to improve its long term competitive position, the company had decided to restructure its activities and to separate non-core business from its main business of production and selling steel. Accordingly, a proposal for financial and business restructuring of the company was approved by the Government of India on 18th February, 2000, which, inter-alia, included divestment of the certain non-core assets while protecting the jobs of existing employees. The approval of the members of the company was obtained for the same in the Extra-ordinary General Meeting held on 9th May, 2000. The company has already initiated process for the divestment and Captive Power Plants at Rourkela and Durgapur Steel Plants have already been divested to a subsidiary company. This subsidiary company was later converted to a joint venture company, with National Thermal Power Corporation Limited (NTPC) and SAIL each holding 50% of the paid up share capital of the Joint Venture Company namely SAIL Power Supply Company Private Limited. The action for divestment of other undertakings is under progress.

It was later decided to include 74 MW capacity Captive Power Plant II at Bhilai Steel Plant (CPP-II at BSP) in the divestment programme of SAIL. The Government has also on 29th March, 2001 accorded its approval for divestment of CPP-II at BSP, while protecting the jobs of existing employees.

In terms of provisions of the Companies (Passing of the resolutions by postal ballot) Rules, 2001 the resolution for sale of whole or substantially the whole of undertaking of a company as specified under sub-clause (a) of sub-section (1) of section 293 of the Companies Act, 1956 is required to be approved by the shareholders by postal ballot. However, in view of holding of Government of India in the equity share capital of the company being 85.82% and the Government has already approved the divestment, the company has approached Department of Company Affairs (DCA) through Ministry of Steel for granting necessary exemption to SAIL from passing the above resolution by postal ballot. The exemption from DCA is awaited. Pending exemption from DCA, the approval from shareholders for divestment is being obtained as an enabling measure.

Your Board is satisfied that it would be in the best interest of the Company, its shareholders and its employees to dispose off/divest the CPP-II at Bhilai Steel Plant as per the Ordinary Resolution set out in the Notice convening the meeting.

None of the Directors of the Company may be deemed to be concerned or interested in the Resolution except to the extent of their shareholding in the Company.

## ITEM NO. 5

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Shri R.V. Gupta was appointed as an Additional Director of the Company with effect from 21st March, 2001 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 R.V. Gupta as a candidate for the office of Director of the Company.

Shri R.V. Gupta joined the Indian Administrative Service in 1962 and served in various capacities including Secretary to the Government of India and as Dy. Governor, Reserve Bank of India. His area of specialization/expertise is General administration, Agriculture, Financial sector etc. He is also a Director on the Board of the following companies:

- Southern Petrochemical Industries Corporation, Chennai
- SIEL Limited, New Delhi.
- Goodyear (India) Limited, New Delhi.
- Mahanagar Telephone Nigam Limited, New Delhi.
- Delhi Safe Deposit Limited, New Delhi.
- Ambit Corporate Finance, Mumbai.
- Pannel Keir Foster (PKF) Consultants, New Delhi.

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 R.V. Gupta to the extent of his appointment as Director is concerned or interested in the above resolution.

## ITEM NO. 6

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Shri Deepak Parekh was appointed as an Additional Director of the Company with effect from 21st March, 2001 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 Deepak Parekh as a candidate for the office of Director of the Company.

Shri Deepak Parekh has expertise in Banking & Finance, Capital Market and Infrastructure & Housing. He is Chairman of HDFC Limited and is also a Director/Alternate Director on the Board of the following companies:

- Infrastructure Development & Finance Co. Ltd.
- Glaxo India Ltd.
- Burroughs Wellcome (India) Ltd.
- HDFC Asset Management Co. Ltd.
- HDFC Standard Life Insurance Co. Ltd.
- Hindustan Lever Ltd.
- Mahindra & Mahindra Ltd.
- Hindustan Oil Exploration Corporation Ltd.
- National Housing Bank
- ICI India Ltd.
- Castrol India Ltd.
- The Indian Hotels Co. Ltd.
- Mahindra Telecommunications Ltd. (Automartindia.com)
- National Stock Exchange of India Ltd.
- Borax Morarji Ltd.
- Zodiac Clothing Co. Ltd.
- Bharat Bijlee Ltd.
- Exide Industries Ltd.
- The Dharamsi Morarji Chemicals Co. Ltd.
- Pathfinder Investment Co. Pvt. Ltd.

## Notice

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 Deepak Parekh to the extent of his appointment as Director is concerned or interested in the above resolution.

### ITEM NO. 7

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Prof. Ram Prasad Sengupta was appointed as an Additional Director of the Company with effect from 21st March, 2001 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 Prof. Ram Prasad Sengupta as a candidate for the office of Director of the Company.

Prof. Ram Prasad Sengupta has done Ph.D. in Economics and at present he is Professor of Economics in Jawaharlal Nehru University, New Delhi. His area of specialization is Development Economics and Planning; Public Sector Industrial Economics including Iron and Steel etc.

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 Prof. Ram Prasad Sengupta to the extent of his appointment as Director is concerned or interested in the above resolution.

### ITEM NO. 8

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Shri Pyarimohan Mohapatra was appointed as an Additional Director of the Company with effect from 21st March, 2001 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 Pyarimohan Mohapatra as a candidate for the office of Director of the Company.

Shri Pyarimohan Mohapatra retired from the Indian Administrative Service after serving in various capacities including Chief Secretary to the Government of Orissa. He is also a Director on the Board of following companies:

- National Aluminium Company Limited
- Lloyds Steel Industries Limited

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 Pyarimohan Mohapatra to the extent of his appointment as Director is concerned or interested in the above resolution.

### ITEM NO. 9

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Dr. Atul Sarma was appointed as an Additional Director of the

Company with effect from 21st March, 2001 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. Atul Sarma as a candidate for the office of Director of the Company.

Dr. Atul Sarma has done Ph.D. in Economics and his area of specialization is Public Finance, Trade and Development and Indian Economic Policy and Problems. At present he is Professor of Economics in Indian Statistical Institute, Delhi Centre.

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. Atul Sarma to the extent of his appointment as Director is concerned or interested in the above resolution.

### ITEM NO. 10

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 20th March, 2001, Dr. Isher Judge Ahluwalia was appointed as an Additional Director of the Company with effect from 21st March, 2001 and vacates her 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. Isher Judge Ahluwalia as a candidate for the office of Director of the Company.

Dr. Isher Judge Ahluwalia has done Ph.D. in Economics and her area of specialization is Indian Industry, Indian Economy and Macro economics. At present she is the Director and Chief Executive of Indian Council for Research on International Economic Relations.

Board considers it desirable that the Company should continue to avail itself of her services as a Director and recommend this Resolution for approval of the shareholders. None of the Directors other than Dr. Isher Judge Ahluwalia to the extent of her appointment as Director is concerned or interested in the above resolution.

### ITEM NO. 11

The Company has received a notice in writing from Shri Ramjilal Choudhary, a member of the Company, signifying his candidature for the office of Director under Section 257 of the Companies Act, 1956.

By order of the Board of Directors

  
(R.K. Garg)  
Secretary

New Delhi  
16th August, 2001  
Registered Office:  
Ispat Bhawan, Lodi Road,  
New Delhi-110003.

# Directors' Report



To,

The Members,

The Directors have pleasure in presenting the 29th Annual Report of the Company together with audited accounts for the year ended 31st March, 2001.

## FINANCIAL REVIEW

During the year, the Company has recorded a growth of about 4 per cent in the sales value of mild steel which is the core business of the company. However, due to lower exports and sales of secondary products like ingots, pig iron, scrap, by-products and alloy steels plants products, the total turnover of the Company was at Rs.16232.63 crores (previous year Rs.16250.16 crores). The net loss after tax at Rs.728.66 crores (previous year Rs.1720.02 crores) is after providing for interest of Rs.1751.68 crores (previous year Rs.1788.79 crores) and depreciation of Rs.1143.62 crores (previous year Rs.1132.79 crores).

The upsurge in the market which started during last quarter (Q4) of previous year (1999-00) continued in the early part of the financial year 2000-01 also. However, due to fall in international prices coupled with continued sluggishness in the economy, the market price realisation in the domestic market also started declining in the later part of the year. There was about 9 per cent improvement in the average price realisation during the year which has largely contributed to turn around strategies of the Company. In addition, increase in the price of most of the products particularly long products, a number of other measures such as more thrust on sale of finished steel, improved product-mix, reduction in export sales, realisation of long over due rail price increase etc. also helped in achieving increased sales realization.

The efforts in the cost control measures including revenue maximisation were continued and SAIL made a saving of about Rs.525 crores during the year 2000-01. This cost control saving encompasses all areas of operation in addition to the conventional areas of savings like reduction in consumption of coking coal/ other raw materials, yield improvement, lower consumption of stores and spares, control on administrative expenditure etc. Substantial savings have also been achieved in the non-conventional areas like control on arisings, reduction in payment of demurrage/idle freight and savings through optimization of purchases.

During the current year, accounting policy with regard to provisioning of leave encashment liability has been amended to comply with the Accounting Standard (AS-15). The leave liability has been actuarially assessed and Rs.377.03 crores (including Rs.331.83 crores for previous year) has been charged to Profit and Loss Account.

The long-term agreements for employees' salaries & wages expired on 31st December, 1996. Based on the approved scheme/offer, additional estimated liability of Rs.267.02 crores on account of revision of salary & wages and consequential benefits like Provident Fund, Gratuity, Leave Encashment liabilities etc. has been provided for in the accounts for the year 2000-2001.

In view of the loss, the Directors do not recommend a dividend. Further, no additional appropriation towards bond redemption reserve is proposed to be made.

## BUSINESS RESTRUCTURING REVIEW

Subsequent to the approval of the Financial and Business Restructuring plan, an Memorandum of Understanding (MOU) was signed between SAIL and Ministry of Steel (MOS) in March 2000. The MOU had well defined tasks, each having detailed milestones and specific time-frame for implementation.

As a part of Business Restructuring Plan, the company has transferred and assigned its Unit-II of Captive Power Plants at Durgapur Steel Plant (DSP) and Rourkela Steel Plant (RSP) at Rs.391 crores on 7th March, 2001 to the then subsidiary company, SAIL Power Supply Company Limited, later converted to a joint venture company with National Thermal Power Corporation Limited (NTPC) for generation and sale of entire power to the Company. NTPC has acquired 50 per cent shareholding in the joint venture company. The profit of Rs.286.89 crores on such transfer has been considered in the financial results of the Company.

Steps have been initiated for divestment of Captive Power Plants of Bokaro Steel Plant (BSL) and Bhilai Steel Plant (BSP) during 2001-2002. The Oxygen Plant-II of BSP, Salem Steel Plant, Visvesvaraya Iron and Steel Plant and Fertilizer Plant at Rourkela are also under various stages of divestment. SAIL has also initiated the actions for conversion of The Indian Iron and Steel Company Limited (IISCO) into a Joint Venture with SAIL holding minority shareholding. The other important measures for business restructuring include - introduction of Key Account Management Process (KAM) in all branches of Central Marketing Organisation and Operating cost reduction, which have made satisfactory progress.

## SALES AND MARKETING REVIEW

During the year, the steel market underwent a fluctuating trend. While the first half of the year witnessed an upward movement in demand and prices, the subsequent decline in international prices coupled with trade actions by major countries led to a subdued growth of steel demand in later part of the year. As such, SAIL could achieve sales of 9.21 million tonnes (previous year 9.67 million tonnes) of saleable steel by pursuing an aggressive and market-driven production and marketing strategy.

There was a significant increase in the sales of Wire Rods, Structural Plates, HR Coils, GP/GC sheets, Pipes and Railway Materials. The product mix was continuously reoriented to keep pace with market demand. Higher availability of special grade products like API Grade HR Coils/Plates/Pipes, HR Coils for Cold Reducing segments etc. enabled SAIL to maintain and achieve larger market share in value added segments. SAIL has endeavoured to expand the customer base by entering into annual tie up with major customers and project authorities. With a market driven pricing system, emphasis on key customers accounts by special customer service, increased product focus and constant reviewing of distribution channels SAIL could achieve an appreciable growth in sales realization during the year.

In spite of Anti-dumping (AD)/ Countervailing Duty (CVD) imposed by USA/Canada/EU restricting market access for Indian exports, SAIL had exported 0.476 million tonnes of saleable steel earning foreign exchange of about Rs.550 crores during the year through exports and other activities.

## PRODUCTION REVIEW

Saleable steel production during the year was highest ever at 9.7 Million Tonnes (MT) and improved by 2 per cent over previous

## Directors' Report

year. The increase was achieved with better product-mix. Production of hot metal and crude steel increased by 3 per cent and 6 per cent respectively over previous year. Pig iron production was curtailed by maximising conversion of hot metal to crude steel in order to improve profitability.

Improvement in techno-economic parameters continued during the year. Energy consumption reduced by 1 per cent over the previous year to 7.9 Gcal/tcs. BOF lining life improved at all plants. Specific refractory consumption reduced by 7 per cent. Captive power generation improved by 7 per cent to 486 MW reducing dependence on public utilities.

Performance of modernised units improved significantly during the year. Continuous cast production improved by 14 per cent to 5.6 Million Tonnes and was 54 per cent of crude steel. BSL and DSP concast are now operating at full capacity. Improvement in production of Hot Strip Mills of RSP and BSL was 15 per cent and 12 per cent respectively over previous year.

### Total Quality Process

SAIL continued its efforts towards implementation and maintenance of ISO 9000 Quality Assurance Standards in its plants/units. During the year, Steel Melting Shop I & II, Continuous Casting Shop and Slabbing Mill at BSL received ISO 9002 Certification.

### Raw Materials

During the year, the total iron ore and flux production from captive mines was 18.85 million tonnes and 2.68 million tonnes respectively. Almost the total requirement of iron ore for different plants was met from company's own captive sources. Ministry of Environment & Forest (MoEF) has not yet accorded the forestry clearance of Rowghat Iron Ore Project for Bhilai Steel Plant in view of rich flora and fauna in the said area. Your company is still persuing the matter and at the same time making efforts to extend the life of the present captive sources of iron ore for Bhilai Steel Plant. Viable options for alternate sources are also being examined.

### Materials Management

The initiative taken by the company during the previous year in the area of Purchase Cost Reduction continued to yield expected benefits. During the year additional items were taken up with a view to extend the concept further. A number of strategies for inventory reduction and revenue generation were implemented. Inventory of stores & spares reduced by Rs.130 crores during the year.

### MODERNISATION AND OTHER CAPITAL SCHEMES

The modernised units at Durgapur, Rourkela and Bokaro Steel Plants have stabilised and started yielding results during the year. The techno-economic parameters have also shown significant improvements.

During the period, the operation of Ladle Furnace & RH Degasser Unit in Steel Melting Shop-2 of Bhilai Steel Plant has stabilised. The Hot Trial of Sinter Plant-3 at Bhilai Steel Plant has been taken up. Defects observed during Hot Trial are being liquidated and the Plant is under advanced stage of commissioning.

At Durgapur, the modernised units are operating nearly at their rated capacities. The continuous casting plant is working over 100 per cent capacity. The techno-economic parameters are also at planned level. The Project for upgradation of Blast

Furnace No. 3 is being implemented on non-turnkey basis with in-house consultancy to contain the cost. Main Works package has been ordered on M/s MECON and the erection jobs have started. The implementation of this Project in about a year's time shall enhance the hot metal capacity to more than 2 Mtpa with three Blast Furnace operation.

At Rourkela Steel Plant, rebuilding of Coke Oven Battery No.5 has been completed and operations stabilised.

At Bokaro Steel Plant, all the facilities under Modernisation have been completed and stabilised. Concast slabs have improved the quality parameters of the finished products from Hot Strip Mill. The Concast shop is presently performing at rated capacity. Hot Strip Mill attained production level of 82 per cent of its rated capacity during 2000-01. Rebuilding of Coke Oven Battery No.3 was also completed resulting in improvement in the oven pushings. All the Electrostatic Precipitators of Boiler Nos.6 to 8 have been commissioned. This has helped in meeting stack emission norms prescribed by Central Pollution Control Board.

### IN-HOUSE DESIGN & ENGINEERING

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

The major projects implemented during 2000-2001 with in-house consultancy services include Rebuilding of Coke Oven Battery No.5 of RSP, Rebuilding of Coke Oven Battery No.3 of BSL, Installation of Ladle Furnace in SMS-II at BSP and Installation of RH Degassing Facilities for Rails at BSP. Some of the ongoing projects being implemented with in-house consultancy are Sinter Plant No.3 (Raw materials handling package) at BSP, Upgradation of BF-3 at DSP, Introduction of Combined Blowing Technology in SMS-II at BSL and Installation of Gas Cleaning Plant in BF-4 at RSP etc.

Besides the above in-house projects, CET also provided consultancy for the Bar Mill at NISCO, Belur which was commissioned during the year and for Modernisation of Wire Rod Mill at NICCO which is under implementation.

### RESEARCH & DEVELOPMENT

The Research & Development Centre for Iron & Steel of the Company (RDCIS), completed 71 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. The Centre has filed 2 foreign and 28 Indian patents and 15 copy rights proposals during 2000-2001.

During the year, 9 prestigious national awards were bagged by RDCIS collective and 119 technical papers were published / presented.

### HUMAN RESOURCES MANAGEMENT REVIEW

The company has maintained an ongoing system of communication and dialogue with the employees, representative forums and other stakeholders to obtain their commitment and support for the business initiatives particularly the Business Restructuring Plan. A harmonious work environment, enabling employees to display their latent potential was maintained with the co-operation of the trade unions and officers association.





The manpower strength as on 31st March, 2001 was 1,56,719 comprising of 16,775 executives and 1,39,944 non-executives. There is a reduction of about 3200 employees over the previous year. The manpower productivity was 105 tonnes of crude steel per man year which is an increase of 9.4 per cent over the previous year.

Voluntary Retirement Schemes (VRS) based on deferred payment basis were implemented in 1998 and 1999 resulting in separation of about 20,000 employees. A VRS based on Department of Public Enterprises (DPE) guidelines with lump sum payment was introduced and is under implementation.

There was overall improvement in the safety performance of the company during 2000-01. The declining trend of all categories of accidents was maintained during the year. Adequate emphasis was laid upon safety of human resources and assets of the Company alongwith production and productivity. Systematic approach to safety management was adopted through close monitoring of adherence to safety norms & procedures, integrating safety with work process, introducing risk control grading system, benchmarking and statutory audit of major accident hazard units.

Need-based training was provided to employees to equip them to meet the challenges of the competitive environment. Out of the 71420 employees trained during the year, around 48 per cent of the training was in the area of competence enhancement.

One employee from BSP was selected for Prime Minister's Shram Vir Award.

Presidential Directives on Scheduled Castes and Scheduled Tribes continued to be implemented and monitored on a regular basis. As on 31st December, 2000, out of the total manpower, 14.08 per cent were Scheduled Castes and 8.66 per cent were Schedules Tribes.

The Company continued its efforts in the implementation of Official Language Policy of the Government of India. Emphasis was laid on creating an environment in which employees voluntarily adopt Hindi in their office work. SAIL Corporate Office was awarded 2nd Prize for best implementation of Hindi by the Town Official Language Implementation Committee of Delhi. Raw Materials Division, Kolkatta and Bokaro Steel Plant were awarded prizes by the Department for Official Language, Ministry of Home Affairs for noteworthy implementation of Hindi.

In the area of Sports, the company's faith in young talent continued to give impressive results. Thirty-one SAIL wards won National medals or played for India during the year, the accent being on Athletics, Boxing, Basketball and Handball. Two Bokaro boys created new national records in Junior Athletics. The SAIL Football Academy team again lifted the Subroto Cup. The Delhi Soccer League sponsored by SAIL maintained highest audience ratings in the Capital compared to any other sports event and also got prime media coverage. The Indian National Football Club also sponsored by the company retained Delhi's Super League Champion status.

### VIGILANCE ACTIVITIES

Action has been taken to identify the positions in the sensitive departments so that regular rotation from the sensitive positions may be effected. Further, surprise checks conducted were also focused on these sensitive departments. Based on the result of the surprise checks and complaints received, apart from punitive action, system improvement measures have been taken to plug the loopholes in the existing systems.

### MARKETING OF SERVICES

Value of the orders booked by SAIL Consultancy Division (SAILCON) during the year posted an impressive increase of 71 per cent over the last year's orders indicating growing confidence of the customers in SAIL expertise and services. Orders worth Rs. 10 crores were received by SAILCON during the year. In addition to the steel industry, orders from Zinc and Petroleum industries were also received and entry was made into Oman. Besides the Indian market, markets in Southeast and West Asia and Africa were targetted and the orders were evenly distributed between the domestic and overseas markets. The clients appreciated SAILCON services and entrusted it with more assignments. Other landmarks were selection of SAIL as a Nodal Training Institution for conducting the national level Human Resource Development Programme of Central Pollution Control Board in Spatial Environment Planning and signing of an MOU for establishing a training institute for steel industry in Egypt with SAIL assistance.

### ENVIRONMENT MANAGEMENT

With a majority of pollution control schemes having been implemented, performance with respect to compliance with norms for ambient air quality, stack emissions and effluent discharges improved during the year 2000-2001.

An assignment from Central Pollution Control Board (CPCB) for Development of clean technology for iron and steel making and developing environmental standards for steel plants in India was successfully completed. Similar job for iron ore mines has also been assigned to company's Environment Management Division by CPCB for which the work is in progress.

BSP and RSP have received the Indo German Greentech Environment Excellence Award for the year 1999-2000 in the Metallurgical and Mining category and Achievements pertaining to Environment respectively.

Silicon Steel Mill of RSP has been accredited to EMS (ISO-14001) certification during the year.

Sustained efforts are under way towards obtaining EMS Certification to more units, solid waste recycling/reuse, reduction in consumption of water and energy, HRD and greenery peripheral development.

### JOINT VENTURES

SAIL has been exploring the prospects of entering into Joint Venture in related areas of business for value addition. Accordingly, a Joint Venture Company, SAIL-Bansal Service Centre Limited, was formed on 2nd September, 2000 for setting up and operating Steel Service Centre.

SAIL has also formed a joint venture with Tata Iron & Steel Co. Ltd. and Kalyani Steels Ltd. to launch MetalJuction.com Pvt. Ltd (MPL), the proposed largest vertical portal in India. The portal will offer neutral and independent platform for trading in steel and allied material.

### SUBSIDIARIES

#### The Indian Iron & Steel Company Limited (HSCO)

The Company recorded a turnover of Rs.941.37 crores. The net loss for the year after charging depreciation of Rs.29.25 crores and interest of Rs.11.25 crores was Rs.187.31 crores compared to net loss of Rs.210.38 crores during 1999-2000.

# Directors' Report

The Company produced 329564 tonnes of crude steel, 276880 tonnes of saleable steel and 330911 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. SAIL has appointed the Industrial Development Bank of India as a global advisor for disinvestment of IISCO to a suitable strategic partner with SAIL holding minority stake. Due diligence of the Company has been completed by the short-listed parties. The process of divestment is in progress.

**IISCO-Ujjain Pipe & Foundry Company Limited**, a wholly owned subsidiary of IISCO, was decided to be wound up by BIFR in June'96. The Official Liquidator has initiated the liquidation process.

#### **Maharashtra Elektrosmeit Limited (MEL)**

MEL achieved a turnover of Rs.186.97 crores during the year as against Rs.196.15 crores during the previous year. MEL has incurred a net loss of Rs.17.84 crores as compared to the loss of Rs.16.10 crores during the previous year. The major factors contributing to the losses were mainly input escalation and severe sluggish market condition. As the net worth of the company has eroded, it has become a sick company in terms of the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

#### **Bhilai Oxygen Limited (BOL)**

As a part of the business restructuring plan, a separate subsidiary company was incorporated under the name of Bhilai Oxygen Limited (BOL) on 9th February, 1999. The process of identification/selection of strategic alliance(s)/partner and transfer of Oxygen Plant-II of Bhilai Steel Plant to BOL is under way.

#### **Audited Accounts of Subsidiaries**

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektrosmeit Limited and Bhilai Oxygen Limited for the period ending 31st March, 2001 are enclosed.

#### **Auditors' Report**

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2001 alongwith Management's replies are enclosed at Annexure-I. The comments and the review on accounts for the year ended 31st March, 2001 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 alongwith Management's replies are placed at Annexure-II.

#### **Report on Conservation of Energy, Technology Absorption, etc.**

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

#### **Particulars of Employees**

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

#### **Directors' Responsibility Statement**

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) 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;
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

#### **Corporate Governance**

In terms of listing agreement with the Stock Exchanges a compliance report on Corporate Governance is given at Annexure IV to this report. The Management Discussion & Analysis Report is given at Annexure-V. A certificate from Auditors of the company regarding compliance of conditions of Corporate Governance is placed at Annexure-VI to this report.

#### **Directors**

Dr. Atul Sarma, part-time non-official Director ceased to be Director w.e.f. 24.12.2000 and on nomination by the Government of India was again appointed w.e.f. 21.3.2001.

Shri S.B. Singh, Managing Director, Durgapur Steel Plant has superannuated from the services of the Company on attaining the age of superannuation w.e.f. 31st March, 2001.

Shri V. Gujral, Managing Director, Bhilai Steel Plant has demitted the office w.e.f. 7th April, 2001.

On nomination by the Government of India, Shri R.V. Gupta, Shri Deepak Parekh, Prof. Ram Prasad Sengupta, Shri Pyarimohan Mohapatra and Dr. Isher Judge Ahluwalia were appointed as part-time non-official Directors w.e.f. 21st March, 2001.

#### **Acknowledgment**

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, 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 and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors



(ARVIND PANDE)  
Chairman

New Delhi  
Dated: 16th August, 2001