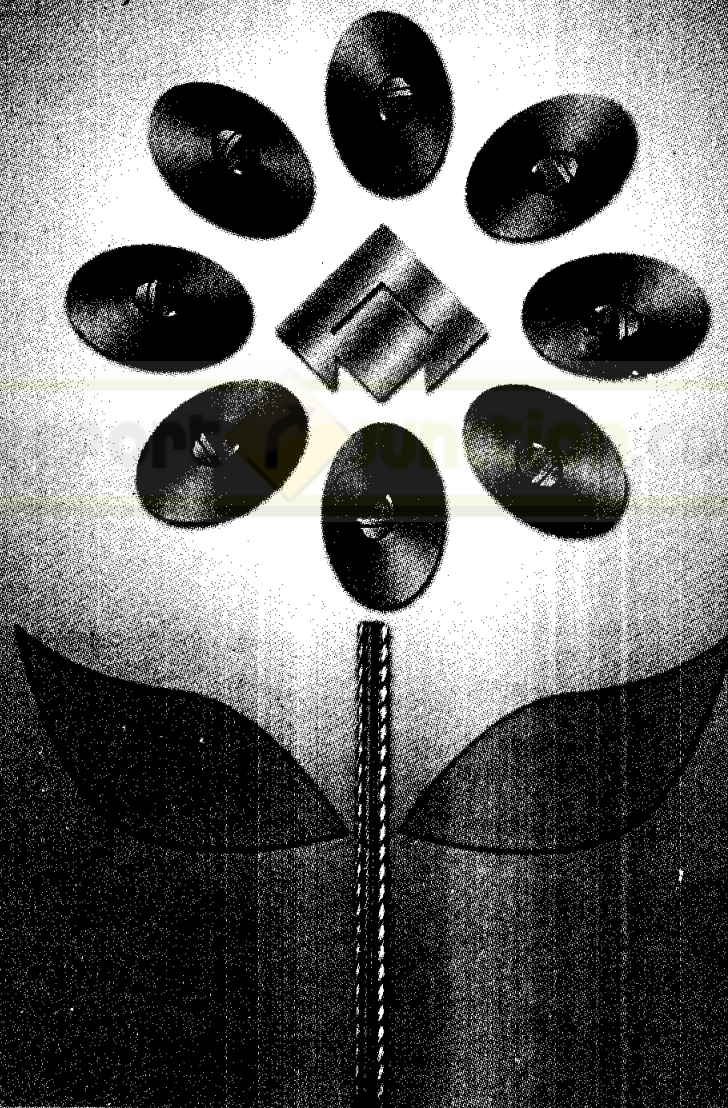


Annual Report

2001-2002



STEEL AUTHORITY OF INDIA LIMITED

Board of Directors

As on 23.08.2002

Chairman

Shri Arvind Pande

Managing Directors

Bhilai Steel Plant

Shri B.K. Singh

Durgapur Steel Plant

Dr. S.K. Bhattacharyya

Bokaro Steel Plant

Shri S. Pandey

Rourkela Steel Plant

Dr. Sanak Mishra

Functional Directors

Finance

Shri V.S. Jain

Projects

Shri S.C.K. Patne

Commercial

Shri A.K. Singh

Research & Development

Shri R.C. Jha

Directors

Dr. Y.R.K. Reddy

Shri D.V. Singh

Shri R.V. Gupta

Prof. Ram Prasad Sengupta

Shri Pyarimohan Mohapatra

Dr. Atul Sarma

Dr. Surendra Nath Mishra

Shri Dhananjaya Prasad Singh

Secretary

Shri Devinder Kumar

Registered Office

Ispat Bhawan Lodhi 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. S.N. Nanda & Co.

Chartered Accountant

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 30th Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Tuesday, the 24th September, 2002 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, 2002, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri V.S. Jain who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri A.K. Singh who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. S.K. Bhattacharyya who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Shri R.C. Jha who retires by rotation and is eligible for re-appointment.
6. To fix the remuneration of Auditors appointed by Comptroller & Auditor General of India.

SPECIAL BUSINESS

7. 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, 2001."

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

"RESOLVED THAT Shri Surendra Nath Mishra 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 26th December, 2001."

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

"RESOLVED THAT Dr. Sanak Mishra 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."

10. To consider and, if thought fit, to pass with or without modifications the following Resolution as SPECIAL RESOLUTION:

"RESOLVED THAT approval of the Shareholders be and is hereby accorded to the amendment of Articles of Association of the company by substituting Article 69(a) as follows:

Article 69 (a)

Existing	Proposed
The number of Directors of the Company shall be not less than six and not more than twenty-one.	The number of Directors of the Company shall be not less than six and not more than twenty-two.

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

Whereas the accumulated losses of the company as at 31st March, 2002 have resulted in more than 50% erosion of peak net worth during the immediately preceding four (4) financial years and the company is required to report this fact to the Board for Industrial and Financial Reconstruction under the provision of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985;

And whereas the Board of Directors, after analyzing the reasons for such erosion and after discussing the matter in detail have come to the conclusion that the erosion was mainly on account of economic slow down resulting in considerable stress on prices of steel products. Further, with the visible improvement in market demand, increase in net sales realisation and cost control efforts, the company expects better results during the financial year 2002-03 and onwards.

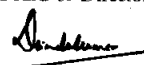
And whereas shareholders of the company have been informed of the said erosion and have considered the reasons for such erosion as detailed in the Explanatory Statement attached hereto.

Resolved that in terms of the relevant provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 the Board for Industrial and Financial Reconstruction be informed of the fact of erosion of more than 50% of its peak net worth during the immediately preceding four financial years.

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

Resolved that pursuant to the provisions of Section 293(1)(e) of the Companies Act, 1956 and other applicable provisions, if any, the Board of Directors of the Company be and is hereby authorised to contribute to any charitable and other funds not directly relating to the business of the Company or the welfare of its employees up to a total amount of Rs.55.25 lakhs.

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi
23rd August, 2002
Registered Office:
Ispat Bhawan, Lodi Road,
New Delhi-110003.

Notice

Notes:

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. 7 to 12 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 27th August, 2002 to 24th September, 2002 (both days inclusive)**.
6. The Company has appointed M/s. RCMC Share Registry Private Limited as Registrar and Transfer Agent for carrying out its entire share related activities viz. transfer/transmission/transposition/dematerialisation/rematerialisation/split/consolidation of shares, change of address, bank mandate, filing of nomination, dividend payment and allied activities w.e.f. 1st November, 2001. Shareholders are requested to make all future correspondences related to share transfer and allied activities with this agency only at the following address:
M/s. RCMC Share Registry Private Limited,
1515 (1st Floor), Bhisham Pitamah Marg,
Kotla Mubarakpur (Near South Ext.),
New Delhi - 110 003.
7. 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.
8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's Registrar and Transfer Agent enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
9. 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.
10. 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.
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 Briefcase 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.7

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC dated 23rd August, 2001, Dr. Y.R.K. Reddy was appointed as an Additional Director of the Company with effect from 23rd September, 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. Y.R.K. Reddy as a candidate for the office of Director of the Company.

Dr. Y.R.K. Reddy has done MA (Management Studies) from U.K. and Ph.D. in Econometric Analysis of Strike activity in India and his area of specialization is Strategic Human Resource Management, Corporate Governance, and Strategy. He is also a Director on the Board of the following companies:

- Infotech Enterprises Limited
- Yaga Consulting Private Limited
- Dynam Venture East Private Limited
- Lumley Technologies Private 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 Dr. Y.R.K. Reddy 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(Vol.III) dated 5th December, 2001, Shri Surendra Nath Mishra was appointed as an Additional Director of the Company with effect from 26th December, 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 Surendra Nath Mishra as a candidate for the office of Director of the Company.

Shri Surendra Nath Mishra has retired from IAS on Superannuation in 1998 after 35 years of service in State and Central Governments. He held senior positions in Government of Orissa and in Lok Sabha Secretariat where he functioned as Secretary - General. He has considerable experience in the fields of minerals, mineral industries and metals (both ferrous and non-ferrous) and as Chief Executive of Public Sector Undertakings both at State and Central Levels including Managing Director of Food Corporation of India. He is also a Director on the Board of Word Portfolio Finance & Leasing 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 Surendra Nath Mishra 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.8(7)/2000-SAIL-PC(Vol.III) dated 22nd August, 2002, Dr. Sanak Mishra was appointed as an Additional Director of the Company with effect from 23rd August, 2002 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. Sanak Mishra as a candidate for the office of Director of the Company.

Dr. Sanak Mishra has done Ph.D. in Metallurgy from University of Illinois, USA. He has considerable experience in Research & Development in Iron & Steel, Corporate Planning and Management of an integrated Steel Plant.

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

Item No. 10

Clause 49 of the Listing Agreement relating to Corporate Governance, inter-alia, requires that in case of a non-executive Chairman, at least one-third of Board should comprise of independent directors and in case of an executive Chairman, at least half of Board should comprise of independent directors. The independent Directors were defined to mean directors who apart from receiving Director's remuneration do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in judgement of the Board may affect independence of judgement of the Director. Further, SEBI has clarified that in the case of Public Sector Undertakings, the Government nominee Directors cannot be considered as Independent Directors for the purpose of constitution of Board of Directors.

The company need minimum of 9 Functional Directors, including Chairman, to represent 4 integrated steel plants; Finance, Personnel, Commercial, and Technical Directorates. With the inclusion of 2 Government nominee directors, the number of non-independent directors would be 11. In order to keep equal number of independent and non-independent directors as per listing requirements and SEBI's clarification, the strength of the Board may be enhanced to 22.

As per Article 69 (a) of Articles of Association of the company, the maximum number of Directors, which can be appointed on SAIL Board, is limited to 21. As such increasing the number to 22 would require the approval of Shareholders Under Section 31(1) of the Companies Act, 1956.

The members are requested to approve amendment of Article 69 (a) of the Articles of Association of the company as under for increasing the maximum number of directors on Board of Directors to 22:

Article 69 (a)

Existing	Proposed
The number of Directors of the Company shall be not less than six and not more than twenty-one.	The number of Directors of the Company shall be not less than six and not more than twenty-two.

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

Item No. 11

In terms of provisions under section 23 of Sick Industrial Companies (Special Provisions) Act 1985 (SICA), if the accumulated losses of an industrial company as at the end of any financial year have resulted in erosion of 50 per cent or more of its peak net worth during the immediately preceding four (4) financial years, the company is required to report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) within the specified time after finalisation of duly audited accounts. Further, the shareholders of the company are also required to consider such erosion.

The peak net worth of the Company as per SICA as at end of the financial year 1997-98 was Rs.8553.47 crores which after erosion, due to incurrence of losses during the last four years for the reasons explained below, has come down to Rs.2820.83 crores as at the end of the financial year 2001-2002.

As the members are aware, the company's main business is production and marketing of iron and steel. During the last four to five years, the steel industry has witnessed a recession in domestic as well as international market. Demand recession in the user industry, lack of resources both in public and private sectors for financing infrastructure projects have adversely affected financial performance of steel industry. As a result net profit of SAIL went down from a peak of Rs.1319 crores in the financial year 1995-96 to a loss of Rs.1707 crores during 2001-2002. The losses have resulted in erosion of more than 50% of the peak net worth of the company.

To overcome the adverse situation, the company had worked out a turnaround plan and identified the areas of intervention and actions required to be taken to ensure the long term viability of the company. With a view to improve its long term competitive position, it 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 submitted to the Government of India and the same was approved by the Government of India. The members approved the Financial and Business Restructuring in the 28th Annual General Meeting. Further, the divestment of Captive Power Plant-II at Bhilai Steel Plant was also approved by the Government and by the members in the year 2001. The company has already completed the financial restructuring and as a part of Business Restructuring divestment of Captive Power Plants at Rourkela Steel Plant, Durgapur Steel Plant, Bhilai Steel Plant and Bokaro Steel Plant has been completed. Further efforts on business restructuring are under process. Though above financial and business restructuring coupled with the cost control measures undertaken by the company have resulted in improvement in the performance but the same was not sufficient to nullify the impact of input cost escalations and stress on prices of steel products due to depressed market conditions. The fall in international prices and continued sluggishness in the economy resulted in decline in the price realisation in the domestic market also. The cost control measures undertaken by the company encompassed all areas of operation in addition to the conventional areas of savings like reduction in consumption of coking coal/other raw materials, improvement in yield and techno-economic parameters, reduction in energy consumption, lower consumption of stores & spares and control on administrative expenditure. Substantial savings were also achieved in the non-conventional areas like control on arisings, reduction in payment of demurrage/idle freight and savings through optimization of purchases.

Notice

During current financial year the market is signalling an upward trend. There have been price increases in steel products, which have been absorbed by the market. There has been improvement in production also and efforts are being made towards achieving maximum capacity utilization matching with the increased market demand. The company is vigorously giving greater thrust on the cost control measures during the current year also. The Board of Directors expects that with the improvement in market demand, increase in net sales realisation and cost control efforts being made, the company is likely to show better results during the financial year 2002-03 and onwards.

The Board recommends the resolution to consider the erosion of net worth and the measures being taken by the company to overcome the adverse situation.

None of the Directors is concerned or interested in the above resolution.

Item No.12

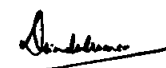
In the year 2001 floods in Orissa rendered lakhs of people homeless. Floods caused wide spread devastation to the life and property of several thousands people across the State. In order to mitigate the suffering and for rehabilitation of the families affected by the floods, an appeal was issued to all the employees of SAIL to donate one day's basic pay to provide succour to the affected families of Orissa. Based on the past experience, it was estimated that an amount of Rs. 2 crores would be collected through employees' contribution for this noble cause. Pending recoveries from the employees an amount of Rs.1 crore was remitted to Orissa Chief Minister's Relief Fund as an advance contribution to be adjusted against the actual receipt. However, total collection received from employees were to the tune of Rs. 44.75 lakhs only leaving shortfall of Rs. 55.25 lakhs. Further efforts are being made by appealing employees to contribute for this cause. The amount so received will be adjusted against the shortfall.

Section 293(1)(e) of the Companies Act requires that the Board of Directors of a Public Company or of a Private Company which is a subsidiary of a Public Company shall not, except with the consent of such Public Company or Subsidiary in General Meeting contribute, after the commencement of this Act, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will, in any Financial Year, exceed Rs. 50,000/- or 5% of its average net profit as determined in accordance with the provisions of sections 349 and 350 during the three financial years immediately preceding, whichever is greater. The Company has incurred loss during the last three Financial Years.

It is proposed that the shortfall upto Rs. 55.25 lakhs due to non-receipt of the contribution from employees be considered as contribution by the Company and accordingly approval of the share holders is being obtained as required under Section 293(1)(e) of the Companies Act.

The Board recommends the resolution for approval of the members. None of the Directors is concerned or interested in the above resolution.

By order of the Board of Directors


(Devinder Kumar)
Secretary

New Delhi
23rd August, 2002
Registered Office: Ispat Bhawan, Lodi Road,
New Delhi-110003

Details of Directors seeking re-appointment in Annual General Meeting furnished in terms of clause 49 of Listing Agreements.

Name of the Director	Shri V.S. Jain	Shri A.K. Singh	Dr. S.K. Bhattacharyya	Shri R.C. Jha
Date of Birth	24.07.1946	01.02.1944	25.12.1945	18.10.1942
Date of Appointment	07.11.1994	09.12.1996	12.06.1997	27.09.1999
Expertise in Specific functional areas	Finance	Technical, HRD and Commercial	Technical, Research & Development	Technical
Qualifications	B.Com (Hons), FCA, FCWA	B.Tech (Electrical)	Ph.D (Metallurgy)	B. Tech (Metallurgy)
List of Companies in which outside Directorship held as on 31 st March, 2002.	Maharashtra Elektrosmet Ltd. (MEL) UEC-SAIL Information Technology Ltd. (USIT) Indian Iron & Steel Co. Ltd. (IISCO)	Nil	IIM	Nil
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31 st March, 2002.	SAIL Shareholder/Investor Grievance Committee - Member IISCO Audit Committee - Member	Nil	Nil	Nil

Directors' Report



To,

The Members.

The Directors have pleasure in presenting the 30th Annual Report of the Company together with audited accounts for the year ended 31st March, 2002.

FINANCIAL REVIEW

During the year, turnover of the company was Rs.15502 crores (previous year Rs.16233 crores) showing a decline of 4.5 per cent over previous year. This decline has resulted from dip in net sales realisation in domestic/export market mainly due to global recession and lower sales of by-products, scrap & secondary products. The net loss was Rs.1706.89 crores (previous year Rs.728.66 crores) after providing for interest of Rs.1562.03 crores (previous year Rs.1751.68 crores) and depreciation Rs.1155.89 crores (previous year Rs.1143.62 crores). In view of the loss, the directors do not recommend dividend.

Due to fall in international prices coupled with continued sluggishness in the economy, the price realisation in the domestic market also declined. The Company has recorded a growth of about 5.7% in sales volume of mild steel.

The efforts in the cost control measures including revenue maximization continued and your company achieved a benefit of about Rs.450 crores during the year 2001-02. The cost control savings encompasses all areas of operation like reduction in consumption of coking coal/other raw materials, improvement in yield and techno-economic parameters, reduction in energy consumption, lower consumption of stores & spares and control on administrative expenditure. Substantial savings have also been achieved in other areas like control on arisings, reduction in payment of demurrage/idle freight and savings through optimization of purchases.

In terms of provisions of Sick Industrial Companies (Special Provisions) Act 1985, if the accumulated losses of an industrial company as at the end of any financial year have resulted in erosion of 50 per cent or more of its peak net worth during the immediately preceding 4 financial years, the company is required to report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR) within sixty days from the date of finalisation of duly audited accounts of the company. As there is erosion in net worth by over 50 per cent of peak net worth mainly on account of stress on prices of steel products, report to BIFR is being made.

However, during current financial year the market is signalling an upward trend. There have been price increases in steel products, which have been absorbed by the market. There has been improvement in production also as compared to last year and efforts are being made towards achieving maximum capacity utilisation matching with the increased market demand. Your company is vigorously giving greater thrust on the cost control measures during the current year as well.

With the improvement in market demand, increase in net sales realisation, cost control efforts, your company expects much better results during the financial year 2002-03.

BUSINESS RESTRUCTURING REVIEW

The Company achieved another landmark in asset restructuring by divesting its Captive Power Plants at Bokaro to the Joint Venture Company (JVC) namely Bokaro Power Supply Company Limited (BPSCL) with Damodar Valley Corporation (DVC) as the Strategic Alliance Partner in the JVC. Through this divestment a capital gain of Rs.391 crores was achieved. The divestment of Captive Power Plant-II at Bhilai was also

completed successfully with NTPC as Strategic Alliance Partner in the Joint Venture Company viz., Bhilai Electric Supply Company Limited. This resulted in capital gain of Rs.99 crores.

The process of divestment of other non-core assets including Oxygen Plant-2 of Bhilai Steel Plant, Salem Steel Plant, Visvesvaraya Iron & Steel Plant, Rourkela Fertilizer Plant and Indian Iron & Steel Company Limited is in different stages. There are certain hurdles like resistance by the employee unions, political parties etc.

It may be recalled that one other major restructuring task was the reorganization of the company from a functional setup to a Strategic Business Units (SBU). Considering the scope of such a major organisation restructuring and the implications with respect to location of head quarters of SBU, Board structure etc., it has been decided to take up the implementation in two Phases. In Phase-I, many critical changes such as separation of branches and stockyards, enhanced Key Accounts Management process, modified system of Management Information System, improved reward and punishment system etc. have been taken up for implementation. The 2nd Phase consisting of Organisation structure at top level on Flat Product/Long Product basis will be taken up later for implementation. Implementation of the other business restructuring interventions like Rightsizing of Manpower, Purchase Cost reduction, Sales force effectiveness etc. is also progressing satisfactorily.

The Company launched a Scheme for Leasing of Houses to Employees/ex-employees. Over 9000 employees, spouses/legal heirs of deceased employees have become proud owners of their own houses in their own Steel Townships. By leasing of houses in its different townships, the company has collected about Rs.200 crores as premium from leased dwelling units.

SALES & MARKETING REVIEW

During the year, the steel consumption in the country registered a nominal growth of 2.6 per cent and there was a situation of over supply. International prices continued to dip and coupled with protective measures by several countries including USA, the exports were under stress. Despite this, the company could export around 5.55 lakhs tonnes of mild steel to various destinations across the world, registering a growth of about 17 per cent over last year.

However, by adopting aggressive market oriented strategies, the company could sell 9.3 million tonnes of mild steel registering a growth of 5.7 per cent over previous year and has also increased its market share.

There was a significant increase in the sales of Railway material, Plates, HR Coils & HR Sheets. 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 the company to maintain and achieve larger market share in value added segments. The Company has endeavored to expand the customer base by entering into annual tie ups with major customers and Project authorities. With a market driven pricing system, emphasis on key customer accounts by special customer service, increased product focus and constant reviewing of distribution channels, company could achieve an appreciable growth in sales during the year.

PRODUCTION REVIEW

During the year, the saleable steel production from four main steel plants was at 9.464 million tonnes, registering a growth of about 1 per cent over the previous year. Continuous cast production increased by 6 per cent over previous year, with proportion of concast going upto 57 per cent from 54 per cent last year.

Directors' Report

However, production in the flat products and alloy steel segments continued to be affected by depressed market conditions. The Company re-oriented the product-mix in favour of long products, as per market requirement. There has been significant increase in Rails production at Bhilai by 24 per cent to highest ever 584,000 tonnes through in-house improvements.

There have also been improvement in important techno-economic parameters, such as:-

- Lowest ever coke rate of 557 kg/thm, with 2% reduction over previous year.
- Lowest ever energy consumption of 7.69 Gcal/tcs which is 3% lower than last year.
- Refractory consumption, declined by 6% over previous year.

The Company continued its efforts towards implementation and maintenance of ISO Quality Assurance System (QAS) standards in its plants and units. During the year 2001-02 Ore Bedding and Blending Plant, Calcining Plant II and Steel Melting Shop II of Rourkela Steel Plant and International Trade Division of Central Marketing Organisation received ISO 9002:1994 certification. Transition to ISO 9001:2000 Quality Management System from ISO 9002:1994 QAS was achieved for Hot Strip Mill and Plate Mill of Rourkela Steel Plant, Hot Strip Mill and Hot Rolled Coil finishing mill of Bokaro Steel Plant and SAIL Consultancy Division.

Materials Management

During the year the total iron ore and flux production from captive mines was 17,462 million tonnes and 2,535 million tonnes respectively. Almost the total requirement of iron ore for different steel plants was met from the company's own captive sources.

The Company has undertaken, on experimental basis, procurement of three commodities viz. Calcium Carbide, Wire Ropes and Cables through Reverse Auction, by introducing e-Procurement in SAIL. This has resulted in reduction in procurement prices and substantial benefits are expected in future. We are possibly the first Public Sector, Undertaking in the country to introduce e-Procurement through Reverse Auction. Encouraged by the outcome, the Company has identified additional commodities/items for e-Procurement through Reverse Auction.

MODERNISATION AND OTHER CAPITAL SCHEMES

At Bhilai Steel Plant, the Sinter Plant-3 has been dedicated to the nation by the Hon'ble Steel Minister. The sinter charge in BF burden has increased to about 70%, resulting in substantial improvement in the performance of blast furnaces. Additional facilities for meeting enhanced rail requirements of Railways were inaugurated by Hon'ble Minister of Railways. For Long Rail Facilities, Consultancy agreement with M/s. Corus Consulting Ltd., U.K. has been entered into for providing back-up technological support. Tendering activities for the project are in various stages of processing.

At Durgapur Steel Plant, Upgradation of Blast Furnace No.3 has been completed. With the completion of this project, the hot metal capacity has enhanced to over 2 Mtpa with 3 Blast Furnace operation. Also the work of INBA Cast House Slag granulation Plant in Blast Furnace-3, is being implemented. Further, additional Wheel Testing Facilities at Wheel & Axle Plant to meet enhanced quality requirement of Railways have been completed.

At Rourkela Steel Plant, the project for upgradation of ERW Pipe Plant to meet the quality requirement of pipes and to produce API-5L grade of X-70 pipes has taken-off. The tendering activities for Rebuilding of Coke

Oven Battery No.1 with the necessary facilities for achieving the emission standards as per the Central Pollution Control Board (CPCB) norms have started.

At Bokaro Steel Plant, Work Roll spindles of Finishing Stands of Hot Strip Mill have been modified to facilitate quick work roll changing, thus improving the quality & productivity of the Mill. Combined Blowing Facilities in SMS-II has been commissioned in one converter. For Reheating Furnace-2, dismantling, major concreting work and imported equipment supply have been completed. Equipment erection work is in progress and the Furnace is likely to be commissioned by year end. Reheating Furnace modification will help in achieving better quality of hot rolled coils besides reducing energy consumption in the Mill. The scheme of installation of Tension Leveler in Slitting Line No.3 of Cold Rolling Mill has been taken up to achieve the required flatness level of cold-rolled products to improve their marketability.

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 to plants and units within the company and clients outside the company – both in India and abroad.

The major projects implemented during 2001-02 with in-house consultancy services include 'Raw Material Handling System' of Sintering Plant No. 3 of BSP, 'Transportation of Sinter from Sintering Plant No. 3 to Blast Furnaces' of BSP, 'Installation of Combined Blowing Technology in Converter No. 1 at SMS-II' of BSL, 'Upgradation of Blast Furnace No. 1' of RSP, 'Augmentation of Wheel Testing Facilities in Wheel & Axle Plant' and upgradation of BF-3 at DSP and 'Installation of 4.2 mw Power Plant' at MEL. Some of the ongoing projects being implemented with in-house consultancy are 'Finishing of Long Rails at Rail & Structural Mill' at BSP, 'Installation of Walking Beam type Reheating Furnace No. 2' at BSL and 'Installation of Gas Cleaning Plant in BF-4' at RSP.

Besides the above, CET also provided consultancy through SAIL Consultancy Division for some of the projects under implementation for clients outside the company. The Wire Rod Mill at NICCO, Kolkata was commissioned during the year and installation of 3rd Cowper Stove at Chanderya Zinc Smelter of M/s Hindustan Zinc Ltd is under implementation.

MARKETING OF SERVICES

During the year, the company executed orders worth Rs.469 lakhs in fields like consulting, engineering, operational assistance and training services to clients in India and abroad. These services, inter-alia, included conducting 21 training programmes in Spatial Environmental Planning for Central Pollution Control Board, India under a multilateral project assisted by the World Bank and CDG, Germany; participation in a UNDP project for Energy Efficiency Improvement in the Steel Rolling Mill Sector in India; training of over 300 technical personnel of Saudi Iron and Steel Company in Saudi Arabia; successful completion of Technical Assistance for Performance Improvement of Delta Steel Mills Co., Egypt and providing engineering services to Hindustan Zinc Limited, India etc.

RESEARCH & DEVELOPMENT

Research & Development Centre for Iron & Steel (RDCIS), of the company completed 66 R&D projects during the year. These projects provided technological inputs to the plants/units with thrust on cost reduction, value addition, quality improvement and development of new

products. The Centre has filed 20 patents and 20 copyrights proposals during the year.

During the year, 10 prestigious national awards were bagged by RDCIS collective and 118 technical papers were published /presented.

HUMAN RESOURCES MANAGEMENT REVIEW

Your Company has always believed that Human resource is one of the most important resources and continues to work for its development. Ongoing restructuring process of the organisation also focuses greatly on proper utilization of human resource and its rightsizing to make the company healthy.

With the above in view, effective two-way communication on issues arising out of the change process, was launched. This helped in ironing out the road blocks which normally emerge in any restructuring exercise. Besides creating proper awareness and urgency amongst the employees for carrying out the large scale organizational changes, it has helped the company in getting support for facilitating the restructuring process particularly the divestment of power plants. Similar communication exercise has been accepted as a continuous process to keep the employees informed of the realities being faced by the Company, and also motivate them to take up higher responsibilities, in tune with the requirements of the Company.

The **manpower strength** as on 31st March 2002 was 1,47,601 comprising of 16,003 executives and 131,598 non-executives registering a reduction of 9118 employees during the year. The manpower productivity at 111 tonnes of crude steel per man per year registered increase of 6 per cent over the previous year. With a view to optimizing the manpower and reducing the labour cost, a Voluntary Retirement Scheme based on Department of Public Enterprises (DPE) guidelines with lumpsum payment was launched whereby over 6500 employees were separated. Further efforts on manpower rationalization through Voluntary Retirement Scheme are continuing in the current year also.

To make incentive and reward schemes more meaningful, a modified scheme was implemented during 2001-02 putting greater thrust on profitability as a parameter.

Need-based **training** was provided to employees to equip them to meet the challenges of the competitive environment. Over 70,000 employees were trained during the year.

One of our colleagues from BSP was selected for Prime Minister's Shram Vir Award for the year 2000. A teacher from BSP was awarded President award on Teacher's day. Besides, a Principal from Bokaro Steel Plant was awarded Rashtriya Shikshak Samman from the Vice-President and another teacher from BSP was awarded the Shikshak Samman by the HRD Minister.

Presidential Directives on **Scheduled Castes and Scheduled Tribes** continued to be implemented and monitored on regular basis. Out of the total manpower, 14.6 per cent were Scheduled Castes and 11.5 per cent were Scheduled 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 adopt Hindi in their office work. Official Language shield and cup was awarded to your company for excellent performance in this area.

A new Vision and Credo statements for the Company were adopted during the year. The vision statement speaks of making the company a respected world-class organization in quality, productivity, profitability and customer satisfaction. HRD initiatives in the company are directed

towards the Vision of the Company and creating and nurturing a culture that supports flexibility, learning and is proactive to change. It also strives to work towards charting a challenging career for employees with opportunities and rewards. Through its actions and belief, it is committed to make a meaningful difference in the employees' lives.

Your company continued its thrust in the **sports** arena. The company was represented in the CII National Committee on Sports and also featured in the national sports promotion body of the Ministry of Sports and Youth Affairs. The company participated in the prestigious sports events like IFA League, Bighton Cup and NN Mohan Memorial Cricket Tournament.

There was overall improvement in the **safety** performance of the company during the year. The declining trend of all categories of accidents was maintained. Adequate emphasis was laid upon safety of human resources and assets of the Company along with production and productivity. Systematic approach to safety management was adopted through close monitoring of adherence to safety norms & procedures.

VIGILANCE ACTIVITIES

Position in the sensitive departments were identified and transfers as per the rotation policy effected during the year. Surprise checks and investigation of the complaints were carried out for continuous improvement in the existing systems. Continuous efforts have been made to streamline the system and provide flexibility to perform as per Business requirement in the present competitive scenario. Clearance for 'Reverse Auction' was obtained from CVC for purchases to keep pace with recent trend of e-commerce.

Regular interaction were organised between the vigilance and the line managers of Plants/Units in a structured manner to sensitize the managers about the importance of vigilance administration.

ENVIRONMENT MANAGEMENT

SAIL has put in concerted efforts for pollution control and environmental protection over a decade. During this span of time, tangible improvements have been achieved in environmental indices like reduction in Particulate Matter (PM) emission, water consumption, energy consumption and remarkable increase in solid waste utilisation.

Bhilai and Bokaro Steel Plants have received the prestigious Lal Bahadur Shastri Memorial Gold Awards for "Best Pollution Control Implementation" and "Best Environmental and Ecological Implementation" respectively from International Greenland Society for Excellence in Indian Industries. Durgapur Steel Plant has bagged the Indo German Green Tech Excellence Award on Environment for the year 2000-01.

Efforts to introduce structured Environments Management System (EMS) at various units of SAIL has resulted in ISO 14001 certification for 5 units of SAIL so far. Further two more units viz. Rail & Structural Mill of Bhilai Steel Plant and Sinter Plant II of Rourkela Steel Plant are due to get accreditation to ISO 14001 shortly.

Life Cycle Assessment (LCA) study has been completed at Bhilai Steel Plant and the draft report has been submitted to MoEF. First interim report on the assignment from Central Pollution Control Board for "Description of Clean Technology and Development of Environment Standards for Iron Ore Mines in India" has been submitted to CPCB and further work is in progress.

Environment training programmes are continually being taken up at various units to create awareness among its employees and integrate it into operational and maintenance practices. Apart from this, observance

Directors' Report

of World Environment Day, Environment Month, Mines Environment & Mineral Conservation Week etc. are regular features across SAIL units. In order to inculcate awareness among school children, over 250 Eco clubs have been made actively functional. Green belt development and planned afforestation programmes have continued to receive special attention in plants and mines this year too.

SUBSIDIARIES

The Indian Iron & Steel Company Limited (IISCO)

The Company recorded a turnover of Rs.911.94 crores. The net loss for the year after charging depreciation of Rs.23.94 crores and interest of Rs.11.63 crores was Rs.179.87 crores compared to net loss of Rs.187.31 crores during 2000-01.

The Company produced 346 thousand tonnes of crude steel, 292 thousand tonnes of saleable steel and 288 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. Your company has appointed the Industrial Development Bank of India (IDBI) as a global advisor for disinvestment of IISCO to a suitable strategic partner with the company holding minority stake. Parallely, a revival package approved by the Government of India is under examination of IDBI, the operating agency appointed by BIFR.

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 Elektrosnelt Limited (MEL)

MEL achieved a turnover of Rs.155.64 crores during the year as against Rs.186.97 crores during the previous year. MEL has incurred a net loss of Rs.8.38 crores as compared to the loss of Rs.17.84 crores during the previous year. The major factor contributing to the loss is high power cost.

Bhilai Oxygen Limited (BOL)

As a part of the business restructuring plan, a separate subsidiary company with a nominal authorised capital of Rs.1 lakh 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 Elektrosnelt Limited and Bhilai Oxygen Limited for the year ending 31st March, 2002 are enclosed.

Auditors Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2002 alongwith Management's replies are enclosed at Annexure-I. The comments and the review on accounts for the year ended 31st March, 2002 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. 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.

Consolidated Financial Statements

In terms of listing agreement with the Stock Exchanges, the duly audited consolidated financial statements are placed at Annexure-VII.

Directors

Shri D. Basu ceased to be Director on completion of tenure w.e.f. 22.9.2001 (A.N.).

Dr. Y.R.K. Reddy ceased to be Director on 22.9.2001 (A/N) on completion of his tenure of three years. However, on nomination by Government of India he was reappointed on 23.9.2001.

On nomination by Government of India, Shri S.N. Mishra was appointed as part-time non-official Director w.e.f. 26.12.2001.

On nomination by Government of India, Dr. Sanak Mishra was appointed as Director w.e.f. 23.8.2002

Shri C.S. Rao ceased to be Director on 31.12.2001.

Shri Deepak Parekh resigned from the Board w.e.f. 18.01.2002.

Shri D.P. Singh, Additional Secretary & Financial Advisor, Government of India, Ministry of Steel was appointed as Director w.e.f. 31.01.2002.

Shri M.K. Moitra, Director (P&CP) ceased to be Director of the Company on attaining the age of superannuation w.e.f. 28.02.2002.

Dr. Isher Judge Ahluwalia resigned from the Board w.e.f. 30.07.2002.

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, 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 and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi
Dated: 23rd August, 2002


(ARVIND PANDE)
Chairman