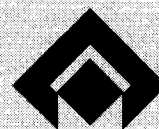


TOWARDS TURNAROUND

1

2002-2003

# ANNUAL REPORT



**STEEL AUTHORITY OF INDIA LIMITED**



# Board of Directors

(As on 29.07.2003)

**Chairman**

Shri V.S. Jain

**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***Technical*

Shri S.C.K. Patne

*Personnel*

Shri Ashis Das

**Directors**

Dr. Y.R.K. Reddy

Shri D.V. Singh

Shri R.V. Gupta

Prof. Ram Prasad Sengupta

Shri Pyarimohan Mohapatra

Dr. Atul Sarma

Shri Surendra Nath Mishra

Shri Dhananjaya Prasad Singh

Shri V.K. Agarwal

Shri P.K. Sengupta

Dr. Amit Mitra

Shri A.H. Jung

**Secretary**

Shri Devinder Kumar

**Registered Office**

Ispat Bhawan, Lodi Road, New Delhi-110003

Phone: 24367481; Fax-24367015

Gram: STEELINDA

Internet: www.sail.co.in

E-Mail: secy.sail@sail.co.in

**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 &amp; Sind Bank Ltd.

Allahabad Bank

Jammu &amp; Kashmir Bank

State Bank of Saurashtra

State Bank of Hyderabad

Bank of Maharashtra

State Bank of Indore

State Bank of Bikaner &amp; Jaipur

State Bank of Mysore

**Statutory Auditors**M/s. S.N. Nanda & Co.  
Chartered AccountantsM/s. Chaturvedi & Co.  
Chartered AccountantsM/s. P.A. & Associates  
Chartered Accountants

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# Notice



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

NOTICE IS HEREBY GIVEN THAT the 31<sup>st</sup> Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Friday, the 26<sup>th</sup> September, 2003 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, 2003, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri S.C.K. Patne who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri B.K. Singh who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri Suresh Pandey who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Dr. Atul Sarma who retires by rotation and is eligible for re-appointment.
6. To fix the remuneration of Auditors of the Company appointed by the 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** Shri V.K. Agarwal 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 25<sup>th</sup> March, 2003."

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

**"RESOLVED THAT** Shri P.K. 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 25<sup>th</sup> March, 2003."

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

**"RESOLVED THAT** Dr. Amit Mitra 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 25<sup>th</sup> March, 2003."

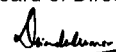
10. To consider and, if thought fit, to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

**"RESOLVED THAT** Shri A.H. Jung 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 25<sup>th</sup> March, 2003."

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

**"RESOLVED THAT** Shri Ashis Das 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."

By order of the Board of Directors

  
(Devinder Kumar)  
Secretary

New Delhi  
26th August, 2003  
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 11 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 29<sup>th</sup> August, 2003 to 26<sup>th</sup> September, 2003 (both days inclusive)**.
6. M/s. RCMC Share Registry Private Limited are acting 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. Shareholders are requested to make all future correspondence related to share transfer and allied activities with this agency only at the following address:  
M/s. RCMC Share Registry Private Limited,  
1515 (1<sup>st</sup> Floor), Bhisham Pitamah Marg,  
Kotla Mubarakpur (Near South Ext.), New Delhi-110003.  
Tel: (011) 24649720, e-mail: rcmc@theoffice.net
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 Shares Department 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 1995-96, 1996-97 and 1997-98 are requested to make their claims to the Company immediately for its revalidation and subsequent encashment. The unclaimed dividends pertaining to the year 1995-96 will be transferred to the Investor Education & Protection Fund on its completion of 7 years on 10<sup>th</sup> November, 2003. As such members who have not claimed the dividend for the year 1995-96 must forward their claim so as to reach the Company latest by 10<sup>th</sup> November, 2003.
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 Auditorium will be strictly against Entry Slip available at the counters at the venue and against exchange of Attendance Slip.**
12. **No Brief case or Bag will be allowed to be taken inside the auditorium.**

## ANNEXURE TO THE NOTICE

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

#### Item No. 7

On nomination by the President of India vide Government's Notification No.10(16)/97-SAIL-PC. Vol. IV dated 21<sup>st</sup> March, 2003, Shri V.K. Agarwal was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri V.K. Agarwal as a candidate for the office of Director of the Company.

Shri V.K. Agarwal has done B.Sc. (Engg) with Honours in Civil Engineering. He was Chairman, Railway Board and ex-officio Principal Secretary to Government of India in the Ministry of Railways.

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 V.K. Agarwal, 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. IV dated 21<sup>st</sup> March, 2003, Shri P.K. Sengupta was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri P.K.



Sengupta as a candidate for the office of Director of the Company.

Shri P.K. Sengupta has done B.Com. (Hons) and is a Fellow member of Institute of Cost and Works Accountants of India. His area of specialization is Finance & Administration. He was Chairman of Coal India 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 P.K. Sengupta, 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. Vol. IV dated 21<sup>st</sup> March, 2003, Dr. Amit Mitra was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Dr. Amit Mitra as a candidate for the office of Director of the Company.

Dr. Amit Mitra has done MA (Economics) from Delhi School of Economics, Delhi University and Ph.D. (Economics), from Duke University, USA. His area of specialization is Public Economics; Mathematical Economics & Economics; Economic Demography (Population Economics); Industrial Economics; Advance Economic theory (Macro & Micro). Presently, he is working as Secretary General of Federation of Indian Chambers of Commerce and Industry (FICCI). He is a Director on the Board of the following companies:

- GAIL (India) Ltd.
- IDBI - Principal
- On the Advisory Board of India Fund, UTI

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. Amit Mitra, 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. Vol. IV dated 21<sup>st</sup> March, 2003, Shri A.H. Jung was appointed as an Additional Director of the Company with effect from 25<sup>th</sup> March, 2003 for a period of three years and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri A.H. Jung as a candidate for the office of Director of the Company.

Shri A.H. Jung belonged to Indian Audit & Accounts Service (IAAS). He worked in various capacities in the Government of India and retired as Secretary, Ministry of Power, Government of India. He is a Director on the Board of Max Healthcare Institute 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 A.H. Jung, to the extent of his appointment as Director, is concerned or interested in the above resolution.

#### Item No. 11

On nomination by the President of India vide Government's Notification No.6(11)/2002-SAIL-PC. dated 17<sup>th</sup> June, 2003, Shri Ashis Das was appointed as an Additional Director of the Company with effect from 18<sup>th</sup> June, 2003 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 Ashis Das as a candidate for the office of Director of the Company.

Shri Ashis Das is a B.Sc. Engineering (Mechanical) and has a rich work experience in a variety of operational areas in the steel industry. His fields of specialization include management of operations, projects, planning and process control in large industries such as steel plants. He is also a Director on the Board of the following companies:

- Indian Iron & Steel Company Limited
- Maharashtra Elektrosmet Limited
- Bokaro Power Supply Company Private Limited
- Bhilai Oxygen Limited
- Bhilai Electric Supply Company 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 Shri Ashis Das, to the extent of his appointment as Director, is concerned or interested in the above resolution.

By order of the Board of Directors

  
(Devinder Kumar)  
Secretary

New Delhi  
26th August, 2003  
Registered Office:  
Ispat Bhawan, Lodi Road,  
New Delhi-110003.

# Notice

**Details of Directors seeking appointment/re-appointment in forthcoming Annual General Meeting furnished in terms of clause 49 of Listing Agreements:**

Name of the Director	Shri S.C.K. Patne	Shri B.K. Singh	Shri Suresh Pandey	Dr. Atul Sarma
Date of Birth	19.04.1944	02.02.1944	05.11.1943	01.01.1941
Date of Appointment	17.04.1996	23.09.1996	13.07.1998	21.03.2001
Expertise in Specific functional areas	Technical	Technical	Technical	Economist
Qualifications	BE/B.Tech. (Chemical)	BE/B.Tech. (Mech.)	BE/B.Tech. (Met.)	Ph.D (Eco.)
List of Companies in which outside Directorship held as on 31 <sup>st</sup> March, 2003.	<ul style="list-style-type: none"> <li>Indian Iron &amp; Steel Co. Ltd. (IISCO)</li> <li>UEC-SAIL Information Technology Ltd. (USIT)</li> <li>Romelt SAIL India Ltd. (RSIL)</li> <li>Metaljunction.com Private Ltd. (MJ)</li> </ul>	<ul style="list-style-type: none"> <li>Bhilai Oxygen Ltd. (BOL)</li> <li>Maharashtra Elektros melt Ltd. (MEL)</li> <li>Hindustan Steelworks Construction Ltd. (HSCL)</li> <li>Bharat Refractories Ltd. (BRL)</li> </ul>	<ul style="list-style-type: none"> <li>Tata Refractories Ltd. (TRL)</li> <li>Bharat Refractories Ltd. (BRL)</li> </ul>	NIL
Chairman/Member of the Committees of the Board of the Companies on which he is a Director as on 31 <sup>st</sup> March, 2003.	<b>SAIL</b> Shareholder/Investor Grievance Committee – Member			<b>SAIL</b> Audit Committee –Member

Report Junction.com



# Directors' Report

To,

The Members,

The Directors have pleasure in presenting the 31<sup>st</sup> Annual Report of the Company together with audited accounts for the year ended 31st March, 2003.

## FINANCIAL REVIEW

The year witnessed a growth of about 24% in the sales turnover, which at Rs. 19207 crore (previous year Rs. 15502 crore) was the highest ever achieved by your Company. This was possible due to higher sales volume, better product mix and higher steel prices. The Company made a cash profit of Rs. 831 crore during the year as compared to a cash loss of Rs. 551 crore in the previous year. The net loss after tax at Rs. 304.31 crore (previous year Rs. 1706.89 crore) recorded an improvement of Rs. 1402.58 crore indicating reduction of over 82% over the previous year. This was after providing for interest of Rs. 1334.02 crore (previous year Rs. 1562.03 crore) and depreciation of Rs. 1146.66 crore (previous year Rs. 1155.89 crore). In view of the loss, the directors do not recommend dividend.

During the year capital gains of Rs. 144 crore (previous year Rs. 662 crore) accrued on sale of surplus houses/other assets. After adjustment of such capital gains, the improvement in operating performance was Rs. 1921 crore. Such a significant improvement in the turnover and financial performance was due to improved production and sales volume, market oriented product mix, intensive cost control measures, rationalization of manpower, reduction in borrowings, supported by external factors viz. growth in steel demand, and firming of international and domestic prices.

Thrust on reduction in borrowings continued and there was a decline of Rs. 1049.71 crore during the year. Interest charge is also lower by Rs. 256 crore including Rs. 228 crore on operation account. This reduction has been possible through prudent cash management, substitution by borrowings carrying lower interest bearing instruments etc.

Steel Authority of India Ltd. (SAIL) continued its thrust on intensive cost control and revenue maximisation measures resulting in benefit of about Rs. 451 crore during the year. Cost control measures focused on reduction in usage of coking coal/ other raw materials, improvement in yields and techno-economic parameters, reduction in energy consumption and control on administrative expenditure. Substantial savings were also achieved in the non-conventional areas like higher volume of waste utilisation, control on arisings and maximising in-house manufacturing of spares & refractories.

Management expects that with the improvement in market demand, increase in net sales realization and through continuous cost control efforts, your Company would achieve even better performance and turnaround in the financial year 2003-04.

## SALES & MARKETING REVIEW

Your Company recorded a sales growth of 6% during the year which is in line with the growth in steel consumption in the country, thus sustaining the competitiveness. The Company sold 9.78 million tonnes of mild steel. In spite of the highly competitive global market the company could achieve a record export of about 8.5 lakh tonnes of mild steel to various destinations across the world, registering a growth of about 53% over the last year.

With international prices firming up and demand being robust, there was an improvement in prices by about 20% particularly in flat products, thus retrieving the decline in prices in previous years.

There was a significant increase in the sales of Railway material, Hot Rolled (HR) Coils/Skelp, Electrical Steel Sheets and Tin Plates. Higher availability of special grade products like HR Coils for cold reducing segments, Electrical Steel Sheets and Tin Plates enabled the company to maintain and achieve larger market share in value added segments. The Company has strived to expand the customer base by entering into tie-ups with major customers and the project authorities. With a pricing system which is market driven, increased customer and product focus and continuous review of distribution channels, company could achieve substantial growth in sales turnover (24%) during the year.

Your Company's website was ranked 3<sup>rd</sup> amongst the websites of major steel producers of the world by International Iron & Steel Institute. A major advertising campaign for popularising and branding of Galvanised Sheets (GP/GC Sheets) and Thermo Mechanically Treated (TMT) Bars was taken up by your Company to supplement its marketing.

## PRODUCTION REVIEW

The saleable steel production during the year increased, keeping pace with the market upswing. The production crossed 10 million tonne mark for the first time, with highest ever production of 10.35 million tonne – a growth of 7% over previous year. This improvement was possible through better input and logistic management, technological innovations and greater exploitation of potential of the assets. Production of hot metal and crude steel at 12.2 million tonne and 11.3 million tonne respectively, with a growth of 6% each over previous year, was also the highest.

There has been significant improvement in the product-mix. Finished steel production went up by 10% over previous year and its proportion in saleable steel increased from 77% to 80%. Rails production at Bhilai steel plant went up by 32% to a record level of 769,000 tonne.

SAIL continued with its thrust on improvement in efficiency parameters. Continuous cast production increased to 59% of total crude steel. Coke rate declined by 3.4% over previous year to the lowest ever level of 538 kg/thm. Overall energy consumption reduced by 2.5% and was 7.5 Gcal/tcs, the lowest ever achieved so far.

## Raw Materials

During 2002-03, total iron ore production and despatch from captive mines were 11.8 million tonne and 11.75 million tonne respectively. These were the best since inception with a growth of 6% both in production and despatch over the previous year. The flux production and despatch during the year 2002-03 were 1.12 million tonne and 1.2 million tonne respectively achieving growth of 17% and 35% in production and despatch respectively.

SAIL continued its efforts to put constant thrust on the improvement in stores and spares management including inventory control and achieved all time low inventory of Rs. 881 crore. Sale of idle assets of Rs. 72 crore has been achieved during the year.

## Purchase Cost Optimisation

A new concept of e-procurement/Reverse Auction (RA) introduced during 2001-02, has been quite successful venture for the company. SAIL is the pioneer among all PSUs/Govt. sector to introduce procurement through Reverse Auction. During the year SAIL conducted RAs worth Rs. 42 crore. The process is being carried forward and RAs worth Rs. 150 crore are expected during 2003-04. Forward Auctions (FA) have been

# Directors' Report

started for sale of secondary steel and Commercial Quality Stainless Steel of SSP resulting in higher realization than conventional mode. The process of FA would be extended with greater thrust during 2003-04.

## CAPITAL SCHEMES

The Company incurred a capital expenditure of Rs. 241 crore during the year. At Durgapur Steel Plant (DSP), with the upgradation of Blast Furnace-3, productivity of the furnace increased from 0.9 to 1.3 t/m<sup>2</sup>/day. Its Cast House Slag Granulation Plant has also been commissioned. Wheel testing facilities of Wheel & Axle Plant had also been augmented to meet Railways requirement for testing operations as per their revised specifications of IR-R-19-93 and IR-R-34-99.

At Bhilai Steel Plant (BSP), the capital schemes of Long Rails Facilities to produce rails of length upto 78 M length and welded rail panels upto length of 260 M with Class-A quality as per Railways specification IRS-T-12-1996 has been approved. Orders for major facilities have been finalised and construction activities are progressing as per schedule. Also De-scaling System at Rail & Structural Mill has been installed for ensuring good surface finish and elimination of defects. Further, Carbide Saw was installed for cutting the rails to size. Plant-wide Fibre Optic Cable Networking was also completed under assistance/guidance from Electronic Research & Development Corporation of India (ER&DCI) to achieve increased output, reduction in rejection/mix ups of metal.

At Rourkela Steel Plant (RSP), rebuilding of Coke Oven Battery No.1 has been taken up to incorporate pollution control measures for meeting the statutory emission norms. Also the work for upgradation of ERW Pipe Plant to produce higher quality pipes (API-5L upto X-70 grade) has been awarded. Basic engineering has been completed and detailed engineering is in progress. Orders for major imported equipment have been finalised and construction work is in progress. Further two nos. of Stoves (one for BF-4 and one for BF-2) had been upgraded for increasing the hot blast temperature to 1,000°C which in turn would result in higher furnace productivity and lower coke rate.

At Bokaro Steel Plant (BSL), erection work has been completed for Reheating Furnace No.2. Further, Combined Blowing facilities in the Converters of SMS-II were installed to improve the quality of steel.

## IN HOUSE DESIGN & ENGINEERING/ MARKETING OF SERVICES

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

Major projects implemented during 2002-03 include upgradation of BF-3 with increase in useful volume and installation of INBA Cast House Slag Granulation Plant at BF-3 at DSP, installation of De-scaling Unit before 950 mm Roughing Stand of Rail & Structural Mill of BSP and installation of Combined Blowing Technology in Converter No. 2 at SMS-II of BSL.

The major ongoing projects are Finishing of Long Rails at Rail & Structural Mill at BSP, provision of Tension Levelling Facilities in Side Trimming cum Slitting Line No.3 in CRM and installation of Walking Beam type Reheating Furnace No. 2 at BSL and Replacement of Turbo-Alternator in CPP-1 at RSP.

Besides above, CET also provided consultancy for some of the projects under implementation for clients outside SAIL like

installation of 3rd Cowper Stove at Chanderiya Zinc Smelter of M/s. Hindustan Zinc Ltd and installation of 0.3 Mtpa Romelt Plant of M/s. National Mineral Development Corporation.

During the year, the company obtained orders in India and abroad for providing technical assistance for setting up a 7 m tall Coke Oven Battery to M/s Ghaem Al Reza, Iran; design, engineering and other services for a BF gas based power plant to Kalyani Steel, Pune; technical assistance for stabilisation of VAD/VOD at BHEL, Haridwar; technical training in Georgia to Petroleum India International, Mumbai; study for shifting of EAF-CCP facilities to a new location to EGITALEC, Egypt; design & engineering services for upgradation of Coal Handling Plant to NTPC SAIL Power Company Pvt.Limited (NSPCL), Durgapur.

## RESEARCH & DEVELOPMENT

Research & Development Centre for Iron & Steel (RDCIS), of the company, completed 93 R&D projects during the year. These projects provided technological inputs to the company's plants/units with thrust on cost reduction, value addition, quality improvement and development of new products. The Centre has filed 24 patents and 20 copyright proposals during 2002-03, which included 4 patents from the plants.

During the year, 8 prestigious national awards were bagged by RDCIS collective and 201 technical papers were published/presented.

## HUMAN RESOURCES MANAGEMENT REVIEW

SAIL 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 utilisation of human resource and its rightsizing to make the company healthy.

Providing opportunity for open interaction, communication and feedback have been highlights of HRD intervention during the year. Communication exercises have been accepted as a continuous process to keep the employees informed of the challenges 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, 2003 was 1,37,496 (comprising 15,078 executives and 1,22,418 non-executives) a reduction of 10,105 employees compared to the number at the beginning of the year. The manpower productivity at 123 tonnes of crude steel per man per year registered an increase of 9.75 percent over the previous year. With a view to optimising the manpower and reducing the labour cost, Voluntary Retirement Schemes were launched whereby 5814 employees separated.

Need based training was provided to employees to equip them to meet the challenges of the competitive environment. Over 69,000 employees were trained during the year.

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. Department of Official Language, Ministry of Home Affairs has also awarded Corporate Office, RMD, DSP, BSL, RSP, RDCIS and Branch Sales Office (BSO), Patna separately for their performance.

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.





One of our colleagues, Ms. Teejan Bai, of BSP was conferred the Padma Bhushan award during the year. Also, six of our employees were decorated with Shram awards for the year 2001.

Your Company continued its efforts to promote the various disciplines of sports in tune with its passion for the all round personality development of an individual. Around 50 medal winning SAIL wards were awarded sports scholarships for furtherance in sporting events. With its philosophy of "Catching them Young", the Company is running three major Sports Academies - one each at Bhilai, Rourkela and Bokaro where players of different disciplines are developed and imparted training. The Company participated in prestigious sports events like IFA League, Subroto Cup, Bighton Cup, All India Public Sector Tournaments, etc. during the year under review.

Consistent efforts were made by SAIL Safety Organisation for improving safety standards in the Company specific by taking measures like intensive safety drives in works area, introduction of Risk Control Grading System in Bhilai, Durgapur and Rourkela Steel Plants, conducting safety audit, workshop & training etc. During the calendar year 2002, there was 33.1% reduction in injuries on Works compared to year 2001. A number of safety training programmes, workshops and seminars covering heads of shops, line managers, safety personnel and trade unions leaders were organised. Safety audits were conducted in hazardous departments of different plants and mines. Activities of Joint Committee on Safety, Health & Environment were intensified with a view to promote safety consciousness among wider cross section and inculcate safety culture.

## ENVIRONMENT MANAGEMENT

Improvement in environmental performance over last year is also evident through reduction in Particulate Matter Emission (18%), reduction in Specific Water Consumption (12%), reduction in Specific Effluent Discharge (7.4%) and increased recycle/reuse or commercial disposal of process solid wastes (over 70% utilisation).

Another important milestone is the partnership of SAIL with the Ministry of Environment & Forests. SAIL is one of the signatories to National Charter on Corporate Responsibilities floated by Ministry of Environment and Forest whereby SAIL and the other Indian steel players are to implement a time bound voluntary action plan for Pollution Control in the Steel Industry.

During the year, various environmental awareness programmes, afforestation drives, and observance of World Environment Day, Earth Day, International Ozone Layer Protection Day, Environment Month, Mines Environment & Mineral Conservation Week etc. have been organised in SAIL to mark the consciousness towards a better and cleaner environment. In addition, several training programmes have been organised to sensitise the SAIL collective on environmental issues.

## VIGILANCE ACTIVITIES

During the year, the focus was on reducing the pending cases, streamlining the system and providing flexibility to Plant/Units to perform better, ensuring transparency in every sphere and activities. The effort was in building the confidence across the Company which is the need of the hour for faster decision making.

Special drive was taken for timely clearing of all the pending investigations and departmental enquiries to reduce hardship to the employees.

Emphasis was given for computerisation of vigilance activities which included completion of computerisation of Immovable Property Returns and development of data base for MIS.

Interactions were organised between the Vigilance Executives and the Line Managers on regular basis to demystify the role of vigilance and to lay importance on the need for following policies and guidelines laid down by the Company. Vigilance Awareness Week was observed in all the Plants and Units.

## SUBSIDIARIES

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

The Company recorded a turnover of Rs. 924.21 crore. The net loss for the year after charging depreciation of Rs. 23.22 crore and interest of Rs. 10.33 crore was Rs. 182.23 crore compared to net loss of Rs. 179.87 crore during 2001-02.

The company produced 327 thousand tonnes of crude steel, 264 thousand tonnes of saleable steel and 280 thousand tonnes of pig iron during the year.

IISCO was declared a sick industrial company by the Board for Industrial & Financial Reconstruction (BIFR) on 17th August, 1994. The Government of India (GOI) in June, 2002 had approved a revival plan of IISCO, which is under implementation. Based on the Government's approval, rehabilitation proposal submitted in April, 2003 by IDBI, (the operating agency) to BIFR is under their consideration. Some of the reliefs envisaged in the proposal have already been availed by IISCO.

Government of India has already provided Rs. 186 crore as grant-in-aid for implementation of Voluntary Retirement in Kulti Works of IISCO. Most of the employees have applied for VR and the operation of Kulti Works has been stopped with effect from 1.4.2003.

Preparatory jobs with regard to technical specification of major packages envisaged under capital investment are under preparation.

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 Elektros melt Limited (MEL)

MEL achieved a turnover of Rs. 189.66 crore during the year as against Rs. 155.64 crore during the previous year. MEL has reported a net profit of Rs. 1.12 crore as compared to the loss of Rs. 8.38 crore during the previous year. The major constraint for MEL is high power cost.

### 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 Company was to take over Oxygen Plant-II of Bhilai Steel Plant under business restructuring of SAIL. However, due to non-receipt of suitable offer despite repeated attempts, divestment process of Oxygen Plant-II of BSP has been closed.

### Audited Accounts of Subsidiaries

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektros melt Limited and Bhilai Oxygen Limited for the year ending 31st March, 2003 are enclosed.

# Directors' Report

## Auditors Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2003 alongwith Management's replies are enclosed at Annexure-I. The comments and the review on accounts for the year ended 31st March, 2003 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 Arvind Pande ceased to be Director and Chairman of the Company on attaining the age of superannuation w.e.f. 30.09.2002 (A.N.)

Shri V.S. Jain took over as Chairman of the Company w.e.f. 30.9.2002 (A.N.).

Shri R.C. Jha ceased to be Director on attaining the age of superannuation w.e.f. 31.10.2002 (A.N.)

Shri A.K. Singh, Director (Commercial) ceased to be Director w.e.f. 1.4.2003.

Shri V.K. Agarwal has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Shri P.K. Sengupta has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Dr. Amit Mitra has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Shri A.H. Jung has been appointed as part-time non-official Director w.e.f. 25.3.2003.

Shri Ashis Das has been appointed as Director (Personnel) w.e.f. 18.06.2003.

## 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: 26th August, 2003

  
(V.S. JAIN)  
Chairman