

The Spectacular

Turnaround

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STEEL AUTHORITY OF INDIA LIMITED

Board of Directors

(As on 31.07.2004)

Chairman

Shri V.S. Jain

Managing Directors

Durgapur Steel Plant

Dr. S.K. Bhattacharyya

Rourkela Steel Plant

Dr. Sanak Mishra

Bokaro Steel Plant

Shri U.P. Singh

Bhilai Steel Plant

Shri R.P. Singh

Functional Directors

Personnel

Shri Ashis Das

Commercial

Shri S.K. Roongta

Finance

Shri G.C. Daga

Technical

Shri K.K. Khanna

Directors

Dr. Y.R.K. Reddy

Shri D.V. Singh

Shri S.N. Mishra

Shri V.K. Agarwal

Shri P.K. Sengupta

Dr. Amit Mitra

Shri A.H. Jung

Dr. S.Y. Quraishi

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@sailco.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

IDBI Bank Ltd.

Statutory Auditors

M/s. Chaturvedi & Co.
Chartered Accountants

M/s. P.A. & Associates
Chartered Accountants

M/s. S.K. Mittal & Co.
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 32nd Annual General Meeting of the Members of Steel Authority of India Limited will be held at 1030 hours on Tuesday, the 28th September, 2004 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, 2004, the Balance Sheet as at that date and Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Dr. S.K. Bhattacharyya, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri S.N. Mishra, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Sanak Mishra, who retires by rotation and is eligible for re-appointment.
5. To Fix the remuneration of the Auditors of the Company appointed by the Comptroller & Auditor General of India.

SPECIAL BUSINESS

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

RESOLVED THAT pursuant to Securities & Exchange Board of India (Delisting of Securities) Guidelines-2003 and other applicable provisions of law, the approval of the shareholders be and is hereby accorded for delisting of shares of the Company from the Delhi Stock Exchange Association Limited, the Calcutta Stock Exchange Association Limited, the Madras Stock Exchange Limited and the Stock Exchange Ahmedabad and the Board of Directors of the Company be and is hereby authorized to take all necessary actions as may deem fit proper and appropriate for giving effect to the resolution.

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

"RESOLVED THAT Shri U.P. Singh, 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."

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

"RESOLVED THAT Shri S.K. Roongta, 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."

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

"RESOLVED THAT Shri R.P. Singh, 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 modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Shri G.C. Daga, 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."

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

"RESOLVED THAT Shri K.K. Khanna, 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
Dated: 9th August, 2004
Registered Office:
Ispat Bhawan, Lodi Road,
New Delhi-110003.

Notice

Notes:

1. The relevant Explanatory Statements, pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business Item Nos. 6 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 **17th August, 2004 to 6th September, 2004 (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 (1st 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 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 1996-97 will be transferred to the Investor Education & Protection Fund on its completion of 7 years on 13th November, 2004. As such members who have not claimed the dividend for the year 1996-97 must forward their claim so as to reach the company latest by 13th November, 2004.
10. Members seeking further information on the Accounts or any other matter contained in the Notice, are requested to write to the Company atleast 7 days before the meeting so that relevant information can be kept ready at the meeting.
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. 6

The shares of the company are presently listed on

- i) The Calcutta Stock Exchange Association Limited (CSE)
- ii) The Delhi Stock Exchange Association Limited (DSE)
- iii) The Stock Exchange, Mumbai (BSE)
- iv) The Madras Stock Exchange Limited (MSE)
- v) The National Stock Exchange Limited (NSE)
- vi) The Stock Exchange, Ahmedabad (ASE)

The shares of the Company are actively traded only in the NSE & BSE. In the remaining Stock Exchanges, SAIL shares are either not traded or the trading is negligible. It is therefore proposed to delist the shares of the Company from DSE, CSE, MSE and ASE. However, with extensive networking of the NSE & BSE, both of whom have nationwide trading terminals, the investors will have sufficient opportunity to trade in SAIL shares.

As per the Securities & Exchange Board of India (Delisting of Securities) Guidelines-2003, shares of any listed company can

be voluntarily delisted from all or some of the Stock Exchanges where the securities are listed, by following the procedures laid down therein. In terms of the guidelines prior approval of the shareholders of the Company by way of a special resolution passed in its General Meeting is required for delisting.

Since the Company's shares will continue to be listed in NSE & BSE both of whom have nationwide trading terminals, the Company is not required to give exit option to the shareholders with in the jurisdiction of DSE, CSE, MSE & ASE.

Your Directors recommend the Special Resolution for approval of the shareholders

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

Item No. 7

On nomination by the President of India vide Government's Notification No.6(14)/2002-SAIL-PC (Vol.II) dated 22nd



September, 2003, Shri U.P. Singh was appointed as an Additional Director of the Company with effect from 1st December, 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 U.P. Singh as a candidate for the office of Director of the Company.

Shri U.P. Singh is a B.Tech. (Metallurgical) 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 steel plants. He is also a Director on the Boards of Bharat Refractories Limited and Hindustan Steelworks Construction 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 U.P. Singh, 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.6(3)/2003-SAIL-PC (Vol.II) dated 5th February, 2004, Shri S.K. Roongta was appointed as an Additional Director of the Company with effect from 5th February, 2004 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 S.K. Roongta as a candidate for the office of Director of the Company.

Shri S.K. Roongta is a BE(Hons), Electrical and has Post Graduate Diploma in I.T. and has a rich work experience in marketing of steel.

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 S.K. Roongta, 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.6(2)/2003-SAIL-PC (Vol.II) dated 23rd December, 2003, Shri R.P. Singh was appointed as an Additional Director of the Company with effect from 1st March, 2004 and vacates his office of Directorship at this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. The notice under Section 257 of the said Act has been received from a member proposing the name of Shri R.P. Singh as a candidate for the office of Director of the Company.

Shri R.P. Singh is a B.Tech. (Metallurgy) 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 steel plants. He is also a Director on the Boards of the Bharat Refractories Limited and Maharashtra Elektrosnelt 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 R.P. Singh, 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.6(13)/2002-SAIL-PC (Vol.II) dated 16th March, 2004, Shri G.C. Daga was appointed as an Additional Director of the Company with effect from 23rd March, 2004 (the date of Joining) 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 G.C. Daga as a candidate for the office of Director of the Company.

Shri G.C. Daga is a B.Com., FCA and has a rich work experience in diverse disciplines including Finance, Marketing and International Trade. He is also a Director on the Board of the Indian Iron & Steel Company 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 G.C. Daga, 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(6)/2003-SAIL-PC (Vol.II) dated 21st April, 2004, Shri K.K. Khanna was appointed as an Additional Director of the Company with effect from 1st May, 2004 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 K.K. Khanna as a candidate for the office of Director of the Company.

Shri K.K. Khanna is a B.Sc.(Engg.), LLB, MBA and has a rich work experience in a variety of operational areas in the steel industry. His fields of specialization include project management. He is also a Director on the Boards of Indian Iron & Steel Company Limited and Romelt-SAIL 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 K.K. Khanna, 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
Dated: 9th August, 2004
Registered Office:
Ispat Bhawan, Lodi Road,
New Delhi-110003.

Notice

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

| | | | |
|--|--|----------------------------------|--------------------------|
| Name of the Director | Shri S.K. Bhattacharyya | Shri S.N. Mishra | Dr. Sanak Mishra |
| Date of Birth | 25.12.1945 | 27.01.1940 | 18.12.1945 |
| Date of Appointment | 12.06.1997 | 26.12.2001 | 23.08.2002 |
| Expertise in Specific functional areas | Technical | Administration | Technical |
| Qualifications | Ph.D. (Met) | IAS (Retd.) | Ph.D (Met.), USA |
| List of Companies in which outside Directorship held | Indian Iron & Steel Co. Ltd. (IISCO) | Vishwakriya Housing Finance Ltd. | Bharat Refractories Ltd. |
| Chairman/Member of the Committees of the Board of the Companies on which he is a Director. | SAIL 1. Shareholder/Investor Grievance Committee – Chairman 2. Audit Committee – Member | | |

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Directors' Report

To,

The Members,

The Directors have pleasure in presenting the 32nd Annual Report of your Company together with audited accounts for the year ended 31st March, 2004.

FINANCIAL REVIEW

The year 2003-04 witnessed a growth of about 26% in sales turnover at Rs. 24178 crore (previous year Rs. 19207 crore), which was the highest ever turnover achieved by your Company. Your company has recorded a Net Profit (PAT) of Rs. 2512 crore during the year as compared to net loss of Rs. 304 crore in the previous year, recording an improvement of Rs. 2816 crore achieved mainly through increase in production/sales volume, cost reduction measures, reduction in borrowings, improved product-mix and buoyancy in steel market.

Your company had been incurring losses since 1998-99 due to recessionary trend, and the accumulated loss as on 31.3.03 was Rs. 2765 crore. The improved financial performance during 2003-04 coupled with the transfer of Rs. 276 crore from Bond Redemption Reserve Account to accumulated profit/loss account enabled the company to wipe out its accumulated loss. Due to inadequacy of surplus, Directors do not recommend dividend.

Thrust on reduction in borrowings continued during the year and there was a reduction of Rs. 4239 crore during the year. This has been achieved by all round improvement in sales and better cash management. Reduction in debt and substitution of borrowings carrying high interest rate with low interest bearing instruments resulted in interest saving of Rs. 435 crore. Debt equity ratio has improved to 1.86:1 (as on 31.03.04) from 6.50:1 (as on 31.03.03) due to better cash management and improved profitability.

The Company continued its thrust on cost control, optimizing purchase and revenue maximization measures. 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. Total cost of production is lower by about 4% compared to previous year. Efforts of the company on this front have been well recognized by The Institute of Cost and Works Accountants of India by bestowing the prestigious National Award on Excellence in Cost Reduction (Manufacturing sector) for the year 2003 on Steel Authority of India Limited (SAIL).

In the recent past, upsurge in demand of steel products (mainly from Asian countries) has resulted in input material supply imbalance leading to shortage of key inputs such as coking coal, coke, etc. This is being perceived as one of the major threats faced by the steel industry today. Due to scarcity, international coal prices have increased manifold. This challenge has given us the opportunity to explore alternative strategies like use of coal tar, petroleum fuel etc., to reduce the usage of coking coal and our company is geared to face the challenge appropriately.

SALES & MARKETING REVIEW

For the financial year 2003-04, your company achieved an all-time high sales of 10.43 million tonnes of mild steel including exports of 1.14 million tonnes. For the first time, exports of steel exceeded 1 million tonnes, with an impressive growth of 34% over the last year.

During the year, significant increase in domestic sales was achieved in Bars and Rods, Plate Mill Plates, HR Coils, Galvanised Coils/Sheets and Pipes.

The upsurge in domestic sales and exports brought the inventory level of steel as on 1st April, 2004 to its lowest level.

Marketing of Services

SAIL Consultancy Division (SAILCON) is the nodal agency for marketing of technical, management and training services available from SAIL plants and units to clients globally.

During the year SAILCON conducted market surveys jointly with local associates in Saudi Arabia and Bahrain and identified a number of potential clients. Efforts were also made in non-steel sectors and consultancy orders were procured from petroleum, chemicals and power sectors besides steel sector. In addition to executing consultancy projects in India, projects were executed during 2003-04 by SAILCON in Iran, Egypt and Georgia.

PRODUCTION REVIEW

SAIL seized the opportunity offered by a buoyant market to raise its volume of production, improve product-mix and operational efficiency to achieve best ever performance. Saleable steel production from SAIL plants crossed 11 Million Tonne mark for the first time, with a growth of 7% over previous year. Hot metal and crude steel were all time best with growth of 6% and 7% respectively over previous year. SAIL plants together exceeded their saleable steel capacity and achieved average capacity utilization of about 104%.

The continuous casting production was increased by 11% in line with efforts being made to further improve operational efficiency. Continuous casting operated at 120% of capacity and formed 61% of crude steel from four main steel plants. The highest ever BF productivity of 1.53 T/M³/day was 1.3% more than last year. Energy consumption came down to the lowest ever 7.46 G.cal/tcs Specific power consumption reduced by 3% over previous year.

The product-mix was further improved as per market demand. Plate production went up by 20%. Rails 90-UTS production also went up by 4% to 0.715 MT. Production of CRNO electrical steel went up by 10%, Pipes by 51% and GP/GC by 10% over previous year.

Raw Materials

During 2003-04, total Iron Ore production and despatch from captive mines of the Company were 20.95 million tonnes and 21.11 million tonnes respectively registering a growth of 15% in production and 13% in despatch over the previous year. The flux production and despatch during the year 2003-04 was 2.68 million tonnes each registering a growth of 7% in production and 8.6% in despatch over the previous year.

Directors' Report

HUMAN RESOURCES MANAGEMENT REVIEW

SAIL has always believed that human resource is the most important resource and continues to work for its development. The Personnel Department aligned its functioning and activities in tune with the business objectives and provided the desired support to all customers, external and internal. The ongoing thrust on rationalization of manpower with focus on proper utilization, rightsizing and reducing the labour cost to make the company healthy continued with implementation of two editions of Voluntary Retirement (VR) scheme. The **manpower strength** as on 31st March, 2004 was 131910 comprising 14870 executives and 117040 non-executives. The total reduction in manpower achieved during the year stood at 5586 which included separation of 2000 employees through VR. The labour productivity saw an impressive improvement by 11% over previous year to 137 TCS/Man/year.

The Human Resource Development (HRD) activities focused on multi-skill training and enhancement of managerial competencies. Competency mapping for identification of skill gaps and training were initiated. Providing opportunities for open interaction, communication and feed back have been highlights of HRD intervention this year also. At plants/units, the major thrust in the Human Resource area has been to reach out to more and more employees through various communication exercises. The proactive interventions and close coordination with different agencies ensured conducive Industrial Relations climate. To keep up the morale of the employees, motivational measures such as payment of Ad-hoc Adjustable advance, re-introduction of LTC/LLTC facility etc. were also taken.

The talent and innovation of our employees got recognition at the national level in the form of awards, most notable being the 'Shram Ratna' for the year 2003. In keeping up with the glorious tradition, SAIL continued its contribution to the society as a socially responsive organization through various initiatives such as National HIV AIDS Campaign etc. Your Company is associated with National AIDS Control Organization (NACO) and has actively participated and promoted the Information, Education and Communication (IEC) campaign. During 2003-04, around 20,000 employees have been covered under IEC campaign for awareness of HIV/AIDS. Till date, approximately 45,000 employees have been covered under this programme which has been in operation since January, 2000. In addition, more than 50,000 non-employees have also been covered.

Need based Training was provided to employees to equip them to meet the challenges of the competitive environment. Over 68,000 employees were trained during the year.

International Women's Day was observed in SAIL Plants/Units in a befitting manner through workshops, seminars, panel discussions and cultural programme.

Presidential Directives on **Schedule Castes and Scheduled Tribes** continued to be implemented and monitored on regular basis. Out of the total manpower, 14.93 percent were Scheduled Castes and 11.33 percent were Scheduled Tribes.

The Company continued to pay thrust on implementation of Official Language Policy of Government of India. Your Company

has won three first prizes for promoting the usage of Hindi in official work.

Consistent efforts were made by SAIL **Safety** Organization for improving safety standards in the Company 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. Safety audits were conducted in hazardous departments of different plants and mines.

SAIL has been pursuing a well planned **Sports** policy. The accent is on promoting sports in potential areas by nurturing young cadets through its 4 academies in steel townships at Bhilai, Durgapur, Rourkela and Bokaro. The standard of hockey academy at Rourkela is being upgraded by installing synthetic turf. Some of the Cadets from the academy are representing at the national and state levels. Simultaneously, by broad basing sports at the grass root level in the steel townships/company run schools, the organization has embraced sports as a way of life for personality development. 65 SAIL employee wards were awarded sports scholarships for winning medals at the national and zonal levels. The Company participated in prestigious sports event like IFA League, Subroto Cup, Independence Cup, All India Public Sector Tournaments, etc.

CORPORATE COMMUNICATION

The company worked with the motto of maintaining transparent and two way communication with its stake holders including the employees. Keeping this in view intensive internal and external communication activities were conducted to keep all stakeholders informed about the company's revival and the future direction. Clear interaction with the media helped to disseminate information on resurgence of the company stage by stage in the national newspapers and the magazines. Intensive & planned internal communication helped in reviving the morale of the employees across the organization.

ENVIRONMENT MANAGEMENT

Your company continued to give thrust to environmental compliance in its Plants and Mines during 2003-04. All the integrated steel plants maintained vigorous efforts to meet the targets committed to Ministry of Environment/Central Pollution Control Board (CPCB) under the Corporate Responsibility for Environmental Protection (CREP). Over 2 lakhs trees were planted during the year. Specific water consumption and effluent discharges were reduced by 15% and 7.4% respectively over previous year.

Four more units were certified with EMS ISO 14001, namely SMS I, Wire Rod Mill and Merchant Mill of Bhilai Steel Plant and Kiriburu Iron Ore Mines of RMD. Environmental training programmes were given appropriate priority.

Various Environmental Awareness Programmes like World Environment Day, Earth Day, Environmental Month, Mines Environment and Conservation Week etc. were observed. Environment Management Division successfully executed a CPCB assignment on preparation of a report on Clean Technologies for Iron & Steel and Development of Environmental Standard for BF and SMS.



VIGILANCE ACTIVITIES

A system centric approach to vigilance administration was adopted during the year, under which specific stress was laid on study and improvement of systems for plugging loopholes and checking irregularities. After study and discussion with line managers, suitable systems were laid down in over twenty areas. Seminars on Preventive Vigilance were organized in each quarter in the plants/units, which helped in demystifying the fear of vigilance and boosted morale of the line managers.

Open and notice board tenders issued for procurement/sale of goods/services and work contracts were put on the Website of the company along with provision for downloading. This facilitated submission of offers by intending buyers/sellers and led to greater transparency along with financial advantages due to more competition.

Vigilance Manual was updated covering relevant guidelines during the year.

DE-LISTING OF SHARES

Your company is listed on National Stock Exchange of India (NSE), the Stock Exchange, Mumbai (BSE), Madras Stock Exchange, Chennai (MSE), the Stock Exchange, Ahmedabad (ASE), Delhi Stock Exchange Association Limited (DSE) and the Calcutta Stock Exchange Association Limited, Kolkata (CSE), besides, on London Stock Exchange, London.

While there was no trading of your company's shares on DSE, MSE and ASE during 2003-04, the trading at CSE was very low. As such, almost the entire trading of the company's shares is done on NSE and BSE. These Exchanges have nation-wide trading terminals and, therefore, provide full liquidity to the investors. In view of this, your Directors recommend the de-listing of company's shares from DSE, MSE, ASE and CSE. The de-listing of shares is subject to the approval of members at the ensuing Annual General Meeting.

SUBSIDIARIES

The Indian Iron & Steel Company Limited (IISCO)

The Company recorded a turnover of Rs. 1051.26 crore. The net profit for the year after charging depreciation of Rs. 23.76 crore and interest and finance charges of Rs. 13.77 crore was Rs. 27.09 crore compared to net loss of Rs. 182.23 crore during 2002-03.

The Company produced 301 thousand tonnes of crude steel, 241 thousand tonnes of saleable steel and 223 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. The BIFR approved the Rehabilitation package in Nov./03, which is under implementation. Operations of Kulti works have been closed and 2861 employees have been given voluntary retirement. More than 1500 employees have been given voluntary retirement in other units i.e. Burnpur works, collieries and mines.

Two of the Blast Furnaces have been relined. A new Twin Hearth Furnace has been lighted up. Jobs on the Rolling Mill area are being taken up progressively.

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

Maharashtra Elektrosmet Limited (MEL)

MEL achieved a turnover of Rs. 152.98 crore during the year as against Rs. 189.66 crore during the previous year, and reported a post tax net profit of Rs. 6.30 crore as compared to profit of Rs.1.12 crore during the last year.

Audited Accounts of Subsidiaries

Audited Accounts of the Indian Iron & Steel Company Limited, Maharashtra Elektrosmet Limited and Bhilai Oxygen Limited for the year ending 31st March, 2004 are enclosed.

Auditors' Report

The Statutory Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2004 alongwith Management's replies, and the comments and the review on accounts for the year ended 31st March, 2004 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 alongwith Management's replies are enclosed to the Directors' report at Annexure-I & 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

Directors' Report

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 S.C.K. Patne, Director (Technical) ceased to be Director w.e.f. 30.4.2004 (A.N.) on attaining the age of superannuation.

Shri R.V. Gupta, Director ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Prof. R.P. Sengupta ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Shri Pyarimohan Mohapatra ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Dr. Atul Sarma ceased to be Director w.e.f. 20.3.2004 (A.N.) on completion of tenure.

Shri B.K. Singh, MD, BSP ceased to be Director w.e.f. 29.2.2004 (A.N.) on attaining the age of superannuation.

Shri Suresh Pandey, MD, BSL ceased to be Director w.e.f. 30.11.2003(A.N.) on attaining the age of superannuation.

Shri D.P. Singh, Director has resigned from the Board of Directors w.e.f. 2.9.2003.

Dr. S.Y. Quraishi has been appointed as Director w.e.f. 11.9.2003.

Shri U.P. Singh has been appointed as Director on the Board as Managing Director, Bokaro Steel Plant w.e.f. 1.12.2003.

Shri S.K. Roongta has been appointed as Director (Commercial) w.e.f. 5.2.2004.

Shri R.P. Singh has been appointed as Director on the Board as Managing Director, Bhilai Steel Plant w.e.f. 1.3.2004.

Shri G.C. Daga has been appointed as Director (Finance) w.e.f. 23.3.2004.

Shri K.K. Khanna has been appointed as Director (Technical) w.e.f. 1.5.2004.

Acknowledgement

The Board of Directors wish to place on record their appreciation for the support and cooperation extended by every member of the SAIL family. The Directors are thankful to the State Governments, Electricity Boards, Railways, Banks, Suppliers, Customers and Shareholders for their continued cooperation. The Directors also wish to acknowledge the continued support and guidance received from the different wings of the Government of India and more particularly from the Ministry of Steel.

For and on behalf of the Board of Directors

New Delhi
Dated: 9th August, 2004


(V.S. JAIN)
Chairman