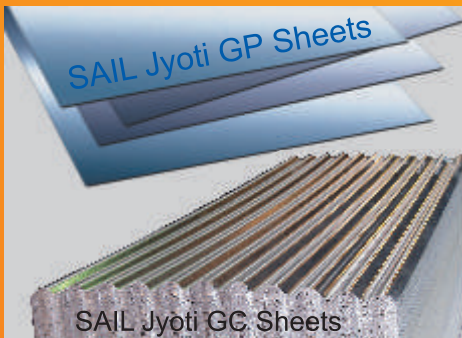


ANNUAL REPORT

2011-12



*Strength Instilled.
Success Sustained*





Over the years, the largest steel enterprise in India, SAIL has emerged as a synonym for steel. SAIL a Maharatna company, maintained its position as a leading producer of crude steel in the country. SAIL's product basket comprises Flat products, Long products, Rails and Pipes, including branded products such as SAIL-TMT & SAIL JYOTI. SAIL is the supplier to strategic sectors like defence, atomic energy, power, infrastructure, heavy machinery, oil & gas and Railways etc.

It is a matter of great pride that for the first time ever SAIL's turnover crossed ₹50,000-crore mark during the year, at a time when the global economy faced many challenges. SAIL is really about its people-committed, talented, passionate employees who want to create and do something meaningful and lasting so as to realise their full potential & make a positive impact in their area of work. SAIL has succeeded in instilling the strength that drives our economy's upsurge. SAIL will continue to play its leading role in steel ensuring the sustained growth of our economy. This will no doubt make our company a successful corporate entity with global competence.



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Strength instilled. Success sustained.

Over the years, the largest steel enterprise in India, SAIL has emerged as a synonym for steel. SAIL a Maharatna company, maintained its position as a leading producer of crude steel in the country. SAIL's product basket comprises Flat products, Long products, Rails and Pipes, including branded products such as SAIL-TMT & SAIL JYOTI. SAIL is the supplier to strategic sectors like defence, atomic energy, power, infrastructure, heavy machinery, oil & gas and Railways etc.

It is a matter of great pride that for the first time ever SAIL's turnover crossed ₹50,000-crore mark during the year, at a time when the global economy faced many challenges. With 2012 having begun on a very positive note for us, and our strategic initiatives in several areas taking firm shape, our outlook is bright. The focus during the current year will be on completing the ongoing mega Modernisation & Expansion (M&E) plan to give SAIL the readiness to meet the projected growth in steel demand during the 12th Five Year Plan period and beyond.

Under SAIL's M&E plan, capital expenditure during FY' 12 crossed ₹11,000 crore, taking cumulative expenditure on this count during the 11th Five Year Plan to ₹40,321 crore. M&E projects completed during the year included installation of a new turbo blower and rebuilding of Coke Oven Batteries (COBs) 1 & 2 at Bokaro Steel Plant, rebuilding of COB-6 at Bhilai Steel Plant, installation of new ladle furnace at Alloy Steels Plant, etc. SAIL has pegged outlay on M&E during the 12th Five Year Plan at ₹45,000 crore, including ₹14,500 crore during the year.

During 2012-13, several new major production units will become operational at SAIL's IISCO Steel Plant at Burnpur, including Raw Material Handling System, Sinter Plant, COB-11, Blast Furnace, SMS and Casters, Power Blowing Station and Wire Rod Mill, paving the way for full-fledged operations to start in this greenfield plant. Major facilities to be completed in other SAIL plants include:

- 700 tpd Oxygen Plant (operational since 03.05.2012) and Ore Handling Plant at Bhilai Steel Plant,



SAIL Chairman Shri C.S. Verma (standing, 2nd from right) and Kobe Steel President & CEO Shri N. Sato exchanging MoA documents in the presence of Hon'ble Union Minister for Steel Shri Beni Prasad Verma (seated, centre) who is flanked by Secretary (Steel) Shri D.R.S. Chaudhury (left) and Jt. Secretary, Ministry of Steel, Shri U.P. Singh, on 10th July, 2012 at Kobe's headquarters in Tokyo for setting up a JV using Kobe's ITmK3 technology at SAIL's Alloy Steels Plant in Durgapur, West Bengal.



A view of the new Air Separation Unit at SAIL's Bhilai Steel Plant.

- Medium Structural Mill and rebuilt COB-2 at Durgapur Steel Plant,
- New Raw Material Handling System, Sinter Plant-3, new COB-6, new Blast Furnace-5, new slab caster and converter at Rourkela Steel Plant, and
- Hot Metal Desulphurisation Unit in SMS-2, Cold Rolling Mill-3 and Cast House Granulation System for BF's 1, 2 & 3 at Bokaro Steel Plant.

With SAIL meeting Capex requirements mainly through internal resources, the company's market borrowings were reduced by around ₹3,050 crore during FY' 12, taking its debt-equity ratio to 0.41:1 as on 31.03.2012. SAIL's net worth on 31.03.2012 was ₹39,811 crore as against ₹37,069 crore a year ago.

During 2011-12, SAIL's subsidiary, Maharashtra Elektros melt Ltd. (MEL), was amalgamated with SAIL and renamed as Chandrapur Ferro-alloy Plant (CFP). Salem Refractory Unit of Burn Standard

Company Ltd. (BSCL) was also transferred to SAIL Refractory Company Ltd. (SRCL), a wholly owned subsidiary of SAIL during the year.

At the end of the day, SAIL is really about its people - committed, talented, passionate employees who want to create and do something meaningful and lasting, so as to realise their full potential & make a positive impact in their area of work. Trusted for its ability to serve the national interest by continually striving to strengthen its fundamentals, SAIL has become a true representative of the new age India. Dedicated to sustained development, SAIL embodies the vision, grit and determination that help to add "a little bit of SAIL in everybody's life" every day. SAIL has succeeded in instilling the strength that drives our economy's upsurge. SAIL will continue to play its leading role in steel ensuring the sustained growth of our economy. This will no doubt make our company a successful corporate entity with global competence.



VISION

To be a respected world-class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.

CREDO

- We build lasting relationships with customers based on trust and mutual benefit.
- We uphold highest ethical standards in conduct of our business.
- We create and nurture a culture that supports flexibility, learning and is proactive to change.
- We chart a challenging career for employees with opportunities for advancement and rewards.
- We value the opportunity and responsibility to make a meaningful difference in people's lives.

Highlights 2011-12

- Turnover grows 7% to highest-ever ₹50,348 crore compared to ₹47,041 crore last year.
- Earned PBT and PAT at ₹5,151 crore and ₹3,543 crore, respectively.
- Under SAIL's Modernisation & Expansion (M&E) plan, capital expenditure crossed ₹11,000 crore, taking cumulative expenditure on this count during the 11th Five Year Plan to ₹40,321 crore.
- M&E projects completed during the year included installation of a new turbo blower and rebuilding of Coke Oven Batteries (COBs) 1 & 2 at Bokaro Steel Plant, rebuilding of COB-6 at Bhilai Steel Plant, installation of new ladle furnace at Alloy Steels Plant, etc.
- Pegged outlay on M&E during the 12th Five Year Plan at ₹45,000 crore, incl. ₹14,500 crore during the year.
- Several new major production units will become operational at IISCO Steel Plant at Burnpur, incl. Raw Material Handling System, Sinter Plant, COB-11, Blast Furnace, SMS & casters, Power Blowing Station & Wire Rod Mill, paving the way for full-fledged operations to start in this greenfield plant.
- Meeting Capex requirements mainly through internal resources, market borrowings reduced by around ₹3,050 crore, taking its debt-equity ratio to 0.41:1 as on 31.3.2012.
- Net worth on 31.03.12 was ₹39,811 crore as against ₹37,069 crore a year ago.
- Company's subsidiary, Maharashtra Elektros melt Ltd. (MEL), amalgamated with SAIL during the year and renamed as Chandrapur Ferro-alloy Plant (CFP).
- During the year, Salem Refractory Unit of Burn Standard Company Ltd. (BSCL) transferred to SAIL Refractory Company Ltd. (SRCL), a wholly owned subsidiary of SAIL.

Board of Directors

Chairman

Shri C.S. Verma

Functional Directors

Commercial

Shri S. Mukherjee

Finance

Shri Anil Kumar Chaudhary

Technical

Shri S.S. Mohanty

Personnel

Shri H.S. Pati

Projects & Business Planning

Shri T.S. Suresh

Raw Material & Logistics

Shri A.K. Pandey

Government Directors

Shri E.K. Bharat Bhushan

Additional Secretary & Financial Adviser

Ministry of Steel, Government of India

Shri Upendra Prasad Singh

Joint Secretary, Ministry of Steel, Government of India

Independent Directors

Prof. Deepak Nayyar

Shri A.K. Goswami

Dr. Jagdish Khattar

Prof. Subrata Chaudhuri

Shri P.C. Jha

Shri P.K. Sengupta

Dr. Isher Judge Ahluwalia

Shri Sujit Banerjee

Shri Arun Kumar Srivastava

Chief Executive Officers (Permanent Invitees)

Bhilai Steel Plant

Shri Pankaj Gautam

IISCO Steel Plant

Shri N.K. Jha

Rourkela Steel Plant

Shri G.S. Prasad

Bokaro Steel Plant

Shri Anutosh Maitra

Durgapur Steel Plant

Shri P.K. Singh

Executive Director (F&A) & Secretary

Shri Devinder Kumar

Bankers

- Allahabad Bank
- Andhra Bank
- Australia and New Zealand Banking Group Ltd.
- Axis Bank Ltd.
- Bank of America
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Bank of Tokyo-Mitsubishi UFJ Ltd.
- Baraclays Bank PLC
- BNP Paribas
- Canara Bank
- Central Bank of India
- Citi Bank
- Corporation Bank
- Credit Agricole Corporate & Investment Bank
- Dena Bank
- Deutsche Bank
- Development Bank of Singapore
- Federal Bank Ltd.
- HDFC Bank Ltd.
- ICICI Bank Ltd.
- IDBI Bank
- Indian Bank
- Indian Overseas Bank
- IndusInd Bank Ltd.
- ING Vysya Bank Ltd.
- Jammu & Kashmir Bank Ltd.
- JP Chase Morgan
- Kotak Mahindra Bank Ltd.
- Mizuho Corporate Bank
- Oriental Bank of Commerce
- Punjab & Sind Bank
- Punjab National Bank
- Royal Bank of Scotland
- Standard Chartered Bank
- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of India
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore
- Sumitomo Mitsui Banking Corporation
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank
- Yes Bank Limited

Statutory Auditors

M/s. S.K. Mittal & Co.

Chartered Accountants

M/s. O.P. Totla & Co.

Chartered Accountants

M/s. Tej Raj & Pal

Chartered Accountants

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

Board of Directors



Shri C.S. Verma



Shri E.K. Bharat Bhushan



Shri Upendra Prasad Singh



Shri S. Mukherjee



Shri Anil Kumar
Chaudhary



Shri S.S. Mohanty



Shri H.S. Pati



Shri T.S. Suresh



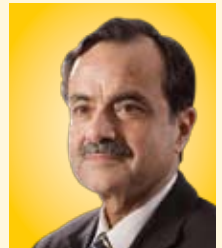
Shri A.K. Pandey



Prof. Deepak Nayyar



Shri A.K. Goswami



Dr. Jagdish Khattar



Prof. Subrata Chaudhuri



Shri P.C. Jha



Shri P.K. Sengupta



Dr. Isher Judge Ahluwalia



Shri Sujit Banerjee



Shri Arun Kumar
Srivastava

DIRECTORS' REPORT

To,

The Members,

The Directors have pleasure in presenting the 40th Annual Report of the Company together with audited accounts for the year ended 31st March, 2012.

FINANCIAL REVIEW

Your Company set a new record by achieving the highest ever sales turnover of ₹50348 crore during 2011-12, a growth of 7% over previous year. The Company earned Profit before Tax of ₹5150.87 crore and Profit after Tax of ₹3542.72 crore for the year 2011-12. The profit of your Company for the year 2011-12 was affected adversely, mainly due to adverse impact of higher prices of inputs with the average price of imported Hard Coking Coal going up to US \$ 288/T (FOB) in FY'12 as compared to US \$ 213/T (FOB) in corresponding period of last year (CPLY). Another key factor affecting the profitability was the impact of foreign exchange variation to the tune of about ₹900 crore during the year due to the US \$ appreciating from a level of ₹44.68 as on 31.3.2011 to ₹50.88 as on 31.3.2012. However, the adverse impact on profitability was partially offset by several initiatives taken by the Company. The comparative position of major financial parameters is given as under:

(₹ in crore)

Particulars	2011-12	2010-11
Sales Turnover	50,348.40	47,040.50
Profit before interest, depreciation, exceptional items and tax (EBIDTA)	7,657.62	9,029.63
Less: Interest and Finance Charges	677.70	474.95
Less: Depreciation	1,567.03	1,485.80
Profit before tax (PBT) and exceptional items	5,412.89	7,068.88
Exceptional items : Loss(-)/Gain(+)	-262.02	125.43
Profit before tax (PBT)	5,150.87	7,194.31
Less: Provision for taxation	1,608.15	2,289.57
Profit after tax (PAT)	3,542.72	4,904.74
Dividend (as a % of Equity) :		
Interim Dividend (%)	12	12
Final Dividend proposed (%)	8	12
Net Worth	39,811	37,069
EBIDTA to Net sales (%)	16.8	21.1
Return (PAT) on Net worth (%)	8.9	13.2
EBIDTA to average capital employed (%)	21.0	21.7
Earning per share (₹ 10/- each)	8.6	11.9
Debt Equity Ratio	0.41:1	0.52:1



SAIL Chairman, Shri C.S. Verma receiving the "MoU Excellence Award" from Hon'ble Prime Minister Dr. Manmohan Singh at Vigyan Bhawan, New Delhi on 31st January, 2012, in the presence of Hon'ble Minister of Heavy Industries & Public Enterprises Shri Praful Patel.