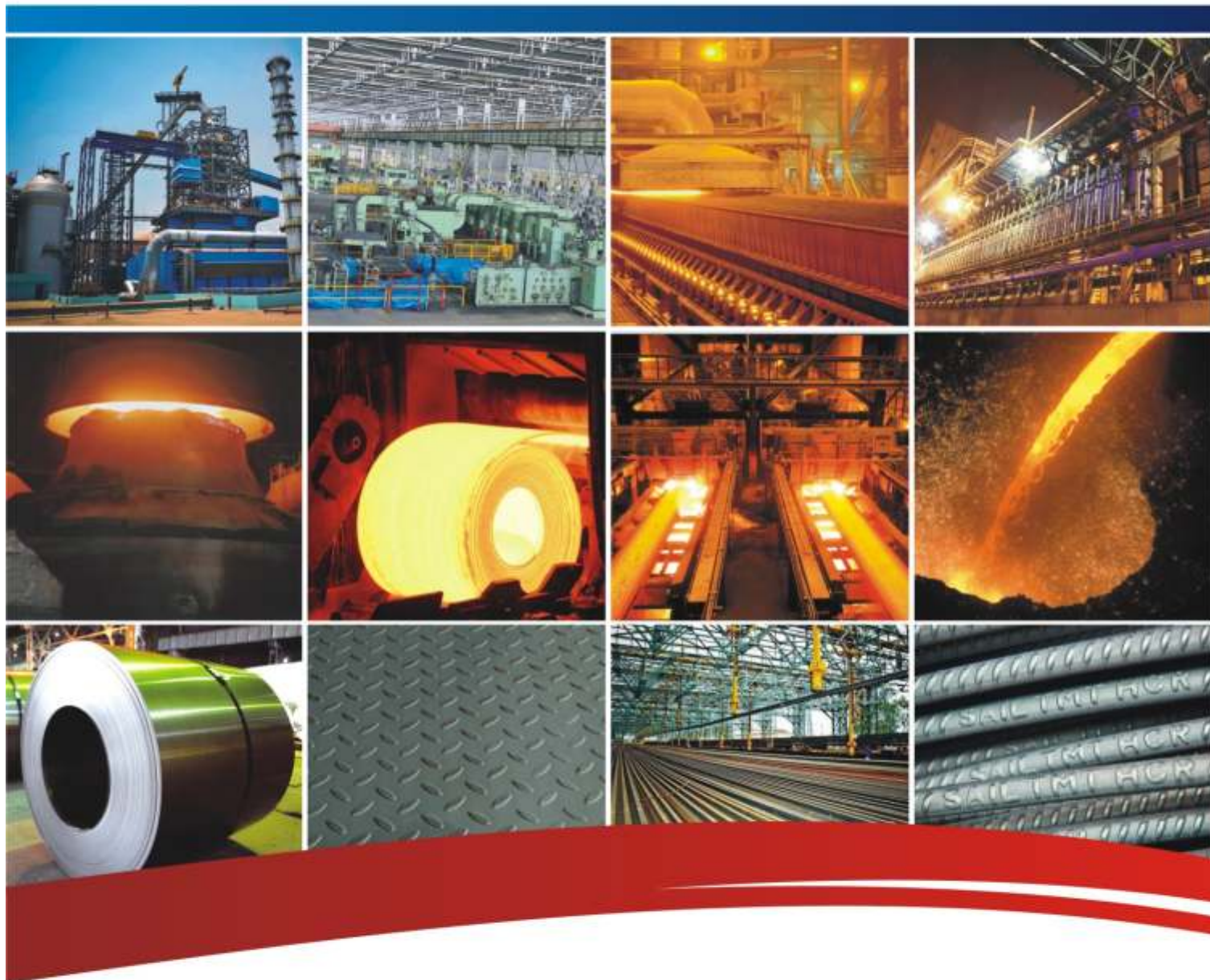


2014-15

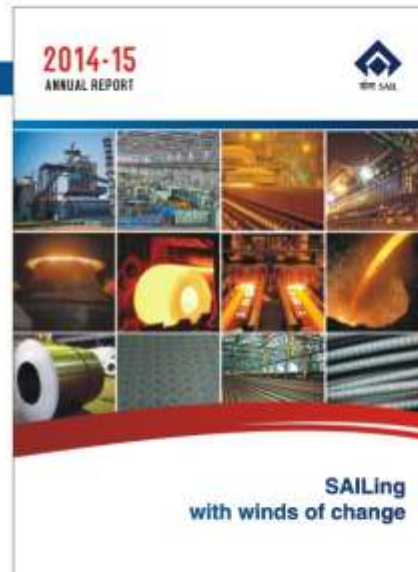
ANNUAL REPORT



**SAILing
with winds of change**

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.

CONTENTS

	Page
Letter to Shareholders	02
Board of Directors	04
Ten years at a Glance	06
Directors' Report	08
Management Discussion and Analysis Report	30
Annual Accounts	37
Independent Auditors' Report	76
Comments of C&AG	89
Secretarial Audit Report	90
Corporate Governance Report	92
Corporate Governance Certificate	97
Business Responsibility Report	98
Consolidated Financial Statements	104
Independent Auditors' Report on Consolidated Financial Statements	126
Comments of C&AG on Consolidated Financial Statements	134
Statement containing salient features of Financial Statements of Subsidiaries (Form AOC -1)	136
Extract of Annual Return (MGT-9)	138
Particulars of Loans, Guarantees or Investments under Section 186	147
Conservation of Energy, Technology Absorption	148
Report on Corporate Social Responsibility	154
Principal Executives	156
Notice	157
Proxy Form	164

LETTER TO SHAREHOLDERS



Dear Shareholders,

It is my privilege to share with you the significant achievements of your Company in the year 2014-15. In this year, your Company has achieved the distinction of commencing production from the largest operating Blast Furnace in the Country, "Kalyani" at IISCO Steel Plant, Burnpur in December, 2014. It was a momentous occasion and a matter of great pride for the Company when Hon'ble Prime Minister of India, Shri Narendra Modi dedicated to the Nation, SAIL's modernised and expanded IISCO Steel Plant on 10th May, 2015. The Government of India has been giving impetus to the infrastructure development in the Country and removing the bottlenecks affecting the infrastructure sector in particular, with a view to revive the economic growth in the Country. With this continuing thrust for infrastructure development and manufacturing growth, where steel industry plays a pivotal role, the Hon'ble Prime Minister of India, Shri Narendra Modi had earlier dedicated to the Nation, the modernised and expanded Rourkela Steel Plant on 1st April, 2015.

Your Company's contribution to the development and growth of the Country is accentuated from the implementation of its ongoing Modernisation & Expansion Programme (MEP), with about 5.5 million tonnes per annum of Hot Metal capacity having been added so far. The Hot Metal capacity of the Company will further increase and is expected to reach a level of 23.5 million tonnes per annum by the end of the Financial Year 2015-16. During implementation of the ongoing Modernisation and Expansion Programme, the Company faced a number of challenges. Despite the challenges, the Company completed modernisation and expansion of IISCO Steel Plant, Rourkela Steel Plant and Salem Steel Plant. Further, a number of facilities at other Plants like the new 1.2 MTPA Cold Rolling Mill at Bokaro Steel Plant; Coke Oven Battery No.2, Ladle Furnace, Lime & Dolomite Plant, Bloom-cum-Round Caster at Durgapur Steel Plant; and 2nd Sinter Machine in Sinter Plant No.3 and Coke Oven Battery No. 11 at Bhilai Steel Plant have also become operational during the Financial Year 2014-15.

Besides the on-going MEP, your Company has taken steps to further enhance its competitiveness by initiating the work on the projects for installation of a state of the art 3.0 Mtpa Hot Strip Mill at Rourkela Steel Plant and modernisation of Bokaro Steel Plant's Steel Melting Shop No.1 through installation of modern Basic Oxygen Furnace and Continuous Slab Caster for phasing out the energy intensive Ingot Casting- Slabbing Mill route. The Company incurred a capital expenditure of about Rs.6,840 crore during the Financial Year 2014-15 and plans a further capital expenditure of Rs.7,500 crore during the Financial Year 2015-16.

Maintaining its contribution to the economic development of the Country and to meet the future challenges, your Company is

working on a long term strategic plan "Vision 2025". This shall steer the Company towards a target of 50 million tonnes of Hot Metal capacity, which shall put SAIL amongst the top steel companies globally, besides contributing to the 'Vision 300 million tonnes per annum steel capacity' of Government of India.

Your Company is proud to be a part of 'Make in India' initiative of the Government of India and the Country's first indigenously built warship named INS Kamorta, an anti submarine warfare corvette, was built with special grade high-tensile steel produced by Bhilai Steel Plant. The ship was handed over to the Indian Navy by Garden Reach Shipbuilders & Engineers Limited in July, 2014.

I am glad to inform that during the Financial Year 2014-15, your Company achieved a turnover of Rs.50,627 crore and profit after tax of Rs.2,093 crore. The Company contributed about Rs.11,110 crore to the National Exchequer by way of payment of dividend, taxes and duties to various Government Agencies.

On the operational front, the Company recorded its highest ever Hot Metal production of 15.413 Million Tonnes (MT) in the Financial Year 2014-15, registering a growth of about 6.9% over 2013-14. Production of 13.909 MT of Crude Steel showed an improvement of about 2.5% over the previous year. In spite of the challenging and competitive domestic market, increase in imports particularly from China due to its large surplus capacity and slowing domestic consumption, cheap sourcing of steel from countries with whom India has Free Trade Agreements (FTA) viz. Japan, Korea and ASEAN, your Company achieved total sales volume of 11.8 million tonnes.

With regard to the raw materials security of your Company, the existing requirement of iron ore is being met from the captive mines in full. The capacities of existing iron ore mines are being expanded and new iron ore mines are being developed for ensuring regular supplies of iron ore post ongoing Modernisation and Expansion Programme. In view of promulgation of MMDR Amendment Act, 2015 and the Order of the Ministry of Mines, Government of India, the State Government of Jharkhand has extended the lease renewal period of SAIL's seven iron ore leases and four flux leases till 31.3.2020. Subsequently, Government of Odisha has also extended the lease renewal period of ML-162 lease of Barsua mines to 31.3.2020.

In respect of coal, Sitanala Coking Coal Block has been allotted to SAIL by the Government of India under notified Coal Blocks for allotment to Government Companies and the Agreement in this regard with the Nominated Authority was signed on 30th March, 2015. Further, for allotment of new coking coal and thermal coal blocks, efforts are being made for obtaining allotment of coal blocks under Government dispensation route. With a view to secure long

term security for supply of coking coal, a critical raw material for steel making, in a landmark acquisition of large coal mine and coal assets overseas by an Indian company, International Coal Ventures Pvt. Ltd. (ICVL), the joint venture of SAIL, Coal India Limited, Rashtriya Ispat Nigam Limited (RINL), NMDC Limited & NTPC Limited took over an operating coal mine and coal assets of Rio Tinto Limited in Moatize Coal Basin in Tete Province of Mozambique, having a total coal resource of 2.6 billion tonnes. The operating coal mine at Benga produces prime hard coking coal / thermal coal, and has a state-of-the-art wash plant and surface infrastructure with a potential to expand the raw coal production from the current 5 million tonnes per annum (Mtpa) to 12 Mtpa. The shipments from the mine are being received on continuous basis, establishing a long term and reliable source of supply of coking coal for SAIL, RINL & NMDC.

Your Company is always on look out for growth opportunities and diversifying its product basket. In this endeavour, the Company signed a Memorandum of Understanding (MoU) in May, 2015 with ArcelorMittal, the world's leading steel and mining company, to set up an automotive steel manufacturing facility under joint venture arrangement in India. The proposed Joint Venture envisages installation of a state-of-the-art cold rolling mill and other downstream finishing facilities in India that will offer technologically advanced steel products to India's rapidly growing automotive sector.

Your Company has always been in the forefront in preservation of environment and sustainable development. In this direction, SAIL Plants have taken various initiatives to reduce environmental footprint and enhance operational efficiency by improving operational discipline and minimising emissions. This in conjunction with state of the art facilities installed under the current Modernisation & Expansion Program has led to significant improvement in environmental parameters, enabling us to produce steel in a greener and more environmental friendly manner than before. Realizing the significance of plantation in overall environment, about 2.64 lakhs saplings were planted in and around SAIL Plants and Mines during the year 2014-15.

With continuing focus on cordial employee relations and employee welfare, your Company has achieved the Labour Productivity (LP) of 302 TCS/Man/Year in 2014-15. The manpower strength of SAIL as on 31st March, 2015 was 93,352 numbers with manpower rationalization of 4,545 numbers achieved during the year. The enhanced productivity with rationalized manpower could be achieved as a result of enhanced production, judicious recruitments, building competencies and infusing a sense of commitment and passion among employees to go beyond and excel. With a view to prepare employees for tomorrow, for effectively taking up challenges and discharging new roles and responsibilities, a total of 45,124 employees were trained during the year on various contemporary technical and managerial modules. Further, the Company has signed a MoU with National Skill Development Corporation to collaborate and support skill development initiatives in the vicinity of SAIL Plants for meeting

the requirement of skilled manpower and developing industrial eco-system of the respective areas.

Your Company continues to get laurels and appreciation in various fields, with Bhilai Steel Plant having been awarded the PM's Trophy for the Best Integrated Steel Plant for the year 2011-12 for a record 11th time (out of 21 times awarded). Further, efforts made by the Company in the area of cost management, with a view to sustain and succeed in the current competitive environment, have been recognised by the Institute of Cost Accountants of India and SAIL has been conferred with the First Prize under the category of Public Manufacturing: Organisation (Large) at the 12th National Awards for Excellence in Cost Management -2014.

Your Company remains committed to the social development of under privileged class in the vicinity of SAIL Plants, Units and Mines. In this regard, SAIL has adopted a balanced approach towards inclusive growth consistent with socio-economic environment. Inspired by clarion call of the Hon'ble Prime Minister for construction of toilets in schools under "Swachha Vidyalaya Campaign", a drive to promote sanitation and hygiene in remote areas, the Company has undertaken construction of toilets in schools without toilets/having dysfunctional toilets falling within the peripheral areas of SAIL Plants & Units and Mines which have been allocated to the Company by Ministry of HRD, Government of India. Envisaging the aptitude and faculties of the learned, enlightened citizens who can transform the society, SAIL owns and runs over 129 schools in its townships to provide holistic education to about 60,000 children and is providing assistance to another 629 schools having 95,000 students. As a responsible Corporate Citizen, the Company has supported the rehabilitation initiatives for the people affected by Natural Calamities like the floods in Jammu & Kashmir, Phailin cyclone in Odisha, Flash Floods in Uttarakhand, etc.

Dear Shareholders, with the Government's focus on manufacturing and industry coupled with spending on infrastructure (roads, rail, ports, etc.), we are optimistic that the demand for steel in India is going to increase in the years to come and with the ongoing Modernisation & Expansion Programme to be completed shortly, your Company is fully geared up to cater to the increased demand for steel in a cost effective manner. I would like to place on record my sincere thanks and appreciation to Board of Directors for their support and guidance. I would also like to express my sincere thanks to dedicated SAIL family and all the stakeholders for continuing their support and confidence in us.


(Rakesh Singh)

Secretary, Ministry of Steel,
Government of India &
Chairman & Managing Director, SAIL
(Additional Charge)

Place: New Delhi
Dated: 14th August, 2015

BOARD OF DIRECTORS (As on 14.08.2015)

Chairman and Managing Director – Addl. Charge

Shri Rakesh Singh
Secretary, Ministry of Steel,
Government of India

Functional Directors

Finance

Shri Anil Kumar Chaudhary

Technical

Shri S.S. Mohanty

Personnel

Shri Anil Kumar Chaudhary – Addl. Charge

Projects & Business Planning

Shri S. S. Mohanty – Addl. Charge

Raw Materials & Logistics

Shri Kalyan Maity

Commercial

Shri Binod Kumar

Government Directors

Ms. Bharathi S. Sihag,
Additional Secretary & Financial Adviser
Ministry of Steel, Government of India

Shri Sunil Barthwal

Joint Secretary,
Ministry of Steel, Government of India

Independent Directors

Shri J.M. Mauskar

Dr. Atmanand

Chief Executive Officers (Permanent Invitees)

Rourkela Steel Plant

Shri G.S. Prasad

Durgapur Steel Plant

Shri P.K. Singh

Bokaro Steel Plant

Shri Anutosh Maitra

Bhilai Steel Plant

Shri S. Chandrasekaran

Company Secretary

Shri M.C. Jain

Bankers

Axis Bank Ltd.

Bank of India

Bank of Tokyo-Mitsubishi UFJ Ltd.

Baraclsays Bank PLC

Canara Bank

Corporation Bank

Deutsche Bank

HDFC Bank Ltd.

ICICI Bank Ltd.

IDBI Bank Ltd.

IndusInd Bank Ltd.

Jammu & Kashmir Bank Ltd.

Kotak Mahindra Bank Ltd.

Mizuho Bank Ltd.

Punjab & Sind Bank

Punjab National Bank

Royal Bank of Scotland

State Bank of Hyderabad

State Bank of India

Sumitomo Mitsui Banking Corporation

United Overseas Bank

Vijaya Bank

Yes Bank Limited

Statutory Auditors

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

Chartered Accountants

M/s. B.N. Misra & Co.

Chartered Accountants

M/s. Sharma Goel & Co. LLP.

Chartered Accountants

Cost Auditors

M/s. Sanjay Gupta & Associates

Cost Accountants

M/s. K.C. Kohli & Co.

Cost Accountants

M/s. R.J. Goel & Co.

Cost Accountants

Secretarial Auditor

M/s. Agarwal S. & Associates

Company Secretaries

Registered Office

Ispat Bhawan, Lodi Road, New Delhi - 110003

Phone: 24367481; Fax- 24367015

Internet: www.sail.co.in

E.mail: secy.sail@sail.com

CIN: L27109DL1973GOI006454

BOARD OF DIRECTORS



Shri Rakesh Singh



Ms. Bharathi S. Sihag



Shri Sunil Barthwal



Shri A.K. Chaudhary



Shri S.S. Mohanty



Shri Kalyan Maity



Shri Binod Kumar



Shri J.M. Mauskar



Dr. Atmanand

TEN YEARS AT A GLANCE

FINANCIAL HIGHLIGHTS

(₹ crore)

	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Gross Sales	50627	51866	49350	50348	47041	43935	48738	45555	39189	32280
Net Sales	45208	46189	43961	45654	42719	40551	43204	39508	33923	27860
Earnings before depreciation, interest & tax(EBIDTA)	5586	5909	5621	7658	9030	11871	10946	12955	10966	7381
Depreciation	1773	1717	1403	1567	1486	1337	1288	1235	1211	1207
Interest & Finance charges	1454	968	748	678	475	402	259	251	332	468
Profit before exceptional items	2359	4184	3470	5413	7069	-	-	-	-	-
Exceptional items : Gain(+)/Loss(-)	0	959	-229	-262	125	-	-	-	-	-
Profit before tax (PBT)	2359	3225	3241	5151	7194	10132	9399	11469	9423	5706
Provision for tax/Income Tax Refund (-)	266	608	1070	1608	2289	3378	3228	3932	3221	1693
Profit after tax (PAT)	2093	2616	2170	3543	4905	6754	6170	7537	6202	4013
Dividends	826	834	826	826	991	1363	1074	1528	1280	826
Equity Capital	4131	4131	4131	4131	4130	4130	4130	4130	4130	4130
Reserves & Surplus	39734	38536	36894	35680	32939	29186	24018	18874	13054	8255
Net Worth	43505	42666	41025	39811	37069	33317	28148	23004	17184	12386
(Equity Capital and Reserves & Surplus)										
Total Loans	29898	25281	21597	16320	19375	16511	7563	3045	4181	4298
Net Fixed Assets	36169	26771	16777	17127	15059	13615	12305	11571	11598	12162
Capital Work-in-progress	29196	33651	35891	28205	22226	14953	6550	2390	1199	758
Current Assets (including short term deposits)	28482	26891	27616	28431	36544	39154	34676	26318	20379	17384
Current Liabilities & Provisions	16338	15212	13012	12225	12172	11073	12277	9439	6500	8108
Working Capital	12145	11679	14604	16206	24372	28081	22398	16879	13879	9276
(Current Assets less Current liabilities)										
Capital Employed	48314	38450	31381	32921	39431	41696	34704	28450	25476	21438
(Net Fixed Assets + Working Capital										
Market price per share (In Rs.)	68.4	71.4	62.4	94.1	170.0	252.6	96.5	184.8	113.0	83.2
(As at the end of the year)										
Key Financial Ratios										
EBDITA to average capital employed (%)	12.9	16.9	17.5	21.0	21.7	31.1	34.7	48.0	46.4	35.3
PBT to Net Sales (%)	5.2	7.0	7.4	11.3	16.8	25.0	21.8	29.0	27.8	20.5
PBT to average capital employed (%)	5.4	8.4	10.1	14.2	17.3	26.6	29.8	42.5	39.9	27.3
Return on average net worth (%)	4.9	6.1	5.4	9.2	13.9	22.0	24.1	37.5	42.0	35.8
Net worth per share of Rs. 10 (Rs.)	105.3	103.3	99.3	96.4	89.7	80.7	68.1	55.7	41.6	30.0
Earnings per share of Rs. 10(Rs.)	5.1	6.3	5.3	8.6	11.9	16.4	14.9	18.2	15.0	9.7
Price - earning ratio (times)	13.5	11.3	11.9	11.0	14.3	15.4	6.5	10.1	7.5	8.6
Dividend per share of Rs. 10 (Rs.)	2.0	2.0	2.0	2.0	2.4	3.3	2.6	3.7	3.1	2.0
Effective dividend rate (%)	2.9	2.8	3.2	2.1	1.4	1.3	2.7	2.0	2.7	2.4
Debt - Equity (times)	0.69	0.59	0.5	0.4	0.5	0.5	0.3	0.1	0.2	0.3
Current ratio (times)	1.74	1.80	2.1	2.3	3.0	3.5	2.8	2.8	3.1	2.1
Capital employed to turnover ratio (times)	1.0	1.3	1.6	1.5	1.2	1.1	1.4	1.6	1.5	1.5
Working capital turnover ratio (times)	4.2	4.4	3.4	3.1	1.9	1.6	2.2	2.7	2.8	3.5
Interest coverage ratio (times)	1.8	2.3	2.6	3.8	7.1	14.4	29.0	46.4	29.3	13.1
Dividend Payout Ratio (%)	39.4	31.9	38.1	23.3	20.2	20.2	17.4	20.3	20.6	20.6

PRODUCTION

Unit : '000T

Item	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06*
Hot Metal	15413	14447	14266	14116	14888	14505	14442	15199	14606	14603
Crude Steel	13908	13579	13417	13350	13761	13506	13411	13964	13506	13471
Pig Iron	634	223	214	106	261	323	267	441	509	578
Saleable Steel	12842	12880	12385	12400	12887	12632	12494	13044	12581	12051
- Semi Finished Steel	3007	2760	2422	2527	2394	2392	2206	2243	2278	2273
- Finished Steel	9835	10120	9962	9872	10493	10240	10288	10801	10303	9778

* Production of erstwhile IISCO (now ISP) has been included from 2005-06 onwards after its merger with SAIL

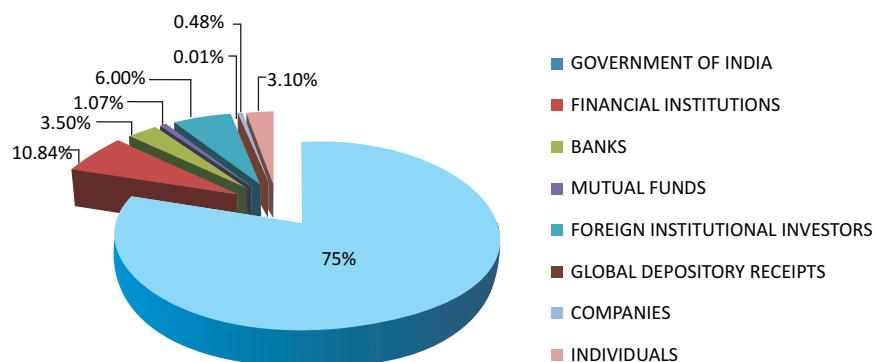
VALUE ADDED STATEMENT

(₹ crore)

For the year	2014-15		2013-14	
Value of own production	52724		51825	
Other Revenues	1486	54210	1344	53169
Less: Cost of Raw Materials	18523		19272	
Stores and Spares	3305		3179	
Power and Fuel	5423		4942	
Excise Duty	5419		5677	
Freight Outward	993		976	
Other Operating Cost	5260	38923	3634	37680
Total Value Added		15287		15489
Establishment Cost		9736		9579
Financing Cost		1454		968
Dividend Provision		826		834
Corporate Income Tax		266		608
Dividend Tax		165		142
Income Retained in Business				
Depreciation	2003		1717	
Retained in Business	837	2840	1641	3358
Total Value Applied		15287		15489

SHAREHOLDING PATTERN AS ON 31ST MARCH, 2015

CATEGORY	No. of Holders	No. of Equity Shares	Amount (₹ /Crore)	% of Equity
GOVERNMENT OF INDIA	1	3097767449	3097.77	75.00
FINANCIAL INSTITUTIONS	12	447800102	447.80	10.84
BANKS	71	144482337	144.48	3.50
MUTUAL FUNDS	33	44328186	44.33	1.07
FOREIGN INSTITUTIONAL INVESTORS	134	247695883	247.69	6.00
GLOBAL DEPOSITORY RECEIPTS	2	433135	0.43	0.01
COMPANIES (including Trusts & Clearing Members)	2734	19839055	19.84	0.48
INDIVIDUALS (including NRI & Employees)	378972	128179142	128.18	3.10
TOTAL	381959	4130525289	4130.52	100.00



DIRECTORS' REPORT

To,

The Members,

The Directors have the pleasure of presenting the 43rd Annual Report of the Company together with Audited Accounts for the Financial Year ended 31st March, 2015.

A. FINANCIAL REVIEW

Your Company achieved a turnover of ₹50,627 crore during 2014-15, which is lower by 2% over previous year, mainly on account of lower sales volume. The steel prices which were at a high in the beginning of Financial Year 2014-15, started falling gradually every month from September'2014 onwards. Towards the end of the Financial Year 2014-15, the steel prices reached at the lowest for the Financial Year. The Profit After Tax of your Company for the Financial Year was ₹2,093 crore as compared to ₹2,616 crore in the previous Financial Year, which included the one time receipt of ₹1,056 crore from M/s. Vale Australia Pty Ltd.

The net profit of your Company for the year 2014-15 has been negatively impacted on account of stagnant saleable steel production and lower sales volume of saleable steel, higher salaries & wages, higher stores & spares expenditure, higher repairs & maintenance expenditure, increase in royalty on iron ore, increase in purchased power rate, higher usage of imported coal in the blend due to lower availability of indigenous coal, higher interest charges, higher depreciation due to capitalization of new facilities and reduction in interest earning on term deposits. The Management

has taken various cost reduction measures like reduction in usage of external BF Coke, lower coke rate & energy consumption, higher CDI usage, etc. to offset the impact of adverse factors.

Your Company continued its thrust on optimum utilisation of funds by better fund management. This included replacement of high cost short term loans with low cost debts, timely repayment of loans including interest, strategic parking of surplus funds with scheduled banks, actions for future fund raising etc. to meet the growth objectives. Further, the Company hedged the foreign currency risk on Buyer's Credit and repayment of External Commercial Borrowings depending on market conditions. The Company had liquid assets of ₹ 2,000 crore as on 31st March, 2015 invested in short term deposits with scheduled banks against borrowings of ₹ 29,898 crore as on 31st March 2015. The debt equity ratio of the company increased to 0.69:1 as on 31st March 2015 from 0.59:1 as on 31st March 2014 mainly on account of increase in borrowings during the year. The net worth of company improved from ₹ 42,666 crore as on 31st March 2014 to ₹ 43,505 crore as on 31st March 2015 and this helped in generation of internal resources for funding expansion plans of SAIL. During the Financial Year 2014-15, the capital expenditure incurred was ₹ 6,840 crore.

The Company paid interim dividend @ 17.5% of the paid-up equity share capital during the year. The Board of Directors has further recommended a final dividend @ 2.5% subject to approval of shareholders, thus making the total dividend @ 20% of the paid up equity share capital for the Financial Year 2014-15.



Hon'ble Prime Minister Shri Narendra Modi dedicating SAIL's modernised Rourkela Steel Plant to the nation in the presence of Dr. S.C Jamir, Governor Odisha, Shri Naveen Patnaik, Chief Minister, Odisha, Shri Narendra Singh Tomar, Minister of Steel & Mines, Shri Jual Oram, Minister of Tribal Affairs, Shri Dharmendra Pradhan, Minister of State (IC) for Petroleum and Natural Gas, , Shri Vishnu Deo Sai, Minister of State for Steel & Mines, Shri Rakesh Singh, Secretary, Ministry of Steel and the then Chairman, Shri C.S. Verma.