



सेल SAIL

ANNUAL REPORT 2015-16

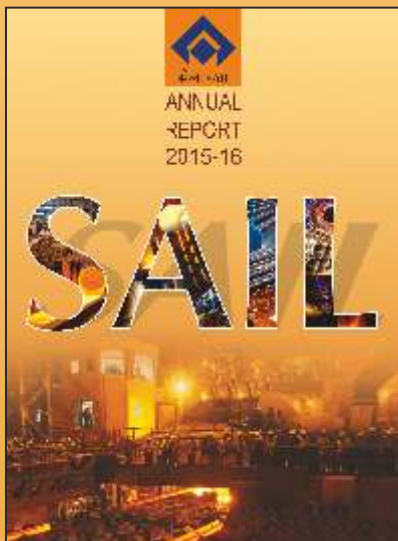


Vision

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.



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Letter to Shareholders



Dear Shareholders,

The year 2015-16 was an eventful one for the Country and also the Indian steel industry. While almost all the major economies of the world witnessed sluggish growth, India emerged as the world's fastest growing major economy. As far as steel is concerned, the year also witnessed India going ahead of the United States of America to become world's 3rd largest steel producing nation.

During the year, India was the only major steel consuming market in the world which exhibited a growth. However, due to the oversupply scenario globally, there was an unprecedented surge in imports which increased by 27% over 2014-15 and by 123% over 2013-14. In fact, the increase in net imports in the year was more than the increase in domestic steel consumption. These imports, often at predatory prices, forced significant price cuts by the Indian steel producers, leading to severe margin squeeze.

I would like to thank the Government of India for stepping in at this critical juncture and undertaking necessary corrective trade measures. The Government introduced the Minimum Import Price (MIP) mechanism in February 2016, to curb dumping of steel in the Country. But for this step, the steel industry would have been reeling under a lot more pressure. However, as per the projected demand-supply situation, global oversupply would persist in the near future and there is a need for protracted trade measures to provide the Indian steel industry with a level playing field.

I would like to emphasize that while these trade measures are essential in the present context, the long term competitiveness of the steel industry in India will depend on amongst other, providing the Indian steel

industry with a level playing field vis-à-vis other major steel producing nations with respect to freight rates, cost of borrowing, regulatory costs and availability of energy at competitive prices.

With this backdrop, the year 2015-16 was an extremely challenging one for your Company. The free fall in steel prices to a historic low had an adverse impact on profitability of SAIL. While production of hot metal and crude steel was the highest ever, a commensurate increase in production of saleable steel and sales could not be achieved due to the depressed market condition and a major shutdown taken for upgrading the Hot Strip Mill in our Bokaro Steel Plant.

However, I am confident that the worst is behind us and your Company would turnaround in this financial year as most of the enablers are in place. Ramp-up of production from our new Units under modernization and expansion plan is not just increasing production and leading to better quality, but has also helped us in reducing cost of production. Higher production from the new efficient Units and rationalizing production from cost intensive routes have manifested in the form of a reduction in variable cost of production by 10% in Q4 compared to Q1 of 2015-16 and the same trend continues. This financial year we have targeted to increase our production and sales by more than 20% over last year.

The products being manufactured by our new rolling mills have been received well by the customers and it is our constant endeavor to add more and more value added grades from these mills. In conjunction with increased production, focus is being given to efficient and strategic marketing for improving sales and

realisations. More emphasis is being given on marketing in regions where we have natural freight advantage, increasing retail sales and leveraging the brand image of SAIL.

In this year we shall be completing the balance modernization and expansion projects in our Bhilai Steel Plant. The facilities include a state of the art Universal Rail Mill capable of producing the longest single piece rail in the world. Commissioning of this mill would provide SAIL with the capability of producing high quality rails to meet the requirements of the Indian Railways, Metro projects, dedicated freight & passenger corridors as well as the exports market.

Besides the ongoing Modernization and Expansion Program, which is on the verge of completion, we have taken up new projects to improve our product mix and profitability. The significant one being installation of a 3.0 MTPA capacity 2250 mm wide Hot Strip Mill in our Rourkela Steel Plant. This mill scheduled to be commissioned in 2018 will enable us to produce very high quality hot rolled coils including advanced high strength grades for the growing automotive industry in the Country.

With regard to the raw materials security of your Company, the entire requirement of iron ore is being met from the captive mines. The capacities of existing iron ore mines are being expanded and new iron ore mines are being developed to meet the increasing requirement of iron ore. We have been allotted the Parbatpur Coking Coal block in Jharkhand which will add to our coking coal security. We intend to commence production from this block at the earliest after the approval of the revised mine plan based on simultaneous extraction of coking coal by SAIL and Coal Bed Methane (CBM) by ONGC.

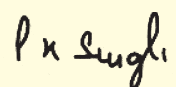
Your Company has always been in the forefront in preservation of environment and sustainable development. In this direction, SAIL Plants have taken various initiatives to reduce environmental footprint and minimising emissions. In addition, the state of the art facilities installed under the current 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, till date close to 2 crore trees have been planted in SAIL Plants and Mines locations with more than 4.6 lakh trees planted in 2015-16 itself.

Despite the present challenges, India's long-term outlook for the steel sector continues to be bright. The Government of India is taking appropriate steps to bolster the growth of the sector. In the Union Budget 2016-17, a sum of ₹ 218,000 crore has been earmarked for infrastructure like roads and railways. Such a scenario augers well for the domestic steel sector. Other initiatives of the Government such as Housing for All by 2022, Power for All by 2019, 100 Smart Cities by 2022 and Atal Mission for Rejuvenation & Urban Transformation (AMRUT) are likely to drive steel demand in the Country significantly.

In conjunction with the initiatives by the Government for increasing steel demand, it is our responsibility as the leading steel producer in the Country to increase steel consumption through initiatives like increasing the steel intensity in construction and infrastructure projects by propagating the advantages of steel over other materials with respect to Life Cycle Analysis based costing, assured quality, safety and pace of construction. We are taking a special drive towards this initiative. As the per capita steel consumption in the Country, increases from the current 61 kg even to the world average level of 208 kg, there is no looking back for the Indian steel industry.

Finally, I would like to take this opportunity to thank you as the shareholders of the Company for your constant support and trust. I would also like to thank our customers, suppliers, the Central and the State Governments and our employees, who have always stood by the Company and I look forward for their continued support in the future.



(P.K. Singh)
Chairman

Place: New Delhi

Dated: 11th August, 2016

BOARD OF DIRECTORS (As on 11.08.2016)

Chairman and Managing Director
Shri P.K. Singh

Functional Directors

Finance
Shri Anil Kumar Chaudhary

Raw Materials & Logistics
Shri Kalyan Maity

Commercial
Shri Binod Kumar

Personnel
Dr. N. Mohapatra

Projects & Business Planning
Shri G. Vishwakarma

Technical
Shri Raman

Government Directors

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

Shri Sunil Barthwal
Joint Secretary, Ministry of Steel, Government of India

Independent Directors

Shri P.K. Dash

Prof. Ashok Gupta

CA Parmod Bindal

Smt. Anshu Vaish

Chief Executive Officers (Permanent Invitees)

Bokaro Steel Plant
Shri Anutosh Maitra

Bhilai Steel Plant
Shri M. Ravi

Rourkela Steel Plant
Shri Ashwini Kumar

Durgapur Steel Plant
Shri A.K. Rath

IISCO Steel Plant
Shri R.K. Rath

Company Secretary
Shri M.C. Jain

Bankers

Axis Bank Ltd.
Bank of India
Bank of Tokyo-Mitsubishi UFJ Ltd.
Baraclays Bank PLC
Canara Bank
Corporation Bank
Deutsche Bank
Development Bank of Singapore Ltd.
HDFC Bank Ltd.
Hong Kong Shanghai Banking Corporation Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
IndusInd Bank Ltd.
Jammu & Kashmir Bank Ltd.
Kotak Mahindra Bank Ltd.
Mizuho Bank Ltd.
Punjab National Bank
State Bank of Hyderabad
State Bank of India
Sumitomo Mitsui Banking Corporation
United Overseas Bank
Vijaya Bank
Yes Bank Limited

Statutory Auditors

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

M/s. Sharma Goel & Co. LLP.
Chartered Accountants

M/s. Singhi & Co.
Chartered Accountants

M/s. Chatterjee & Co.
Chartered Accountants

Cost Auditors

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

M/s. Sanjay Gupta & Associates
Cost Accountants

M/s. Shome & Banerjee
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.co.in
CIN: L27109DL1973GOI006454

Board of Directors



Shri P.K. Singh



Ms. Bharathi S. Sihag



Shri Sunil Barthwal



Shri Anil Kumar Chaudhary



Shri Kalyan Maity



Shri Binod Kumar



Dr. N. Mohapatra



Shri G. Vishwakarma



Shri Raman



Shri P.K. Dash



Prof. Ashok Gupta



CA Parmod Bindal



Smt. Anshu Vaish

Ten Years at a Glance

FINANCIAL HIGHLIGHTS

(₹ crore)

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Gross Sales	43337	50627	51866	49350	50348	47041	43935	48738	45555	39189
Net Sales	38514	45208	46189	43961	45654	42719	40551	43204	39508	33923
Earnings before depreciation, interest & tax (EBIDTA)	(3052)	5586	5909	5621	7658	9030	11871	10946	12955	10966
Depreciation	2100	1773	1717	1403	1567	1486	1337	1288	1235	1211
Interest & Finance charges	2047	1454	968	748	678	475	402	259	251	332
Profit before exceptional items	(7198)	2359	4184	3470	5413	7069	-	-	-	-
Exceptional items : Gain(+)/Loss(-)	-	-	959	(229)	(262)	125	-	-	-	-
Profit before tax (PBT)	(7198)	2359	3225	3241	5151	7194	10132	9399	11469	9423
Provision for tax / Income Tax Refund and Deferred Tax Asset(-)	(3061)	266	608	1070	1608	2289	3378	3228	3932	3221
Profit after tax (PAT)	(4137)	2093	2616	2170	3543	4905	6754	6170	7537	6202
Dividends	-	826	834	826	826	991	1363	1074	1528	1280
Equity Capital	4131	4131	4131	4131	4131	4130	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	35151	39374	38536	36894	35680	32939	29186	24018	18874	13054
Net Worth (Equity Capital and Reserves & Surplus)	39281	43505	42666	41025	39811	37069	33317	28148	23004	17184
Total Loans	33217	29898	25281	21597	16320	19375	16511	7563	3045	4181
Net Fixed Assets	44262	36169	26771	16777	17127	15059	13615	12305	11571	11598
Capital Work-in-progress	24884	29196	33651	35891	28205	22226	14953	6550	2390	1199
Current Assets (including short term deposits)	22174	28482	26891	27616	28431	36544	39154	34676	26318	20379
Current Liabilities & Provisions	18792	16338	15212	13012	12225	12172	11073	12277	9439	6500
Working Capital (Current Assets less Current liabilities)	3382	12145	11679	14604	16206	24372	28081	22398	16879	13879
Capital Employed (Net Fixed Assets + Working Capital)	47644	48314	38450	31381	32921	39431	41696	34704	28450	25476
Mkt price per share (In ₹) (As at the end of the period)	43.00	68.35	71.40	62.35	94.05	170.00	252.55	96.45	184.75	113.00
Key Financial Ratios										
EBIDTA to average capital employed (%)	(6.4)	12.9	16.9	17.5	21.0	21.7	31.1	34.7	48.0	46.4
PBT to Net Sales (%)	(18.7)	5.2	7.0	7.4	11.3	16.8	25.0	21.8	29.0	27.8
PBT to average capital employed (%)	(15.0)	5.4	8.4	10.1	14.2	17.3	26.6	29.8	42.5	39.9
Return on average net worth (%)	(10.0)	4.9	6.1	5.4	9.2	13.9	22.0	24.1	37.5	42.0
Net worth per share of ₹ 10 (₹)	95.1	105.3	103.3	99.3	96.4	89.7	80.7	68.1	55.7	41.6
Earnings per share of ₹ 10(₹)	(10.0)	5.1	6.3	5.3	8.6	11.9	16.4	14.9	18.2	15.0
Price - earning ratio (times)	(4.3)	13.5	11.3	11.9	11.0	14.3	15.4	6.5	10.1	7.5
Dividend per share of ₹ 10 (₹)	0.0	2.0	2.0	2.0	2.0	2.4	3.3	2.6	3.7	3.1
Effective dividend rate (%)	0.0	2.9	2.8	3.2	2.1	1.4	1.3	2.7	2.0	2.7
Debt - Equity (times)	0.8	0.7	0.6	0.5	0.4	0.5	0.5	0.3	0.1	0.2
Current ratio (times)	1.2	1.7	1.8	2.1	2.3	3.0	3.5	2.8	2.8	3.1
Capital employed to turnover ratio (times)	0.9	1.0	1.3	1.6	1.5	1.2	1.1	1.4	1.6	1.5
Working capital turnover ratio (times)	12.8	4.2	4.4	3.4	3.1	1.9	1.6	2.2	2.7	2.8
Interest coverage ratio (times)	(1.9)	1.8	2.3	2.6	3.8	7.1	14.4	29.0	46.4	29.3
Dividend Payout Ratio (%)	0.0	39.4	31.9	38.1	23.3	20.2	20.2	17.4	20.3	20.6

PRODUCTION

(Unit: '000T)

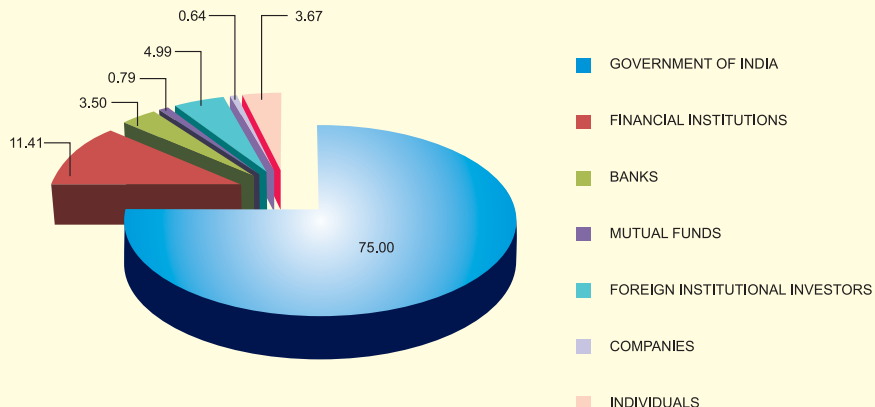
Item	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Hot Metal	15721	15413	14447	14266	14116	14888	14505	14442	15199	14606
Crude Steel	14279	13908	13579	13417	13350	13761	13506	13411	13964	13506
Pig Iron	642	634	223	214	106	261	323	267	441	509
Saleable Steel	12381	12842	12880	12385	12400	12887	12632	12494	13044	12581
- Semi Finished Steel	3054	3007	2760	2422	2527	2394	2392	2206	2243	2278
- Finished Steel	9327	9835	10120	9962	9872	10493	10240	10288	10801	10303

VALUE ADDED STATEMENT

		(₹ crore)	
For the year	2015-16	2014-15	
Value of own production	43366	52724	
Other Revenues	1122	1486	54210
Less: Cost of Raw Materials	17151	18523	
Stores and Spares	3244	3305	
Power and Fuel	5621	5423	
Excise Duty	4823	5419	
Freight Outward	1131	993	
Other Operating Cost	5676	5260	38923
Total Value Added	6842	15289	
Establishment Cost	9894	9736	
Financing Cost	2047	1454	
Dividend Provision	-	826	
Corporate Income Tax	-3061	266	
Dividend Tax	-	165	
Income Retained in Business			
Depreciation	2186	2003	
Retained in Business	-4224	837	2840
Total Value Applied	6842	15287	

SHAREHOLDING PATTERN (AS ON 31.03.2016)

Category	Number of Holders	Number of Equity Shares	Amount (₹/Crore)	% of Equity
GOVERNMENT OF INDIA	1	3097767449	3097.78	75.00
FINANCIAL INSTITUTIONS	12	471434879	471.43	11.41
BANKS	67	144389233	144.39	3.50
MUTUAL FUNDS	29	32534871	32.53	0.79
FOREIGN INSTITUTIONAL INVESTORS	111	206229237	206.22	4.99
GLOBAL DEPOSITORY RECEIPTS	2	132635	0.13	-
COMPANIES (including Trusts & Clearing Members)	2813	26600282	26.60	0.64
INDIVIDUALS (including NRI & Employees)	393548	151436703	151.44	3.67
TOTAL	396583	4130525289	4130.52	100.00



DIRECTORS' REPORT

To,

The Members,

The Board of Directors has the pleasure of presenting the 44th Annual Report of the Steel Authority of India Limited (SAIL, the Company) together with Audited Accounts for the Financial Year ended 31st March, 2016.

A. FINANCIAL REVIEW

Your Company achieved a turnover of ₹43,337 crore during the Financial Year 2015-16, which is lower by 14% over previous year, mainly due to decrease in Net Sales Realisation of Saleable Steel of 5 Integrated Steel Plants by about 20%. The prices of steel products kept falling throughout the year due to fall in Global Steel Prices leading to predatory imports from China, Japan, Korea, etc. However, there has been an increase in price realisation after imposition of Minimum Import Price(MIP) w.e.f. 5th February, 2016. The loss after tax of your Company for the Financial Year 2015-16 was ₹4,137 crore compared to net profit after tax of ₹ 2,093 crore in the previous Financial Year.

The performance of the Company during the year was adversely affected due to lower Net Sales Realisation, lower saleable steel production, adverse financial impact of on account of contribution to District Mineral Foundation and National Mineral Exploration Trust w.e.f. 12th January, 2015, higher usage of relatively expensive imported coal in the blend due to lower availability of indigenous coal, higher salaries & wages, higher repairs & maintenance expenditure, higher interest charges and reduction in interest earnings on term deposits, higher depreciation due to

capitalisation of new facilities and non-availability of gain on sale of investment in Bokaro Jaypee Cement Limited considered in the previous financial year. However, the adverse factors have been partially offset by higher sales volume and lower imported & indigenous coal prices, reduction in coke rate, reduction in demurrage expenses, reduction in price of ferro alloys, etc.

SAIL 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, advance actions for future fund raising, etc. to meet our growth objectives. Further, the Company hedged the foreign currency risk on Buyer's Credit depending on market conditions. The Company had borrowings of ₹33,217 crore as on 31st March 2016. The debt equity ratio of the Company increased to 0.85:1 as on 31st March 2016 from 0.69:1 as on 31st March 2015 due to increase in borrowings as well as reduction in net worth during the year. The net worth of Company declined from ₹43,505 crore as on 31st March 2015 to ₹39,281 crore as on 31st March 2016.

M/s India Ratings & Research Pvt. Ltd., M/s CARE and M/s Brickwork Ratings, RBI approved credit rating agencies, assigned 'IND AA Negative Outlook', 'AA+' and 'BWR AA+ outlook stable' ratings respectively for SAIL's long term-borrowing programme.

B. OPERATIONS REVIEW

Production Review

Financial Year 2015-16 witnessed several landmark achievements by your Company. The Company achieved highest ever Hot Metal production of



Hon'ble Prime Minister, Shri Narendra Modi, dedicating SAIL's Modernised & Expanded IISCO Steel Plant, Burpur to the Nation on 10th May, 2015.