



Forging Steel Track for India's Development

Annual Report

2016-17



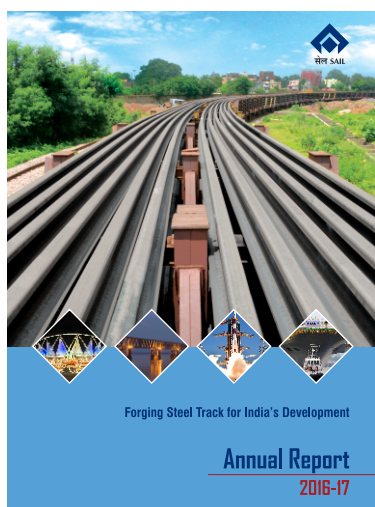
Steel Charkha made of SAIL's SALEM Stainless steel installed at Connaught Place, New Delhi.

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.



Dispatch of 260 metre rails, made from world's longest 130 metre single rails, from SAIL's Bhilai Steel Plant to Indian Railways

Contents

Letter to Shareholders	02
Board of Directors	04
Ten years at a Glance	06
Directors' Report	08
Management Discussion and Analysis Report	23
Standalone Financial Statements	29
Independent Auditors' Report	80
Comments of C&AG	88
Secretarial Audit Report	89
Corporate Governance Report	91
Corporate Governance Certificate	97
Business Responsibility Report	98
Consolidated Financial Statements	104
Independent Auditors' Report on Consolidated Financial Statements	155
Comments of C&AG on Consolidated Financial Statements	161
Statement containing salient features of the Financial Statement of Subsidiaries (Form AOC-1)	165
Extract of Annual Return (MGT-9)	167
Particulars of Loans, Guarantees or Investments under Section 186	176
SAIL Dividend Distribution Policy, 2017	177
Conservation of Energy, Technology Absorption, etc.	178
Report on Corporate Social Responsibility	184
Principal Executives	186
Notice	187
Proxy Form	192

Letter to Shareholders



Dear Shareholders,

I am privileged to address you once again and apprise you about the achievements of your Company in the financial year 2016-17.

The World economic recovery is on track and a pickup in Global growth presents a healthy sign for industrial and manufacturing activities across globe. With Global output, as projected by IMF, to grow by 3.5% in 2017 and 3.6% in 2018 on the back of better performing emerging economies, we expect more stability in the steel industry world-wide.

Meanwhile, India is projected to become the world's fifth largest economy in 2017, surpassing UK and France and the world's third largest economy by 2023, surpassing Japan and Germany. India's GDP is projected to rise from USD 2.2 trillion

in 2016 to USD 3.6 trillion by 2020. This augurs well for businesses that are focused on domestic growth in the future.

With suitable trade measures put in place by the Government of India for providing a level playing field to the domestic steel producers, the Indian steel industry could perform as per its potential and India became a net exporter of steel in FY 2016-17.

Given the current stage of development of the Indian economy and the likely growth path for the Country's economy in the next decade, the steel demand in India will witness significant growth in future. India with its stable government, strong reforms, rising infrastructure spend & robust consumption demand will provide a platform to reach per capita steel



Dispatch of Parallel Flange Beams from SAIL's IISCO Steel Plant.



consumption of 160 kg & total steel capacity of 300 Million tonnes by 2030-31 as envisaged by National Steel Policy 2017.

Your Company achieved a turnover of ₹49,180 crore during 2016-17, which is higher by 14% over previous year due to increase in both sales volume (8%) as well as Net Sales Realisation (NSR) of Saleable Steel of five Integrated Steel Plants by about 6%. The increase in NSR was partly due to an overall improvement in price levels and partly due to measures in enriching Company's product mix. Your Company's intensive focus on improving operational parameters resulted in positive EBITDA in all four quarters of FY 2016-17 and your Company trimmed losses by 30% by recording an overall improvement in production, sales and efficiency.

As far as production performance is concerned, SAIL achieved highest ever Hot Metal production at 15.73 Million Tonnes (MT), Crude Steel production at 14.50 MT and Saleable Steel production at 13.87 MT during FY 2016-17. There were all-round improvements in the major techno-economic parameters.

The unprecedented increase in coal prices during FY2016-17 however, adversely impacted the cost of production and overall margins. During the year, there was an additional impact of around ₹ 4,300 Crore as compared to FY 2015-16 on account of increase in prices of both imported and domestic coal. This increase in coal prices, neutralized the significant improvement in Net Sales Realization (NSR). Notwithstanding the increase in coal price, your Company could reduce its operational expenditure per ton of saleable steel by 2% during the fiscal.

Your Company has almost completed its Modernization and Expansion Programme (MEP). The state-of-the-art New Universal Rail Mill at Bhilai Steel Plant (BSP) was inaugurated by Hon'ble Steel Minister in January'17. This mill produces World's longest single piece rail of 130 meters length and supplies welded 260 mts rail panels to the Indian Railways. With this capacity addition, BSP has the record of being the single largest rail producing facility at one location in the World.

The already operational new facilities under the Modernization and Expansion plan were ramped up during the year. New Blast Furnace at Rourkela Steel Plant (RSP) achieved about 100% of its capacity, whereas, other facilities like the New Plate Mill also produced near to their rated capacities. The New 3 MTPA Hot Strip Mill at RSP is also scheduled to be installed by 2018 and this will enlarge the basket of the value added products.. The new facilities at IISCO Steel Plant (ISP) have also been ramped up significantly. The Wire Rod Mill of ISP will be soon producing world class Wire rods in special grades to meet the requirement of the Indian and Global Steel industries.

There has been significant value addition in the product mix of the Company, with higher grades of steel like API X-70 from RSP's New Plate Mill for the oil & gas sector, SAIL HT-600 for the automotive sector and high strength LPG steel grade from Bokaro Steel Plant, etc. Continuous product development efforts are being made with intensive R&D efforts especially from the new state of the art mills commissioned under the Modernisation and Expansion Plan. Amongst the Indian steel producers your company continues to be in the forefront in R&D with the highest spending.

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. Products from the RSP NPM and BSL CRM-3 are being well received in export markets too. 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 last mile connectivity with the end users, marketing in regions where we have natural freight advantage, increasing retail & rural sales and leveraging the brand image of SAIL.

We have launched a Companywide initiative with the help of Boston Consulting Group (BCG) named 'SAIL Uday' for improving our all-round performance. Cross functional teams across plants, units and marketing have been formed and both short and long term action plans have been formulated. Implementation of various initiatives is already underway and many benefits are expected to come in this fiscal itself.

Your Company continued its efforts of conducting operations in an environmentally responsible manner. These have resulted in reduction of emissions and discharge levels, increase in utilization of solid wastes and green cover. Our efforts to plant more trees continued during this year too.

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

(PK Singh)
Chairman

Place: New Delhi

Dated: 11th August, 2017

BOARD OF DIRECTORS (As on 11.08.2017)

Chairman and Managing Director

Shri P.K. Singh

Functional Directors

Finance

Shri Anil Kumar Chaudhary

Raw Materials & Logistics

Shri Kalyan Maity

Projects & Business Planning and Additional Charge of Director (Personnel)

Dr. G. Vishwakarma

Technical

Shri Raman

Commercial

Ms. Soma Mondal

Government Directors

Shri Saraswati Prasad

Additional 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

Dr. Samar Singh

Shri Nilanjan Sanyal

Chief Executive Officers (Permanent Invitees)

Rourkela Steel Plant

Shri Ashwini Kumar

Durgapur Steel Plant

Shri A.K. Rath

IISCO Steel Plant

Shri R.K. Rath

Bhilai Steel Plant

Shri M. Ravi

Bokaro Steel Plant

Shri P.K. Singh

ED(F&A) and Secretary

Shri M.C. Jain

Bankers

Axis Bank Limited

Bank of India

Bank of Baroda

Bank of Tokyo-Mitsubishi UFJ Limited

Barclays Bank PLC

Canara Bank

Corporation Bank

Deutsche Bank

HDFC Bank Limited

ICICI Bank Limited

IDBI Bank Limited

IndusInd Bank Limited

Jammu & Kashmir Bank Limited

Kotak Mahindra Bank Limited

Mizuho Bank

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. Singhi & Co.

Chartered Accountants

M/s. Chatterjee & Co.

Chartered Accountants

M/s. V.K. Dhingra & Co.

Chartered Accountants

M/s. A.K. Sabat & 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



Shri Saraswati Prasad



Shri Sunil Barthwal



Shri Anil Kumar Chaudhary



Shri Kalyan Maity



Dr. G. Vishwakarma



Shri Raman



Ms. Soma Mondal



Shri P.K. Dash



Prof. Ashok Gupta



CA Parmod Bindal



Smt. Anshu Vaish



Dr. Samar Singh



Shri Nilanjan Sanyal

Ten Years at a Glance

FINANCIAL HIGHLIGHTS

(₹ crore)

	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Gross Sales	49180	43294	50627	51866	49350	50348	47041	43935	48738	45555
Net Sales	43866	38471	45208	46189	43961	45654	42719	40551	43204	39508
Earnings before depreciation, interest & tax (EBIDTA)	672	(2204)	5586	4951	5621	7658	9030	11871	10946	12955
Depreciation	2680	2402	1773	1717	1403	1567	1486	1337	1288	1235
Interest & Finance charges	2528	2300	1454	968	748	678	475	402	259	251
Profit before exceptional items	(4536)	(6906)	2359	2266	3470	5413	7069	-	-	-
Exceptional items : Gain(+)/Loss(-)	(315)	(101)	0	959	(229)	(262)	125	-	-	-
Profit/Loss before tax (PBT)	(4851)	(7008)	2359	3225	3241	5151	7194	10132	9399	11469
Provision for tax / Income Tax Refund and Deferred tax Asset (-)	(2018)	(2986)	266	608	1070	1608	2289	3378	3228	3932
Profit/Loss after tax (PAT)	(2833)	(4021)	2093	2616	2170	3543	4905	6754	6170	7537
Dividends	0	0	826	834	826	826	991	1363	1074	1528
Equity Capital	4131	4131	4131	4131	4131	4131	4130	4130	4130	4130
Reserves & Surplus (net of DRE)	31879	35065	39374	38536	36894	35680	32939	29186	24018	18874
Net Worth (Equity Capital and Reserves & Surplus)	36009	39196	43505	42666	41025	39811	37069	33317	28148	23004
Total Loans	41396	35141	29898	25281	21597	16320	19375	16511	7563	3045
Net Fixed Assets	50285	45926	36169	26771	16777	17127	15059	13615	12305	11571
Capital Work-in-progress	23275	24927	29196	33651	35891	28205	22226	14953	6550	2390
Current Assets (including short term deposits)	25676	24304	28482	26891	27616	28431	36544	39154	34676	26318
Current Liabilities & Provisions	21486	18992	16338	15212	13012	12225	12172	11073	12277	9439
Working Capital (Current Assets less Current liabilities)	4191	5312	12145	11679	14604	16206	24372	28081	22398	16879
Capital Employed (Net Fixed Assets + Working Capital)	54476	51238	48314	38450	31381	32921	39431	41696	34704	28450
Mkt price per share (In ₹) (As at the end of the period)	61.20	43.00	68.35	71.40	62.35	94.05	170.00	252.55	96.45	184.75
Key Financial Ratios										
EBIDTA to average capital employed (%)	1.3	-ve	12.9	14.2	17.5	21.0	21.7	31.1	34.7	48.0
PBT to Net Sales (%)	-ve	-ve	5.2	7.0	7.4	11.3	16.8	25.0	21.8	29.0
PBT to average capital employed (%)	-ve	-ve	5.4	8.4	10.1	14.2	17.3	26.6	29.8	42.5
Return on average net worth (%)	-ve	-ve	4.9	6.1	5.4	9.2	13.9	22.0	24.1	37.5
Net worth per share of ₹ 10 (₹)	87.2	94.9	105.3	103.3	99.3	96.4	89.7	80.7	68.1	55.7
Earnings per share of ₹ 10(₹)	-ve	-ve	5.1	6.3	5.3	8.6	11.9	16.4	14.9	18.2
Price - earning ratio (times)	-ve	-ve	13.5	11.3	11.9	11.0	14.3	15.4	6.5	10.1
Dividend per share of ₹ 10 (₹)	0.0	0.0	2.0	2.0	2.0	2.0	2.4	3.3	2.6	3.7
Effective dividend rate (%)	0.0	0.0	2.9	2.8	3.2	2.1	1.4	1.3	2.7	2.0
Debt - Equity (times)	1.1	0.9	0.7	0.6	0.5	0.4	0.5	0.5	0.3	0.1
Current ratio (times)	1.2	1.3	1.7	1.8	2.1	2.3	3.0	3.5	2.8	2.8
Capital employed to turnover ratio (times)	0.9	0.8	1.0	1.3	1.6	1.5	1.2	1.1	1.4	1.6
Working capital turnover ratio (times)	11.7	8.2	4.2	4.4	3.4	3.1	1.9	1.6	2.2	2.7
Interest coverage ratio (times)	(0.7)	(1.9)	1.8	2.3	2.6	3.8	7.1	14.4	29.0	46.4
Dividend payout ratio (%)	0.0	0.0	39.4	31.9	38.1	23.3	20.2	20.2	17.4	20.3

PRODUCTION

(Unit: '000T)

Item	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
Hot Metal	15726	15721	15413	14447	14266	14116	14888	14505	14442	15199
Crude Steel	14496	14279	13908	13579	13417	13350	13761	13506	13411	13964
Pig Iron	495	642	634	223	214	106	261	323	267	441
Saleable Steel	13867	12381	12842	12880	12385	12400	12887	12632	12494	13044
- Semi Finished Steel	3170	3054	3007	2760	2422	2527	2394	2392	2206	2243
- Finished Steel	10697	9327	9835	10120	9962	9872	10493	10240	10288	10801

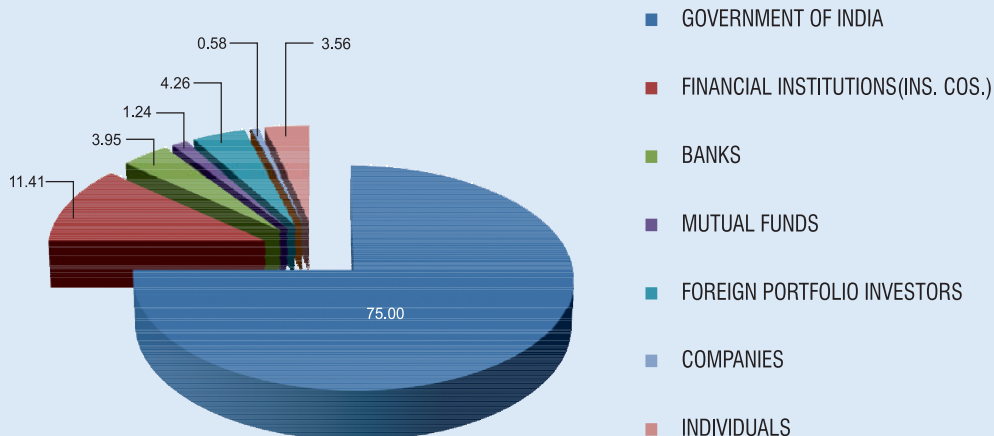


VALUE ADDED STATEMENT

For the year	2016-17		2015-16	
				(₹ crore)
Value of own production	49598		43323	
Other Revenues	1080	50678	1145	44468
Less: Cost of Raw Materials	21126		17155	
Stores and Spares	2835		2889	
Power and Fuel	5234		5334	
Excise Duty	5314		4823	
Freight Outward	1162		1131	
Other Operating Cost	5702	41373	5726	37058
Total Value Added		9305		7410
Establishment Cost		8948		9715
Financing Cost		2528		2300
Corporate Income Tax		-2018		-2986
Dividend Paid		-		103
Dividend Tax		-		21
Income Retained in Business				
Depreciation	2680		2489	
Retained in Business	-2833	-153	-4232	-1743
Total Value Applied		9305		7410

SHAREHOLDING PATTERN (AS ON 31.03.2017)

Category	Number of Holders	Number of Equity Shares	% of Equity
GOVERNMENT OF INDIA	1	3097767449	75.00
FINANCIAL INSTITUTIONS (INS. COS.)	11	471425760	11.41
BANKS	66	163196561	3.95
MUTUAL FUNDS	36	51402323	1.24
FOREIGN PORTFOLIO INVESTORS	120	175983209	4.26
GLOBAL DEPOSITORY RECEIPTS	2	117635	0.00
COMPANIES (including Trusts & Clearing Members)	2619	23860187	0.58
INDIVIDUALS (including NRI & Employees)	371194	146772165	3.56
TOTAL	374049	4130525289	100.00



DIRECTORS' REPORT

To,

The Members,

The Board of Directors has the pleasure of presenting the 45th Annual Report of Steel Authority of India Limited (SAIL, the Company) together with Audited Accounts for the Financial Year ended 31st March, 2017.

A. FINANCIAL REVIEW

Your Company achieved a turnover of ₹49,180 crore during the Financial Year 2016-17, which was higher by 14% over previous year due to increase in both sales volume (8%) as well as Net Sales Realisation (NSR) of Saleable Steel of 5 Integrated Steel Plants by about 6%. The loss after tax of your Company for the Financial Year 2016-17 has reduced to ₹2,833 crore as compared to loss after tax of ₹4,021 crore in the previous Financial Year.

The reduction in loss has been mainly on account of higher sales volume, higher Net Sales Realisation of 5 Integrated Steel Plants, higher production, increase in value added production, lower usage of imported coal in blend, higher usage of CDI in CDI furnaces, reduction in coke rate, improvement in BF productivity, reduction in salaries and wages, decrease in average purchase power rate, foreign exchange gain, etc. However, the same has been partially offset by increase in imported and indigenous coking coal prices, increase in interest cost and depreciation.

SAIL continued its thrust on optimum utilisation of funds by better fund management. This included replacement of high cost loans with low cost debts, timely repayment of loans including interest, action for future fund raising, etc. to meet our 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 borrowings of ₹41,396 crore as on 31st March, 2017. The debt equity ratio of the Company increased to 1.15:1 as on 31st March, 2017 from 0.90:1 as on 31st March, 2016, due to increase in borrowings as well as reduction in net-worth during the year. The net-worth of Company declined substantially from ₹ 39,196 crore as on 31st March, 2016 to ₹36,009 crore as on 31st March, 2017.

M/s CARE Ratings and M/s Brickwork Ratings, RBI approved credit rating agencies, assigned 'CARE AA Outlook: Negative' and 'BWR AA+ Outlook: Stable' ratings respectively for SAIL's long term borrowing programme.

B. OPERATIONS REVIEW

Production Review

Financial Year 2016-17 has been a year full of challenges for your Company. The Company faced tough times amidst plunging steel prices, a flood of low-priced imports from China and other countries, unprecedented increase in input prices and a subdued demand of steel.

The new facilities already operational were ramped up during the year. New Blast Furnace at RSP achieved about 100% of its capacity, whereas, other facilities like New Caster and New Plate Mill were also in process of stabilization and achieved 84% and 80% of their respective capacities during the year. The new facilities at IISCO Steel Plant have also been ramped up and the capacity utilization in Hot Metal, Crude Steel and Saleable Steel production was in the range of 50-70% of capacity during this year. At Bhilai Steel Plant, Universal Rail Mill (URM) (with capacity to produce World's longest single-piece 130-meter long rail) along with Rail Welding Line for production of 260 meter Long



The Prime Minister, Shri Narendra Modi at the Dholasadiya Bridge, across River Brahmaputra, in Assam on May 26, 2017.