



Letter to Shareholders

Dear Shareholders,

I am privileged to apprise you about the achievements of your Company during the Financial Year 2017-18.

The World growth outlook projected by IMF in January' 2018 reflects a positive forecast for both advanced and developing economies. At 3.8 percent, Global growth rate in 2017 was the fastest since 2011. With financial conditions still supportive, Global growth is expected to tick up to 3.9 percent in 2018 and 2019. Aggregate growth in emerging market and

developing economies is projected to firm up further, with continued strong growth in emerging Asia and Europe. The long-term projections by World Bank also indicate that the prolonged period of weak growth expectations, characterized by systematic downgrading of long-term forecasts, seems to have come to an end. These healthy growth projections for World's economy indicate a steady growth prospect for the Global steel industry as well.



Narrow Parallel Flange Beams manufactured at Universal Section Mill at SAIL's IISCO Steel Plant.



World Steel Association (WSA), in its April'2018 forecast, said that Global steel demand will reach 1,616 Million Tonnes (MT) in 2018, an increase of 1.8% over 2017. It is forecast that Global steel demand will grow by 0.7% to reach 1,627 MT in 2019. WSA has further added that, in 2018, high confidence, strong investment levels and a recovery in commodity prices are generating a virtuous cycle for steel demand globally, both in developed and developing economies.

Reflecting on the domestic scenario, World Bank has forecast a growth rate of 7.3 per cent for India this year and 7.5 per cent for the next two years, making it the fastest growing economy among major emerging economies. This augurs well for the domestic steel industry. The growth in domestic steel consumption is strongly backed by robust development of India's infrastructure sector. It is further supported by 7.8% growth in domestic finished steel consumption during the FY 2017-18, as a result of growing activities of steel intensive sectors. India overtook Japan as World's second largest steel producing nation in the last quarter of the Financial Year 2017-18. It is likely that India may soon stake a permanent claim to be World's second largest steel producer after China. The 300 MTPA steel production capacity for India by 2030 as envisioned in "National Steel Policy 2017" is commensurate with this growth projection.

Your Company achieved sales turnover of ₹ 58,297 crore during the Financial Year 2017-18, which is higher by 19% over previous year. However, the net sales turnover of ₹ 56,893 crore was higher by 30% over last year's net sales turnover of ₹ 43,866 crore. Slimming the losses by around 83%, your Company's Profit after Tax (PAT) on standalone basis improved to ₹ (-) 482 crore in FY18 from ₹ (-) 2,833 crore in FY17. The consolidated profit after tax of the Company stood at ₹ (-) 281 crore for FY18 as against ₹ (-) 2,756 crore in FY17. The persistent strategic approach to improve operational profitability assisted SAIL to improve the EBITDA in FY18 to ₹ 5,184 crore, a substantial increase over FY17.

The improvement in financial performance is backed by improved operational performance indicated by increase in Saleable Steel production, higher share of Concast production, improved product mix, improvement in BF Productivity, reduction in Coke Rate & Specific Energy consumption, reduction in specific wage bill, etc. However, the same has been partially offset due to provisioning towards various mining related issues, increase in average coal prices, higher usage of imported coal in the blend due to lower availability of

indigenous coal, increase in average rate of purchased power and increase in interest and depreciation costs.

On the production front, Financial Year 2017-18 witnessed several landmark achievements through ramping up of new facilities and surpassing all previous records in physical performance. Your Company achieved its highest ever production of Hot Metal of 15.983 MT, Crude Steel of 15.021 MT and Saleable Steel of 14.071 MT. It also clocked an all-time best performance of Continuous-Cast (CC) Steel production of 12.80 MT with a growth of 9% over previous best of 11.77 MT, achieved in 2016-17. Moving towards completing the balance modernization and expansion projects, Bhilai Steel Plant's new BF#8 'Mahamaya', having an annual Hot Metal production capacity of 2.8 MT, was blown-in on 2nd February, 2018. SMS-III of the Plant was also started on 31st March, 2018 with blowing of first heat from Converter-1.

On the back of various new initiatives to improve productivity and efficiency across all Plants, every Unit has registered improvement. The Financial Year 2017-18 witnessed substantial increase in supply of rails to Indian Railways, with commercial production from new Universal Rail Mill (URM) enabling a 39% growth in total UTS-90 Rails production (9.03 lakh tonnes) w.r.t previous year (6.49 lakh tonnes) coupled with record long rail dispatch of 3.17 MT. At Durgapur Steel Plant, Narrow Gauge Wheels from Wheel & Axle Plant and High Strength Structural E350 grade from Medium Structural Mill (MSM) were developed in-house. The initiative of casting and rolling of 125 sq. mm Billets at Durgapur will further increase the productivity. At Rourkela Steel Plant, the New Plate Mill recorded a growth of 48.1% over CPLY by rolling more than 8 lakh tonnes in FY18. The Mill exported 1,27,000 tonnes of CE marked plates to the European Market during the Financial Year 2017-18. The Hot Strip Mill recorded all-time best performance of producing 16.8 lakh tonnes of HR Coils during 2017-18, which is a rise of 8% over previous fiscal. With consistent efforts, Bokaro Steel Plant registered record production of Cast Slab at 3.276 MT (previous best: 2.990 MT), highest ever production of CR Coil for sale at 0.916 MT against previous best of 0.776 MT. In addition, the latest Unit of SAIL i.e. IISCO Steel Plant (ISP), Burnpur has made progress towards stabilization and has achieved positive PBT in 4th quarter of FY18. It is expected that in FY19, ISP will continue to make rapid progress and contribute a decent share in the overall profitability of your Company.

During the year, your Company's total requirement of iron ore

was met from captive sources. SAIL's captive mines produced 26.83 million tonnes (MT) of iron ore.

It is a matter of great pride that your Company continues the tradition of being a trusted and valued partner in nation's development. In FY18, SAIL has supplied steel to projects of national importance like Dhola-Sadiya Bridge, Sardar Sarovar Project, etc. contributing to India's growth story under the ambit of National Steel Policy 2017 and 'Make in India' movement. SAIL also supplied steel for various defence projects including indigenously built Anti-Submarine Warfare (ASW), Stealth Corvette INS-Kiltan and was associated with iconic projects of Chandrayan and Mangalyan missions.

On the marketing front, SAIL launched diverse initiatives to target defined market segments. During 2017-18, your Company achieved its best ever sales volume of 14.1 million tonnes (MT), registering a growth of 7.4% over CPLY. Continuing to maintain its presence in international markets, SAIL exported 0.7 MT of steel, a growth of 4% over CPLY. To tap the vast potential of steel consumption in rural India, your

Company organized 114 "Gaon Ki Ore" workshops in 26 States/ Union Territories for increasing awareness on usage of steel. Small consumers continued to be a focus area and 0.8MT of steel was sold through the retail marketing channels. As part of the strategy of increasing sales of value added steel, BSL's Cold Rolling Mill #3 commenced supplies to consumers in the highly demanding, high value auto segment. Supply of long rail panels (260 meters) to Indian Railways from BSP's Universal Rail Mill registered a growth of around 112% in 2017-18. Your Company also supplied 50,000 tons of steel in customized sizes from its service centres in 2017-18, representing 53% growth over the previous financial year.

Realizing the importance of restoration and rehabilitation of degraded eco-system for maintaining and enhancing bio-diversity, your Company is taking appropriate steps including ecological restoration of mined out areas, fresh plantation, bio-sequestration of CO₂, enhancing utilization of wastes through application of 4Rs (Reduction, Reuse, Recycling and Recovery), environment friendly disposal of Poly Chlorinated Bi-Phenyls, utilization of renewable energy sources, etc. More than 20.1



Hot Metal being poured into Mixer of Steel Melting Shop-II at SAIL's Rourkela Steel Plant.



million saplings have been planted across SAIL Plants and Mines till date since inception. Giving special thrust for plantation, more than 8.27 lakhs of saplings have been planted during 2017-18.

Under the Company-wide turnaround program 'SAIL Uday', initiated in 2016-17, a roadmap for improvement in the areas of Raw Materials, Operations, Sales & Marketing, Supply Chain & Logistics, Personnel and Human Resource has been developed and deployed. This program has yielded positive results as evidenced by the performance during the year.

Corporate Governance in your Company is reinforced by its vision and credos. SAIL has formulated policies to ensure transparency, accountability, disclosures and reporting to uphold highest ethical standards in conduct of business while complying with laws, regulations and guidelines including DPE guidelines. Ethical conduct throughout the Organization is promoted with the primary objective of enhancing shareholders value. SAIL's effort as a responsible corporate citizen and partner in Nation Building has been recognized in the form of

awards and accolades by several forums.

Your Company believes that building trust will enhance its reputation and boost the confidence of its investors & stakeholders. In line with this, SAIL has been proactively and regularly sharing key information with all stakeholders through use of different communication channels.

At the end, I take this opportunity to thank all the shareholders for their continued trust and support. I also thank all our other stakeholders who have contributed internally and externally in the improved performance of the Company. I must specifically thank our valued Customers, trusted suppliers, the Central and State Governments and our talented employees, who have always stood by the Company and contributed in the progress of SAIL. I look forward to the continued support and unflinching trust they have placed in us.

Place: New Delhi
Dated: 13th August, 2018

(Saraswati Prasad, IAS)
Chairman & Managing Director

