



# Letter to Shareholders



## Dear Shareholders,

It is my honour and privilege to inform you about the performance and achievements of your Company during the FY 2019-20. The year was one of the most volatile in the recent times. After the low market conditions which plagued the initial seven months of the Financial Year, the demand and prices saw a spike in the months of November to February. Though the performance was expected to further strengthen, as March is historically the best month for steel industry, the onset of COVID-19 led to a slump in the international as well as domestic market. The Company, however, continued its pursuit of excellence and achieved notable improvements in various areas of operations, marketing, etc. which is further detailed in this letter and the Annual Report. As a result of these improvements coupled with the impact of valuation of sub-grade fines at different mines, the Company ended the year once again in black.

COVID-19 is expected to be one of the major game changers in the times to come having already severely impacted the World economy in an adverse manner. It has ushered in an era where business dynamics are continuously undergoing changes to adapt to the rapidly changing business environment and economic scenario. Steel Industry has already felt a major shock due to this development during the last couple of months of 2019-20 as well as the first quarter (i.e. April-June '20) of the FY 2020-21. In the light of COVID-19 Pandemic, the projections for global economy and global steel industry are coming out negative for the immediate succeeding years.

In order to counter the impact of COVID-19, your Company started its action proactively as early as in the month of February '20 itself by holding discussions and planning counter measures for the same. SAIL activated a scaled response towards management of COVID-19 at its Plants, Units, Mines and Townships. SAIL Hospitals at five Integrated Steel Plant locations have earmarked 10% of the beds (330 beds) of the total beds (3300 Beds) as isolation wards and set up a testing centre at IGI, Rourkela for COVID-19 patients. Quarantine facilities at guest houses/hostels in the townships and at Mines hospitals have also been created for over 600 persons. SAIL Plants and Units are installing full-body automatic sanitizers, touch-free hand-sanitizers, water dispensers, spraying disinfectants, using digital thermal recorders at prominent locations.

In its fight to defeat COVID-19, SAIL stepped forward and contributed ₹30 crore to the PM CARES Fund. Apart from this, Rupees one crore each has been contributed to the CM Relief Fund of the four states where our integrated steel plants are operating. Our employees also contributed their one day's salary amounting to around ₹9 crore to this Fund. With the help of district authorities, civil society organizations, self-help groups (SHGs) and its employees, SAIL actively implemented the desired lockdown rules, social distancing norms and effective use of Aarogya Setu App for breaking the chain of transmission of COVID-19 virus in the peripheral areas of Steel Plants and Units.

In order to support the vulnerable sections of society, daily-wage earners/labourers, poor peasants and their families, who are left with dwindled resources during lockdown, our Plants and Units, through district authorities, are distributing dry ration packets (comprising of rice, dal, salt, condiments, wheat atta, soap, etc.). More than 6000 dry ration kits have been distributed across Plants of SAIL and the activity is continuing. Daily cooked meals to patients and healthcare workers are also being served. CSR departments of Plants are also facilitating stitching of Face Masks, Gamachhas, Aprons, Gloves, etc., and their distribution in and around the Steel Plants through SHGs.

Coming to the performance during FY 2019-20, your Company achieved sales turnover of ₹61,025 crore during the FY 2019-20, which fell short of the previous year performance by 8% despite a higher sales volume. The major reason for the same was lower Net Sales Realisation (NSR) for 5 Integrated Steel Plants (ISPs) which saw a reduction of 12% over previous year. EBITDA or the Gross Margin at ₹11,199 crore saw an improvement of 9% over previous year (₹10,283 crore) based on the persistent approach to improve operational efficiency which saw

improvement in TE Parameters like BF Productivity, Specific Energy Consumption, etc. and helped by factors like decrease in input prices like imported coking coal, salary & wages, royalty rate of iron ore and positive impact of rail price settlement for FY 2015-16 to 2018-19. However, burdened with higher capital related charges which included depreciation and interest and a hefty impact on valuation of stock of different inventories due to fall in prices on account of COVID-19, the Profit Before Tax (PBT) slid down to ₹3,171 crore, a decline of 5% over previous year (₹3,338 crore). The Profit after Tax at ₹2,022 crore also saw a reduction of 7% over previous year (₹2,179 crore).

On the production front, FY 2019-20 saw the Company reclaiming its position as the top crude steel producing company (16.155 MT) in the Country. The performance was laced with a number of records including highest ever crude steel through concast route (14.6 MT), best ever saleable steel production (15.47 MT). Despite operating lower number of furnaces, Company produced Hot Metal (17.438 MT) at similar level as the previous year achieving best ever BF Productivity. One of the most important products in the basket of SAIL viz., Rails (for supplies to Indian Railways) crossed the 1 million tonne mark and saw its highest ever production (12.85 lakh tonnes) during the Financial Year 2019-20, a substantial growth of 30% over previous year (9.85 MT). Production from new Universal Rail Mill (URM) at 5.38 lakh tonne showcased a growth of 46% over previous year (3.69 lakh tonne). The despatch of Long Rails stood at 6.33 lakh tonnes, growth of 43% over previous year (4.41 lakh tonnes). The proportion of long rails in the overall despatches also improved to 52% from 48% in the previous year.

As the Modernisation & Expansion Plan drew to its completion, your Company has put balance/remaining facilities to ensure timely ramp up. In this connection, at Bhilai Steel Plant, hot trial of Argon Rinsing Station-3 and Ladle Furnace-3 of Steel Refining Unit (SRU) at Steel Melting Shop-III was successfully completed in May'19 and Aug'19 respectively. Further, hot trial of Converter-3 was also completed in Feb'20. Apart from the MEP, the major projects under AMR saw the lighting up of the Re-heating Furnace#1 (RHF#1) of New Hot Strip Mill on 25<sup>th</sup> January, 2019 with Hot trials of New Hot Strip Mill starting on 29<sup>th</sup> January, 2020 at Rourkela Steel Plant. At Bokaro Steel Plant, under Modernization of SMS-1, 1<sup>st</sup> heat was taken from the BOF Converter on 22<sup>nd</sup> May, 2019 and the Converter is in regular operation. Under "Up-gradation of Stoves of Blast Furnace#1", heating of all the three Stoves started during July'19 and completed in August'19. The stoves were put into operation with blowing-in of Blast Furnace#1 on 8<sup>th</sup> January, 2020.

A large number of new initiatives were undertaken across all the Plants for process improvements, with special emphasis on productivity & quality improvement, product development & commercialization, energy conservation and automation. The continuous activities in respect of product development have led to development of 17 new Steel Products during FY 2019-20. Some of these products have been developed from the newly commissioned production facilities viz., Cold Rolling Mill-III at Bokaro Steel Plant, New Plate Mill at Rourkela Steel Plant, Medium Structural Mill at Durgapur Steel Plant and Wire Rod Mill, Bar Mill & Universal Section Mill at IISCO Steel Plant.

At Bhilai Steel Plant, trial rolling of new profiles of TMT bars (12, 16, 25, 32 mm) was successfully carried out in the FY 2019-20 at the Bar and Rod Mill. The Mill has produced 1.83 lakh tonne of finished products during 2019-20, with hot trials of "SAIL SeQR" grade steel being also carried out successfully. Durgapur Steel Plant (DSP) supplied 449 nos. of LHB(Linke Hofmann Busch) wheels to Indian Railways during 2019-20. LHB wheels, an import substitution product, are safer, light weight and enable high speed movement on broad gauge. At Rourkela Steel Plant(RSP), the state-of-the-art New Plate Mill achieved the highest ever annual production of 8.7 lakh tonne. The API 5LX70 Grade steel was successfully produced and rolled for pipeline transportation system. In addition to this, first lot of maraging steel plates rolled in Plate Mill was dispatched to MIDHANI, Hyderabad for "GAGANYAN" (Human

Space Programme of ISRO) on 28<sup>th</sup> December, 2019. BSL has developed a number of new products like IRS grade B Steel for M/s. Hindustan Shipyard Limited, Vizag, High Tensile Low Alloy Cold Rolled Annealed Grade-IS 513 ISC410LA, High Strength Cold Rolled Annealed Grade-IS 513 ISC440W, etc. to cater to the shipbuilding and automotive sectors. At IISCO Steel Plant (ISP), production of TMT bars under new brand "SAIL SeQR" was started on 1<sup>st</sup> May, 2019 and about 2.3 lakh tonne were dispatched during the FY 2019-20. Further, various new grades like MIG(Metal Inert Gas) welding electrode grade, High Carbon Grades in WR Coils, CHQ Boron, EN8D, SAE1006, etc. were also developed and produced during 2019-20. ISP has also successfully rolled profile of 150x150 billets from 200x280 blooms.

On the raw materials front, your Company established yet another record at the National level. With total mineral production of 32.41 MT, SAIL has emerged as the largest miner for steel making input minerals in the Country during the FY 2019-20. This included 29.28 MT of iron ore production to again ensure your Company met its total requirement of iron ore from captive sources.

Another very important development during the year was the twin permission to your Company from the Ministry of Mines for selling 25 percent of its total mineral production of the previous year and disposal of the old stock of 70 MT of low grade iron fines and ores (including slime) lying dumped across different captive mines of the Company. The process for sale of fresh fines has already been commenced in the State of Odisha whereas efforts are being put in for obtaining approvals from respective State Governments in other cases.

Your Company has always been a part of major national infrastructure projects. Proudly associating ourselves with India's economic and industrial progress and development by contributing to important and strategic sectors like Defence, Railways, Metro, Infrastructure, Space, Power, Manufacturing, Irrigation, etc., SAIL effected supplies to strategic/prestigious projects such as Indian's first and the biggest indigenous artillery gun "Dhanush", Chandrayaan-2, Mangalyaan, Jiribam-Tupul-Imphal Broad Gauge Railway Project, Manipur, which is the World's tallest girder Railway bridge, Anji Khad Cable Stayed Bridge Project, J&K, Chardham Mahamarg Vikas Pariyojna, Rawatbhata and Kakrapara Atomic Power Plant, other Power Projects like Neyvile Lignite Power Plant at Ghatampur in UP, NTPC Patratu Power Plant in Jharkhand, Chausa Thermal Power Plant in Bihar, Yadadari Power Plant in Telangana and Ennore Power Plant in Tamil Nadu, Western Dedicated Freight Corridor, etc.

On the marketing front, your Company achieved its best ever sales volume of over 14.231 million tonnes (MT) during the FY 2019-20. With emphasis on strengthening its presence in the international markets, the Company made persistent efforts to explore new markets. With a quantum jump, your Company achieved its highest ever exports at 1.18 MT during the FY 2019-20, substantial growth of over 54% over the previous year.

In order to improve the brand value for TMT produced from the new Mills at ISP, DSP and BSP, your Company launched its brand "SAIL SeQR" reinforcement bars during the FY 2019-20 and sold about 2 lakh tonnes in the first year itself. During the coming years, in addition to contribution to top line value, this brand is expected to not only meet the quality expectation of the retail sector but also to drive brand presence of the Company.

Your Company has been organizing seminars, workshops, lecture sessions, etc. for opinion makers, consumers, designers, etc., and also working with engineering students and academicians to popularize usage of steel in designing in general and structurals under "NEX" brand in particular. Further, with a focus on tapping the vast potential of rural India, your Company has been organizing workshops under its "Gaan ki Ore" campaign. Around 180 such workshops were organised in 21 States/ Union Territories during the FY 2019-20. With focus on small consumers, 0.67 MT of steel was sold through the retail marketing channels. SAIL has initiated the process for establishment of robust distribution channels for B2B and B2C segments. 2 Tier-distribution channel for sales of reinforcement bars to retail customers is now in operation with 36 distributors. A pilot project for 1-tier distribution channel for small B2B customers has been commenced in the FY 2020-21.

As an environmentally conscious corporate, all our Plants and Mines are operating their processes without disturbing the ecological balance. To ensure this, they operate within the ambit of notified environmental standards with respect to air emission, water discharge and noise pollution and rules pertaining to eco-friendly management of various wastes generated inside the factory premises as well as in the townships. Your Company has also drawn its environmental vision in consonance with the Corporate Environmental Policy, which not only addresses the need for compliance of stipulated norms but also emphasises on striving to go beyond. Besides, your Company is committed to address the stakeholders' concerns and communicate its environmental philosophy to all the stakeholders.

Your Company has been taking all appropriate measures to restore and rehabilitate the degraded eco-system, to maintain and enhance bio-diversity. This include ecological restoration of mined out areas, fresh plantation, bio-sequestration of CO<sub>2</sub>, 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, installation of bio-digesters for processing of wastes, etc. Structured plantation programmes are being carried out every year in the SAIL Plants and Mines. More than 4.44 lakh saplings were planted

during the FY 2019-20, taking the cumulative plantation by SAIL to 21.04 million since inception.

As a result of these efforts, the sustainable parameters all showed improved Specific PM Emission Load (0.69 kg/tcs), Specific CO<sub>2</sub> Emission (2.54 T/tcs) and Specific Effluent Load (0.82 kg/tcs) registering improvement of 1.4%, 1.2% and 4.7% respectively. Displaying its waste management skills, SAIL increased its Total Solid Waste Utilisation by 3.9% to 88.5%.

Your Company is committed to the highest standards of Corporate Governance which are reinforced in its vision and credos. The philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures and reporting that conforms fully to laws, regulations and guidelines including the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and DPE Guidelines, and to promote ethical conduct throughout the Organization, with the primary objective of enhancing shareholders value, while being a responsible corporate citizen. SAIL has formulated policies which ensure transparency, accountability, disclosures and reporting. Ethical conduct throughout the Organization is promoted with the primary objective of enhancing shareholders value. SAIL's efforts as a responsible corporate citizen and partner in Nation Building have 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. I take this opportunity to inform you that pursuant to the circulars from the Ministry of Corporate Affairs, the 48<sup>th</sup> Annual General Meeting (AGM) of the Company is being held through Video Conferencing (VC)/ Other Audio Visual Means providing our far spread shareholders an opportunity to attend the AGM, which otherwise was difficult as per the earlier practice requiring physical presence.

Your Company has been taking a number of strategic initiatives for its turnaround, growth and sustenance. Your Company has adopted a multi-pronged approach that includes organic growth, brown-field projects, technology leadership through strategic alliances, ensuring raw material security by developing new mines, diversifying in allied areas, etc. In line with the National Steel Policy 2017 which targets a capacity of 300 MTPA for the Country by 2030-31, your Company has formulated its VISION 2030 whereby the Company aims at achieving a crude steel capacity of 50 MT by 2030. Some of the strategic initiatives include MoUs for setting up of Pellet Plants, manufacturing of capital goods in the Country, setting up of hydro power plant, closure of in-operative and non-performing Joint Ventures and Subsidiary Companies.

As mentioned, the future projection for economy and steel industry have seen a sharp decline post COVID-19 Pandemic. IMF has projected the World growth outlook for the year 2020 and 2021 at -4.9 percent and 5.4 percent respectively. The decline in 2020 triggered by drop in consumption levels, hit to the labour market and weaker inflation data fails to rise back immediately due to the prevailing uncertainty. The advanced economies at -8 percent are projected to see a much sharper fall as compared to the emerging and developing economies which are slotted to contract by 3%. The silver lining in the cloud is the growth of 5.4 percent in the year 2021. The emerging economies projected to grow at 5.9%, again outshine the advanced economies which are expected to grow at 4.8%.

Similar sentiments have been echoed in the Short Range Outlook published by World Steel Association in June'20. It has been forecast that Global steel demand will contract to 1,654 Million Tonnes (MT) in 2020, a decline of 6.4 % over 2019. Again the growth projected for 2021 at 3.8%, augers well for the steel industry in the longer run. The slide in 2020 and subsequent spike in 2021 in consumption rates for steel in India is much sharper at 18% and 15% respectively. Meanwhile, the Economic Package announced by the Government is slowly expected to provide a much needed relief from COVID-19 Pandemic especially to the lower income strata. Hopefully, with the Government support, the things would be back to normal, faster than expected leading to rising steel demand in coming months. The scenario has already started looking up and your Company has taken full benefit of the same by posting its best ever monthly sales for the months of June, July and August in 2020.

At the end, I take this opportunity to thank all the shareholders for their continued trust and support. 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 also convey my thanks to the Ministry of Steel, whose continuous guidance and support especially during challenging times made it possible for the Company to deliver this commendable performance. I also thank all other stakeholders who have contributed internally and externally in the improved performance of the Company. I look forward to the continued support and unflinching trust they have placed in us.

I am grateful to every person for his contribution in combating COVID-19 Pandemic and deeply regret the loss of human life due to the Pandemic.



Place: New Delhi  
Dated: 19<sup>th</sup> September, 2020

**(Anil Kumar Chaudhary)**  
Chairman