

**Memorandum of Understanding
(MoU)**

2018-19

**MINISTRY OF STEEL
AND
STEEL AUTHORITY OF INDIA LIMITED**

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BRIEF ABOUT STEEL AUTHORITY OF INDIA LIMITED

1. **Introduction :-** Steel Authority of India Limited (SAIL) is Maharatna CPSE under the administrative control of Ministry of Steel. It was incorporated in 1973 for manufacturing and marketing of steel and related products.
2. SAIL is a leading steel making company in India. From 1973 to 1978, several steel and alloy manufacturing companies and iron ore mines were merged into and combined with SAIL's operations. At present SAIL has 5 Integrated Steel Plants, one Ferro Alloys Plant, Refractory manufacturing unit and is a holding Company for one operating subsidiary in related business.
3. **Business Areas of SAIL :-** SAIL is a fully integrated iron and steel producer engaged in manufacturing, developing and marketing of iron and steel products of all major qualities and grades. It produces wide range of both basic and specialty steels for engineering, construction, power, railways, automotive and defence sector for domestic as well as international market. SAIL makes products such as flats (hot and cold rolled coils and sheets, plates, galvanized sheets, electrolytic tin plates, pipes etc.) and longs (rails, structurals, bars and rods etc.) at 5 Integrated Steel Plants located at Bhilai, Durgapur, Rourkela, Bokaro and Burnpur and 3 Special Steel Plants located at Salem, Durgapur and Bhadravati. SAIL markets and sells most of its products through its Central Marketing Organisation (CMO) and through International Trade Division to other countries worldwide. Raw Materials Division manages operations of key captive mines and quarries of SAIL. The captive mines of iron ore and flux meet most of the iron ore requirement and half of the flux requirement of SAIL.
4. **Business Environment :-** As per estimates made by World Steel Association average capacity utilisation across major reporting countries stood at 70%. Surplus capacity of steel production all around the globe has been estimated at around 600-700 million tonnes which continues to exert pressure of steel prices. World Steel Association has forecasted a meagre growth of 1.4% in the Global Steel Production during the year 2018 over previous year. The global demand growth is expected to be 2% however for developing countries it is expected to be 4%. The outlook for China's steel demand in 2018 remains subdued, showing no growth over 2017 as the government resumes and strengthens its efforts on economic rebalancing and environmental protection.

As per the provisional figures released by Joint Plant Committee, steel consumption in India has grown by 4.3% during April-September, 2017 as compared to same period last year. Exports of steel from India increased substantially (60% increase over CPLY).
5. SAIL has 5 subsidiary Companies. Inter Ministerial Committee (IMC) has recommended exempting these subsidiaries from signing of the MoU.

6. The score and MOU rating of CPSE for last 5 years is as follows:-

Year	Score	Rating
2012-13	1.385	Excellent
2013-14	1.483	Excellent
2014-15	1.562	Very Good
2015-16	79.6	Very Good
2016-17	71.03	Very Good

MOU PARAMETERS AND TARGETS

S. No.	PARAMETERS	UNIT	MARKS	2017-18 estimated	Best in 5 years	MOU TARGETS FOR 2018-19					IMPROVEMENT (%) (w.r.t. L-2 Target)
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%	
i	Turnover- Revenue from operations (Net)	Rs. crore	10	55850	46682	61741	59359	57629	56147	54470	6.28%
ii	Reduction in Operating Loss/ Deficit (s) over previous year	%	20	-2600 *	2309*	100%	40%	35%	30%	25%	-
iii	Reduction in Total Expenses as percentage of Total Income as compared to previous year	%	20	104.01 * (TE / TI)	92.47 * (TE/TI)	4.50%	2.00%	1.50%	1.00%	0.50%	-
iv	Production of Saleable Iron and Steel	Million Tonnes	7	14.3	14.3	16.5	15.9	15.42	15.0	14.5	11.19%
v	Exports as percentage of Revenue from Operations (Net)	%	3	3.80%	4.06%	4.0%	3.80%	3.5%	3.25%	3.00%	-
vi	Reduction in Coke Rate as compared to previous year	%	3	464*	473*	1.0%	0.75%	0.50%	0.25%	0.05%	-
vii	Reduction in Longitudinal Midface Cracks (LC) in slabs from caster #3 SMS-II of RSP	Reduction in LC defects in slabs as compared to previous year (%)	3	4.83%		3.00%	2.50%	2.00%	1.50%	1%	-
viii	CAPEX **	Rs. Crore	9	4000	9890	3900	3500	3300	3100	2900	-
ix	Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year	%	3			100	95	90	85	80	-

MOU PARAMETERS AND TARGETS

S. No.	PARAMETERS	UNIT	MARKS	2017-18 estimated	Best in 5 years	MOU TARGETS FOR 2018-19						IMPROVEMENT (%) (w.r.t. L-2 Target)
						Excellent	V.G.	Good	Fair	Poor		
x	Inventory of finished goods and work in progress to Revenue from Operations (Net)	No. of days	3	70.08	69.99	100%	80%	60%	40%	20%	76	-
xi	Trade receivables (Net) as number of days of Revenue from Operations (Net)	No. of days	3	29.09	23.99	24	26	28	30	32	32	10.62%
xii	Reduction in claims against the Company not acknowledged as debt (Overall)	%	3	27680	13220	4.0%	3.50%	3.0%	2.0%	1.0%		
xiii	Return on Investment (Share of profit/loss) in Joint Venture (Excl. ICVL) and subsidiaries (i.e. Net Profit/Equity Share Capital)	%	4	Not Available	33.30%	25%	23.0%	22.0%	21.0%	20.0%		
xiv	Assessment of level in line with People Capability Maturity Model (PCMM) or its equivalent in the CPSE & placing the matter before the Board for taking a decision whether to go for up-gradation in level and, if yes, getting the approval for the timelines from the Board and if no, justifiable reason to be recorded in the Board Resolution	Date	3			15.12.18	15.01.19	31.01.19	15.02.19	28.02.19		

MOU PARAMETERS AND TARGETS

S. No.	PARAMETERS	UNIT	MARKS	2017-18 estimated	Best in 5 years	MOU TARGETS FOR 2018-19					IMPROVEMENT (%) (w.r.t. L-2 Target)
						Excellent 100%	V.G. 80%	Good 60%	Fair 40%	Poor 20%	
	Online Human Resource Management System (HRMS) Implementation (consisting of online employee data administration, employee self-service, exit procedure, talent management, etc.) and its integration with finance	Date	3		15.12.18	15.01.19	31.01.19	15.02.19	28.02.19		
xv	Increase in Steel Production through continuous casting route over previous year	%	3	13 *	11.77 *	10%	8.0%	6.0%	4.0%		-

* Figures in absolute terms

** If the investment in Joint Ventures is less than Rs.100 Crore the difference would be added to the targets

- 1 It was agreed that in case the ratio of Total Expenses / Total Income goes up from 104.01% the target at Excellent Level would increase so that Total Expenses / Total Income will not be more than 100%
- 2 It was agreed that the targets finalized by the IMC are based on provisional/estimated figures submitted by the CPSE for the year 2017-18. In case of better performance of the CPSE as per actual results, the difference may be added to the targets for the year 2018-19 by the IMC. In case, figures for the year 2017-18 are recasted/restated in audited accounts, comparison of actual results shall be based on recasted/restated figures.
- 3 While working out achievements for the year 2018-19, quantified qualifications of CAG/Statutory auditors would be adjusted in case of overstatement of Revenue/Profit/ Surplus or understatement of Loss/Deficit in addition to the negative marks prescribed in MoU guidelines.
- 4 It was agreed that targets decided in MoU are unconditional and no offset will be allowed. Further evaluation would be subject to compliance of Additional Eligibility Criteria as contained in MoU guidelines


 (P.K.Singh)
 Chairman, SAIL



(Aruna Shama)
 Secretary to GOI, Ministry of Steel

TREND ANALYSIS

	Financial Performance Criteria	Unit	Target / Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
									Apr-Sep	Estimated
1	Revenue from Operations -Gross	Rs in Crores	Actual	49829	52360	51149	43875	49767	26601	57249
2	Revenue from Operations -Net	Rs in Crores	Actual	44441	46682	45730	39052	44452	25202	55850
		Rs in Crores	MoU					41224		47526
3	Profit before Tax	Rs in Crores	Actual	3241	3225	2359	-7008	-4851	-2028	-2518
4	Other Incomes	Rs in Crores	Actual	1119	898.61	1001	595	536	138	433
5	Extraordinary & Exceptional items [(Expense)/Income]	Rs in Crores	Actual	-229	1056	0	0	-217	-308	-351
6	Prior Period Items	Rs in Crores	Actual	42	150	-88	0	0	0	0
7	Operating Profit	Rs in Crores	Actual	2309	1120	1446	-7603	-5170	-1858	-2600
8	Operating Profit as percentage of Revenue from Operations (%)	%	Actual	5	2	3	-19	-12	-7	-4.66
9	Profit after Tax (Profit for the year)	Rs in Crores	Actual	2170	2616	2093	-4021	-2833	-1340	-1680
10	Equity Share Capital	Rs in Crores	Actual	4131	4131	4131	4131	4131	4131	4131

TREND ANALYSIS

	Financial Performance Criteria	Unit	Target / Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
									Apr-Sep	Estimated
11	Reserves and surplus (Other Equity)	Rs in Crores	Actual	36894	38536	39374	35065	31879	30543	29583
12	Net Worth at year end	Rs in Crores	Actual	41025	42667	43505	39196	36009	34674	34334
13	Average Net worth	Rs in Crores	Actual	40418	41846	43086	41351	37603	35342	35171
14	PAT/ Avg. Net Worth (%)	%	Actual	5.37	6.25	4.86	-9.72	-7.53	-3.79	-4.78
		%	MoU	5.87	3.96	-	-	-	-	-
15	Total Expenses	Rs in Crores	Actual	42131	45464	44284	46654	49622	27060	58538
16	Total Income	Rs in Crores	Actual	45560	47580	46732	39647	44988	25340	56283
17	Total expenses/ Total Income (%)	%	Actual	92.47	95.55	94.76	117.67	110.30	106.79	104.01
18	Finished Goods and Work in progress	Rs in Crores	Actual	9937	8972	10615	9941	9807	8527	10723
19	Inventory of finished Goods and work in progress to Revenue from operations (Net) (No. of days)	No of Days	Actual	81.61	70.15	84.73	92.91	80.53	61.75	70.08
20	Trade Receivables (Net)	Rs in Crores	Actual	4424	5482	3588	3143	2922	4508	4451

TREND ANALYSIS

	Financial Performance Criteria	Unit	Target / Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
									Apr-Sep	Estimated
21	Trade Receivables (Net) as number of days of revenue from operations (Net) (Days)	No of days	Actual	36.34	42.86	28.62	29.38	23.99	32.65	29.09
22	Dividend paid/ declared for the year, excluding Dividend Tax	Rs in Crores	Actual	826	834.35	826.10	NIL	NIL	NIL	NIL
23	Govt Share (%)	%	Actual	80%	80%	75%	75%	75%	75%	75%
24	Long term Borrowings	Rs in Crores	Actual	13582	14646	15703	17686	19884	22508	29473
25	Cash and Bank Balance and equivalent	Rs in Crores	Actual	3850	2856	2305	298	289	269	269
26	Balance in Current account	Rs in Crores	Actual	3.78	5.03	1.87	2.21	10.76	2.84	2.84
27	Cash credit/ Over-draft loan/ Short-Term Borrowings	Rs in Crores	Actual	8015	10634	14195	15530	20181	20454	17509

TREND ANALYSIS

Performance Criteria	Unit	Target v/s Actual	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
							Actual upto Sep	Estimated	
Production of Saleable Iron and	000T	Actual	12599	13103	13476	13023	14362	6992	14300
		MoU	-	-	-	-	14930	15600 (EX)	
Exports as percentage of Revenue from Operations (Net)	%	Actual	2.67	3.27	3.49	1.45	4.06	3.20	3.80
		MoU	-	-	-	-	-	4.5 (EX)	
Coke Rate	kg/thm	Actual	512	513	504	489	473	464	464
		MoU	-	-	-	-	-	1.5% Reduction (EX)	
CAPEX	Rs in Crores	Actual	9731	9890	6443	5830	4878	2302	4000
		MoU	11400	10000	6800	6500	3500	3470 (EX)	
Claims against the Company not acknowledged raised by:	Rs. crore								
Central Government Departments		Actual					5995		
State Governments/ Local Authorities		Actual					27057		
CPSEs		Actual					422		
Others		Actual					3361		
Total		Actual	13220	19966	23829	32514	36835	-	27680
		MoU	-	-	-	-	-	1% Red. (EX)	
Return (share of profit/loss) on Investment in Joint Ventures (Excl. ICVL)	%	Actual	29.26%	20.83%	17.76%	17.95%	29.79%	-	20
		MoU	-	-	-	-	-	19 (EX)	
Steel Production through continuous casting route	Million Tonnes	Actual	9.50	9.77	10.34	10.80	11.77	12.69	13.00
		MOU	-	-	-	11.0	10%	5.3% increase for excellent level	