



सेल SAIL

**Memorandum of Understanding
(2020-21)
between
Ministry of Steel
and
Steel Authority of India Limited**

**Memorandum of Understanding
(MoU)**

2020-21

**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. SAIL and its precursor Hindustan Steel Limited have completed 60 years of production operations.
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 five Integrated Steel Plants, three Alloy and Special Steels Plants, one Ferro Alloys Plant, Refractory manufacturing unit and also is the holding Company for SAIL Refractory Company Limited (SRCL).
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, pipes, etc.) and longs (rails, structural, bars and rods, etc.) at five Integrated Steel Plants located at Bhilai, Durgapur, Rourkela, Bokaro and Burnpur and three 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. Raw Materials Division manages operations of key captive mines and quarries of SAIL. The captive mines of iron ore and flux meet entire iron ore requirement and substantial part of the flux requirement of SAIL. About 70% of the power requirement of SAIL is met from Captive Power Plants owned by SAIL and Joint Venture Companies.
4. **Business Environment :-** Ever since decontrol of prices of steel in 1992, SAIL is operating in a fully competitive market wherein the prices of steel and important raw materials are decided by demand and supply in Global Market.

With liberalised imports, prices of steel in domestic market are governed by prices prevailing in global markets. Benchmark Price of Steel (Hot Rolled Coils 2.0 mm thick FOB Chinese Ports) varied from 528 USD/tonne in April, 2019 to 408 USD/tonne in November, 2019. Thereby driving the prices downward in the domestic market also.

On the inputs front also, prices of main inputs like coking coal and iron ore are subject to sharp variations. SAIL, with 100% requirement of iron ore being met from captive mines is fairly insulated from the fluctuations in prices of iron ore but fluctuations of prices of coking coal affect the competitiveness of steel producers using blast furnace route for production of steel.

World Steel output, as reported by World Steel Association increased by 3.4% to reach 1869.9 Million Tonnes during the year 2019. Crude steel production contracted

in all regions in 2019 except in Asia and the Middle East. Asia produced 1.341.6 Mt of crude steel in 2019, an increase of 5.7% compared to 2018. China's crude steel production in 2019 reached 996.3 Mt, up by 8.3% on 2018. China's share of global crude steel production increased from 50.9% in 2018 to 53.3% in 2019. Capacity utilisation of World Steel Industry remains low at around 73% indicating excess capacity. Excess capacity and the trade restrictions by several countries resulted in downward pressure on the prices and as stated above the **Prices of Steel in Global market moved down from 635 USD/Tonne in October, 2018 to below 408 USD/Tonne in November, 2019.**

In December, 2019 WSA had forecasted that the global demand of Steel and will grow by another 1.7% reaching 1,805.7 Mt. Chinese steel demand was expected to grow by 1.0%, whereas steel demand in the rest of the world was expected to grow by 2.5%, driven by 4.1% growth in the emerging and developing economies excluding China.

Business outlook After COVID 19 Outbreak:- However the above mentioned forecasts by WSA have been revised after outbreak of COVID 19 and subsequent lockdowns by almost all major economies of world. As per the latest short range outlook released by World Steel Association world steel demand is likely to shrink by 6.4% in the year 2020. WSA estimates that world steel demand will come down in all geographical regions except China where the demand will be higher by 1% as per new estimates. WSA has estimated that demand of steel will come down by 20% in North America (USA and NAFTA countries), 15.8% in European Union 10% in CIS countries 17% in South America, 9% in Africa and 15% in middle east. World steel demand is expected to show a bounce back by 3.8% in the year 2021.

Since India has implemented one of the most stringent nationwide lockdown measures in the world, bringing industrial operations to a standstill. Construction activity was halted entirely at the end of March, and recovery is expected to remain slow due to the slow return of labour. Supply chain disruption coupled with slower demand recovery will hit the automotive sector hard. The machinery sector is expected to see a continued decline, with weak private investment and supply chain disruption.

India's GDP has contracted by 23.9% in April – June, 2020 as compared to CPLY and output of all core sector industries (except Fertiliser) recorded negative growth in April – July 2020. Overall Index has come down by 20.5%.

Supported by government stimulus, recovery in construction will be led by infrastructure investment such as railways. The government's support to rural income, as well as expected consumption related to the upcoming festive season, will help a substantial recovery of demand for consumption-driven manufacturing goods in the second half. As a result, India is likely to face an 18.0% decline in steel demand in 2020, which will rebound by 15.0% in 2021.

Domestic production of steel in India has shown an increase of about 3% during April-September, 2019, however since imports of steel have reduced by approximately 6.5% during the same period, the overall demand of steel in India has shown signs to contraction during first half of 2019-20. Prices of Steel in India continued to be low. Domestic prices of HR Coil in India are presently at a discount of about 6% compared to International Market. Surge in imports from zero duty FTA

countries is main reason for extremely poor prices of steel in India. These imports have increased by about 65% during April – August, 2019.

5. As on date, SAIL has five subsidiary Companies. Out of this three are under the process of closure and only one is operational. Inter-Ministerial Committee (IMC) had recommended exempting these subsidiaries from signing of the MoU for 2019-20 and included target related to profits of subsidiaries in the MoU of SAIL. Similar exemption is requested for 2020-21 also.
6. **The score and MOU rating of SAIL for last five years is as follows:-**

Year	Score	Rating
2013-14	1.483	Excellent
2014-15	1.562	Very Good
2015-16	79.6*	Very Good
2016-17	71.03*	Very Good
2017-18	79.42*	Very Good
2018-19	91.42*	Excellent

* Scoring pattern was different.

MOU PARAMETERS AND TARGETS

Sl. No.	Parameters	Unit	Marks	2019-20 (Estimated)	Best in 5 years	MOU TARGETS FOR 2020-21					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
i	Turnover- Revenue from operations (Net)	Rs. crore	10	61661	66967	66967	61661	56442	52475	48539	-
ii	Operating profit as percentage of revenue from operations (net)	%	20	4.80	4.77	4.80	4.80	3.30	2.20	1.10	-
iii	Profit After Tax (PAT) as a % of Average Net Worth	%	20	5.30	5.91	5.30	5.30	3.70	2.70	1.70	-
iv	Production of Saleable Iron and Steel	000' Tonnes	8	15717	15549	15717	15717	14500	13500	12500	-
v	Production of RAIL (UTS90)*	000' Tonnes	2	1285	985	1285	1200	1100	1000	900	-
vi	Reduction in Coke Rate over the previous year	%	2	457 kg/THM	453 kg/THM	457	1.5	1.3	0.9	0.4	-
vii	Achievement of CAPEX target of Rs 4000 Cr (excluding investment in JVs)	%	15	-	-	120	100	90	85	80	-

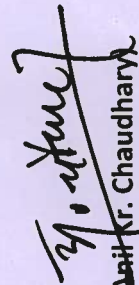
Sl. No.	Parameters	Unit	Marks	2019-20 (Estimated)	Best in 5 years	MOU TARGETS FOR 2020-21					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
viii	Percentages of value of CAPEX contracts/ projects running/ completed during the year without time/ cost overrun to total value of CAPEX contracts running/ completed during the year	%	3	89.3	93	100	95	90	85	80	-
ix	Number of days of inventory of finished goods and work in progress to Revenue from Operations (Net)	No. of days	3	73	48	48	60	65	70	75	-
x	Trade Receivables (Net) as number of days of Revenue from Operations (Gross)	No. of days	3	45**	21	21	24	30	35	40	-
xi	Reduction in Claims against the Company not acknowledged as debt - Overall	%	3	-	-	20	18	16	14	12	-
xii	Percentage of procurement of goods and services through GeM Portal to total procurement of goods and services during the previous year i.e. FY 2019-20	%	5	-	-	25	20	15	10	5	-


Sl. No.	Parameters	Unit	Marks	2019-20 (Estimated)	Best in 5 years	MOU TARGETS FOR 2020-21					Improvement* (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
xiii	Blast Furnace Productivity	tonnes/m 3/day	2	1.80	1.70	1.90	1.80	1.70	1.65	1.60	
xiv	Production of Saleable Coal in Benga Mine of International Coal Ventures Limited	Million Tonnes	2	1.78	1.018	1.90	1.78	1.60	1.51	1.42	
xv	Sale of Iron ore in Open Market	Million Tonnes	2	-	-	20	15	10	5	2	

* The targets are subject to getting commensurate orders from Indian Railways.

** Trade receivables as on 31.03.2020 included Rs. 6120 Crores receivables from Indian Railways (IR) which is 31.2 days of revenue from operations (gross) for SAIL. The targets for trade receivables are subject to commensurate reduction in trade receivables from IR.

- 1 In working out achievements for the year, 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.
- 2 Adjustment would be made in the targets in case of improvement in actual performance over the estimated performance in the base year (2019-20) as per MoU Guidelines.
- 3 It was agreed that targets decided in MoU are unconditional and no offset will be allowed on any ground. Further evaluation would be subject to compliance of Additional Eligibility Criteria as contained in MoU guidelines


(P. K. Chaudhary)
Chairman, SAIL


(P. K. Tripathi)
Secretary to GoI, Ministry of Steel

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
			v/s					Apr-Sep	Actual	
1	Revenue from Operations -Gross	Rs. crore	Actual	51148.96	43875.17	49767.10	66827.06	77645.32	33535.54	71590.00
	Revenue from Operations -Net	Rs. crore	Actual	45730.36	39051.88	44452.41	57558.46	66967.31	28947.45	61660.55
2			MoU	*	*	41224.00	47526.00	59359.00		75000
	a. Profit before Tax	Rs. crore	Actual	2358.91	-7007.50	-4850.86	-758.94	3337.89	-419.10	3171
	b. Other Incomes		Actual	1001.19	594.67	535.61	484.45	532.82	341.58	985
	c. Extraordinary & Exceptional items		Actual	0.00	0.00	-216.74	26.43	-389.40	0.00	-772
	d. Prior Period Items		Actual	-88.23	0.00	0.00	0.00	0.00	0.00	0
3	e. Operating Profit/ Loss (a-b+/-c+/-d)		Actual	1445.95	-7602.17	-5169.73	-1269.82	3194.47	-760.68	2957
	a. PAT		Actual	2092.68	-4021.44	-2833.24	-481.71	2178.82	-274.00	2022
	b. Net Worth at year end (Excl. OCI)	Rs. crore	Actual	43504.78	39290.99	36362.66	35527.35	37892.49	37599.96	39893
	c. Average Net worth		Actual	43085.56	41397.88	37826.83	35945.01	36709.92	37746.23	38893
	d. PAT/ Average Net Worth	%	Actual	4.86	-9.71	-7.49	-1.34	5.94	-0.73	5.20
4			MoU	*	*	*	*	*		7.5
	e. Paid-up Share Capital	Rs in Crores	Actual	4130.53	4130.53	4130.53	4130.53	4130.53	4130.53	4130.53
	f. -Gol share	%	Actual	75%	75%	75%	75%	75%	75%	75%
	g. Reserves and surplus (Net of DRE)	Rs in Crores	Actual	39374.00	35065.00	31878.53	31583.14	34021.04	33474.46	35647
	Total Expenses (Excluding Excise Duty)	Rs in Crores	Actual	44284.41	46654.05	49622.14	58828.28	63772.84	29708.13	58703
5	Total Incomes (Less Excise Duty)		Actual	46731.55	39646.55	44988.02	58042.91	67500.13	29289.03	62646
6	Total expenses/ Total Incomes	%	Actual	94.76	117.67	110.30	101.35	94.48	101.43	93.71
7	Detail of other incomes	Rs. crore								
	a. Interest		Actual	475.10	345.02	147.29	166.09	192.98	106.92	237
	b. Dividend		Actual	103.00	70.85	91.93	76.16	44.44	13.37	87
	c. Other Incomes		Actual	423.09	178.80	296.39	242.20	295.40	221.29	661
	d. Total		Actual	1001.19	594.67	535.61	484.45	532.82	341.58	985

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
			v/s					Apr-Sep	Actual	
8	a. Cash and Bank Balance and equivalent	Rs in Crores	Actual	2305.24	297.96	289.09	254.06	219.42	443.68	363.25
	b. Investment in mutual funds	Rs in Crores	Actual	0.00	0.00	0.00	0.00	0.00	0	0
	c. Investment in shares other than subsidiary/ JVs)	Rs in Crores	Actual	68.47	68.90	71.91	80.71	138.68	145.03	136.77
	d. Total (a+b+c)	Rs in Crores	Actual	2373.71	366.86	361.00	334.77	358.10	588.71	499.62
	e. Cash credit/ Over-draft loan/ Short-Term loan	Rs in Crores	Actual	14195.16	15530.31	20181.00	12205.00	10631.22	17467.29	16519
	f. Balance in Current account	Rs in Crores	Actual	1.87	2.21	10.76	1.81	2.58	4.14	152.91
9	Dividend paid/ declared for the year, excluding Dividend Tax	Rs in Crores	Actual	826.10	NIL	NIL	NIL	206.52	NIL	NIL

Note: Trend has been given for actual figures for preceding five years (audited) and current year

MOU Target given is for Very Good Level (L-2)

* Was not an MOU parameter during the year

TREND ANALYSIS

Performance Criteria	Unit	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
		Target v/s Actual										Apr-Sep	Financial Year
Installed Capacity in respect of each product (Saleable Steel)	Million Tonnes	Actual	11.07	14.86	15.07	17.87	18.54	9.32	18.64				
Capacity Utilisation for Each Product (Saleable Steel)	%	Actual	116%	83%	92%	79%	83%	87%	84%				
Contribution of each product in sales	%	MoU	*	*	*	*	*	*	*				*
Contribution varies widely with Product shape, chemistry, mech properties, sizes of steel produced and also with market location (export vs domestic)													
Exports as a percentage of Revenue from operations (net)	%	Actual	3.49	1.45	4.06	4.04	4.44	5.67	6.07				
		MoU	*	*	*	4.5%	3.8%	*	*				*
Coke Rate	kg/thm	Actual	504	489	473	456	453	466	457				
		Reduction over previous yr.	1.75%	2.98%	3.27%	3.59%	0.66%	-2.19%	-0.88%				
		MoU	*	512	1% reduction over previous year	1% reduction over previous year	0.75% Reduction over previous year (L-2)	2.5% Reduction over previous year (L-2)					
R&D, Innovation, Technology up-gradation parameter		Actual	R&D Parameters taken during these years included R&D Expenditure, Number of R&D Projects, Number of New Products developed, Patents filed etc										
		MoU	No R&D Parameter in MOU										
			3%										
			Reduction in Longitudinal Midface Cracks in Slab Produced from Caster-3 of SMS-2 of RSP (L-2 Target 2.5%)										
CAPEX (Excluding investment in Joint Ventures)	Rs in Crores	Actual	6443	5830	4878	5090	4271	2033	4246				
		MoU	8000	6500	3500	3400	3500	1895	3790				
CAPEX projects running/ completed without time/ cost overrun to total value of CAPEX	%	Actual	93.2	#	89	19	81.44	83	89.3				
		MoU	#	#	90	90	95	95	95				
Inventory of finished goods and work in progress	Rs. crore	Actual	10615	9941	9807	7644	10360	12773	11391				

TREND ANALYSIS

Performance Criteria	Unit	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
		Target v/s Actual								Apr-Sep	Financial Year		
Inventory of finished goods and work in progress to Revenue from Operations (Net)	Number of days	Actual	85	93	81	48	56	81	67				
Trade Receivables	Rs. crore	MoU		#		84	70	51	51				
Trade receivables (net) as number of days of Revenue from Operations (Gross)	Days	Actual	3586	3143	2922	3870	4495	4388	8812				
Claims against the Company not acknowledged as debt :-	Rs in Crores	MoU	*	*	#	24	26	*	*				
Opening Balance for the year		Actual	23902	32509	36905	26917	28278	29837	35297				
Return (share of profit/loss) on Investment in Joint Ventures and subsidiaries (Excluding ICVL)	%	MoU	*	*	*	4% reduction over previous year	3.5% reduction over opening balance	12% reduction over opening Balance					
		Actual	17.80	17.95	29.97	26.69	31.41	**	29.53				
		MoU	*	*	#	#	23.00	**	25.00				
Blast Furnace Productivity	tonnes/m ³ /day	Actual	1.56	1.58	1.67	1.70	1.65	1.69	1.80				
		MoU	*	*	*	*	*	11.5% improvement over previous year					
Production of Saleable Coal in Benga Mine of International Coal Ventures Limited	million tonnes	Actual	0.47	1.02	0.03	0.10	1.32	0.97	1.77				
		MoU	*	*	*	*	*	0.80	1.60				

TREND ANALYSIS

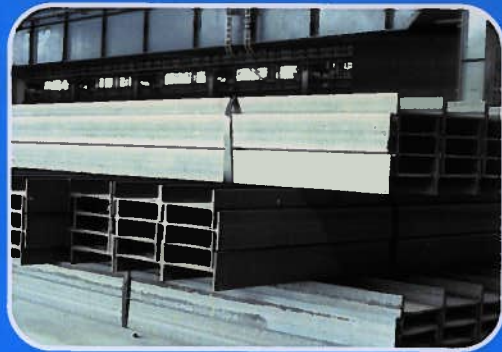
Performance Criteria	Unit	Target	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
		v/s Actual						Apr-Sep	Financial Year
Production of Prime Rails for Indian Railways	000 Tonnes	Actual	594.93	667.28	649.30	902.74	985.02	589.39	1285
		MoU	*	*	*	*	*	625.00	1250
Sale of Iron Ore in Open Market	Million Tonnes	Actual	NIL	NIL	NIL	NIL	NIL	NIL	0.17
		MoU	*	*	*	*	*	*	*
Procurement from GeM Portal	%	Actual	NIL	NIL	NIL	NIL	NIL	0.30	0.58
		MoU	*	*	*	*	*	*	*

* Was not a MoU parameter during the year.

** All Joint Ventures of SAIL do not publish Quarterly / Half yearly Accounts

Was not an MoU parameter in the present form.

Profit of NTPC SAIL Power Company Limited for Financial year 2016-17 include abnormal profit to the extent of approximately Rs 140 Crores due to change over to IND AS Accounting. CFRC Order on revision of Tariff, MAT Credit Written back and increased profit due to trading of Utilised share of power allocated to Dadra Nagar Haveli (DNH) and approximately Rs 10 Crores for Bokaro Power Supply Company Limited due to change over to IND AS Accounting. These are not expected during future years.



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED

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