



MEMORANDUM OF UNDERSTANDING

2014-15

Ministry of Steel
&
Steel Authority of India Limited



Transforming India into a global steel leader

**MEMORANDUM
OF
UNDERSTANDING
(MOU)**

2014-15

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

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- I. Mission/Vision & Objectives of the SAIL**
- II. Commitment/Assistance from the Government**
- III. Performance Assessment Targets and their determination**
- IV. Action Plan for implementation and monitoring of the MOU**

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1. Mission/Vision & Objectives of the SAIL:

1.1 MISSION/VISION:

The vision of SAIL is as follows:

"To be a respected world class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction".

Apart from vision, SAIL has the following 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.

1.2 OBJECTIVES:

To achieve the Vision, SAIL has drawn a directional growth plan, the same is under advance stage of implementation. The major goals/ objectives of the plan are:

- To continue to be mainly in the business of Steel and Steel related activities
- To protect Market Share and grow by focusing on increasing share in growth segments
- To achieve a production capacity of 21.4 MTPA of Crude Steel after modernisation
- To improve profits by Cost reduction and producing value added products
- To introduce technology interventions to maximize production through the BF-BOF-CC route and reduction in semis.

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- To strive for excellence at international level in key techno-economic parameters like Blast Furnace productivity, Coke Rate and Specific Energy consumption.
- To aim at excellence in quality across the value chain
- To ensure availability of key raw material
- To build Customer Centric Processes, Systems, Structure and Procedures
- To address infrastructure and other issues, which affect long term growth of the company
- To maintain Financial Health with rational investment and controlled borrowing. Capital expenditure primarily funded by internal accruals, supplemented by market resources.
- To carry out interventions to achieve all round functional improvements - Marketing, Human Resources, Infrastructure & Utilities, Maintenance, Information Technology, Environment and Safety management etc.
- To ensure competitive edge of SAIL through wide distribution network of its finished products by broad basing distribution points.
- To ensure better Environment compliance and improved safety, aiming for zero fatal accidents.
- To aim at achieving international/ national benchmarks on production cost and consumption ratios especially in new units with due allowance for prevailing conditions, technology, facilities, inputs etc.
- To remain socially responsible company by committing certain amount of profit towards society in the areas of peripheral development, education, health, sports, family welfare etc.

2. Commitments/ Assistance from the MOS

Ministry of Steel will assist/ help SAIL through coordination with other Government agencies in the following areas.

- Ministry of Steel will assist SAIL in the areas as given at **Annexure-VI**.
- Ministry of Steel will also help SAIL in ensuring adequate availability of wagons as given in **Annexure-VII**.



3. Performance assessment Targets and their determination

Performance Evaluation Parameters and assessment targets for 2014-15 are indicated at **Annexure-I** while **Annexure-II** indicates MOU – Project Milestones of SAIL Plants during 2014-15. Trend of Performance on financial parameters is at **Annexure III**. Self Certification for financial parameters is at **Annexure IV**. Calculation of gross operating margin is at **Annexure V**.


4. ACTION PLAN FOR IMPLEMENTATION AND MONITORING OF THE MOU

To achieve the objectives of the MOU, both sides shall review the performance periodically as given below:

- Quarterly review between SAIL & Ministry of Steel.
- Regular review within the organization.


[C.S.Verma] 25/3/14
Chairman
Steel Authority of India Ltd.


[G. Mohan Kumar] 25/3
Secretary
Ministry of Steel



List of Annexures

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	Evaluation Criteria	Unit	Weight (%)	Excellent	V.Good	Good	Fair	Poor	Documentary evidence and source/ origin of documents
	Static/ Financial Parameters								
	Growth / size								
1.	Sales turnover net of excise	Rs. Crore	8	51302	50250	47812	45439	43220	Annual Report / Internal approvals
2.	Gross operating margin rate	%	12	11.24	10.97	10.63	9.66	8.72	Annual Report / Internal approvals
	Profitability								
3.	EBITDA/ Net Block	%	12	14.76	14.27	13.48	12.09	10.85	Annual Report / Internal approvals
	Costs & Output Efficiency								
4.	Sales turnover/ Net Block	%	5	116.06	113.68	108.16	102.79	97.77	Annual Report/ Internal approvals
5.	PAT / Employee	Rs. Lakhs	5	2.22	2.03	1.74	1.21	0.74	
6.	Efficiency of Asset Use Average collection period of trade receivables (Debtors turnover ratio)	No. of days	8	31	32	33	34	35	Annual Report / Internal approvals
	Dynamic/ non financial Parameters								
	Corporate Social Responsibility & Sustainability								
7.	Providing mid day meals to students	No. of students	1	35000	32000	29000	26000	23000	Status report from Plants
8.	Socio-economic development of a backward district through provision of access to drinking water, development of infrastructural facilities, access to healthcare etc.	No. of beneficiaries	1	70000	65000	60000	55000	50000	Status report from CMO/ Plants
9.	SD – Biodiversity Conservation and CO2 sequestration at Bolani Mine		1	Estimation of CO2 sequestration	Assessment of grassland productivity	Assessment of Bio-diversity	Species enrichment of forest communities	Monitoring of changes in ground water level	Certification by Bolani Mine
	Research & Development								
10.	Automation of Stacker cum Reclaimers (SCRs) in RMHP, DSP, Mar'15	Reduction in SCR downtime	2	75%	65%	60%	55%	50%	RDCIS report approved by plant
	Initiatives for Growth								
11.	Retail Sales	Million Tonnes	5	0.60	0.55	0.50	0.475	0.45	Internal approvals
12.	Exports	Million Tonnes	2	0.60	0.55	0.50	0.45	0.40	Annual Report
13.	Value Added Production	Thousand Tonnes	3	5455	5400	5340	5300	5250	Internal approvals

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	Evaluation Criteria	Unit	Weight (%)	Excellent	V.Good	Good	Fair	Poor	Documentary evidence and source/ origin of documents
	Project Management & Implementation								
14.	Milestone Performance Index for Projects as per Annexure II		5	105	100	95	90	85	Internal approvals
15.	Capital expenditure	Rs. Cr.	5	9000	8000	7000	6000	5000	Annual Report/ Internal approvals
	Productivity & Internal Processes								
16.	Labour Productivity	TCS/ Man/year	2	275	270	265	260	255	Annual Report/ Internal approvals
17.	New product development	No. of Products	5	24	21	19	18	17	Minutes of Steering Committee on product development & commercialisation
	Technology, Quality, Innovative practices								
18.	Patents filed	No.	4	36	34	31	29	28	Filing receipts
19.	Reduction in total reportable accidents	%	1	5 %	4%	3%	2%	1%	Internal Reports
20.	E- procurement as % of total procurement	%	2	33	31	29	27	25	Internal Reports
21.	Human Resource Management								Internal approvals
(i)	Assessment Centre for gradation of employees for Succession Planning								
a	Engaging outside consultant	Award of Assignment	0.5	15.9.14	30.9.14	15.10.14	31.10.14	30.11.14	Letter awarding assignment
b	25% Middle level (AGMs & Sr. Mgrs.)	% fulfillment of Plan	1.0	100%	80%	60%	50%	40%	Internal reports/ Submission of report by consultant
(ii)	Training of Employees								
a	Training of Directors, CEOs, EDs/GMs on Leadership, Corporate Governance and Strategy & Risk Management - • 50% Directors/ CEOs • 20 % EDs/GMs	% fulfillment	0.5	100%	80%	60%	50%	40%	Internal reports
b	Training of Senior Managers, Middle Managers, Lower Management as per functional requirement - 20% to be trained in 2014-15	% fulfillment	0.5	100%	80%	60%	50%	40%	Internal reports
c	Workers - Skill Development - 15 % in 2014-15	% fulfillment	0.5	100%	80%	60%	50%	40%	Internal reports

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	Evaluation Criteria	Unit	Weight (%)	Excellent	V.Good	Good	Fair	Poor	Documentary evidence and source/ origin of documents
(iii)	Employee Motivation								
a	Appointment of external expert consultant for survey of motivation and ways to enhance motivation of employees	Award of Assignment	0.5	31.10.14	30.11.14	15.12.14	31.12.14	15.1.15	Letter awarding assignment
b	Draft Report by Consultant	Report Submission by month	0.5	31.1.15	15.2.15	1.3.15	15.3.15	31.3.15	Letter of Consultant submitting the draft report
(iv)	Bipartite Meetings	No. of Meetings							
	Corporate Level Meetings with Employee Representatives		0.25	2	1	-	-	-	Internal Approvals / Minutes of Meeting
	Plant Level Meetings at 5 Integrated Steel Plants with Employee Representatives		0.25	5	4	3	2	1	
(v)	Image Building								
a	Appointment of external expert consultant to improve image	Award of Assignment	0.5	31.10.14	30.11.14	15.12.14	31.12.14	15.1.15	Letter awarding assignment
b	Draft Report	Submission Month	0.5	31.1.15	15.2.15	28.2.15	15.3.15	31.3.15	Letter of Consultant submitting the draft report
(vi)	Finalisation of Individual KPAs of EDs/ GMs reporting to Functional Directors	% of EDs/ GMs covered	0.5	90%	80%	60%	50%	40%	Internal Reports
(vii)	Talent Management Studies/ Change Management								
a	Appointment of external expert consultant	Award of Assignment	0.5	31.10.14	30.11.14	15.12.14	31.12.14	15.1.15	Letter awarding assignment
b	Draft Report	Submission Month	0.5	31.1.15	15.2.15	1.3.15	15.3.15	31.3.15	Letter of Consultant submitting the draft report
(viii)	HR Audit	Submission of Audit Report	0.5	31.1.15	15.2.15	1.3.15	15.3.15	31.3.15	Submission of Report
	Cost Reduction Measure								
(ix)	Rationalisation in Manpower Nos. (as per HRP-14-15)	Nos. Reduction	0.5	Manpower equal to / less than planned closing	Manpower 1000 more than planned closing	Manpower 2000 more than planned closing	Manpower 2500 more than planned closing	Manpower 3000 more than planned closing	Internal reports
	Sector Specific Parameter/ Enterprise Specific Parameter								
22.	Saleable Production	Million Tonnes	2	14.696	14.372	13.654	12.971	12.322	Internal approvals
23.	Specific energy consumption	Gcal/TCS	1	6.53	6.55	6.58	6.60	6.65	Internal approvals

Note: As per para 3.21 & 3.22 of DPE Guidelines dated 11th November 2013, SAIL will follow Corporate Governance / DPE / other regulatory guidelines wherever applicable.

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MOU 2014-15 : PROJECTS MILESTONES OF SAIL PLANTS

PLANT	S No.	Milestone	Weight -age	LEVEL-1	LEVEL-2	LEVEL-3	LEVEL-4	LEVEL-5
				1.05	1.0	0.95	0.90	0.85
BSP	1	New Coal Handling Plant	8	Oct'14	Nov'14	Dec'14	Jan'15	Feb'15
	2	Blast Furnace-8	9	Dec'14	Jan'15	Feb'15	15th Mar'15	Mar'15
	3	Refractory Material Plant-III	8	Sep'14	Oct'14	Dec'14	Jan'15	Feb'15
DSP	4	Bloom cum Round Caster	9	Dec'14	Jan'15	Feb'15	15th Mar'15	Mar'15
RSP	5	New Sulphuric Acid Plant	7	Jan'15	Feb'15	10th Mar'15	20th Mar'15	Mar'15
	6	New Plate Mill	9	Sep'14	Oct'14	Dec'14	Jan'15	Feb'15
BSL	7	ARP for Pickling Line-1 of CRM-1	8	May'14	Jun'14	Aug'14	Sep'14	Oct'14
	8	Replacement of RHF-1 by walking beam type furnace	8	Jan'15	Feb'15	10th Mar'15	20th Mar'15	Mar'15
ISP	9	Bar Mill	9	Jun'14	Jul'14	Sep'14	Oct'14	Nov'14
	10	Continuous Casting Plant - 3rd Caster	8	Nov'14	Dec'14	Feb'15	15th Mar'15	Mar'15
	11	Universal Section Mill	9	Dec'14	Jan'15	Feb'15	15th Mar'15	Mar'15
RMD	12	Enhancement of Capacity of Meghahtuburu Iron Ore Mine	8	Sep'14	Oct'14	Dec'14	Jan'15	Feb'15
		Total	100					

- Note : 1. Last date of month has been taken wherever month has been mentioned.
2. Commissioning denotes start of production/hot trial

Methodology:

Factor: EXCELLENT :1.05 , VERY GOOD: 1.0 , GOOD: 0.95 , FAIR: 0.90, POOR: 0.85

Score for individual milestone: Weightage X factor for level achieved

Total score is summation of all the scores achieved against each milestone.

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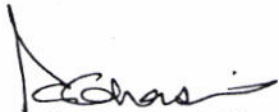
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Particulars	Unit	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	
		Incl.MEL	SAIL	Incl.MEL	SAIL	Incl.MEL	SAIL					Projected	Projected
		MoU LEVEL II	Actual	MoU LEVEL II	Actual ANNUAL	MoU LEVEL II	2011-12 Actual	MoU LEVEL II	2012-13 Actual	MoU LEVEL II	9M	MoU LEVEL I	MoU LEVEL II
Reserves & surplus of CPSE	Rs. Cr.	23193	29186	31149	32939	33170	35681	36611	36894	37249	39059	39604	39424
Less deferred reve exp / pre-acquisition loss	Rs. Cr.												
Less Profit & Loss A/c (Loss Figure)	Rs. Cr.												
Net worth of CPSE	Rs. Cr.	27310	33317	35279	37069	37300	39811	40741	41025	41379	43189	43735	43554
Investment	Rs. Cr.	1255	669		684		685	678	718	691	720	720	720
Total Current assets	Rs. Cr.	28114	39154		36544		27752	35939	27616	28597	28520	27763	27819
Total Current liabilities & provision	Rs. Cr.	15411	17149		24182		18423	18901	22504	24892	26590	24438	24494
Net current assets	Rs. Cr.	12703	22006	29543	12362	22112	9329	17038	5112	3706	1930	3325	3325
Closing Capital employed (Net Block + Net Current Assets)	Rs. Cr.	34500	35621	47237	27420	42800	26487	39563	21889	29363	20153	47530	47530
Opening capital employed			29842		35621		27420		26487		21889	29166	29166
Average Capital Employed	Rs. Cr.	35034	32731	43784	31521	40135	26954	36016	24188	24653	21021	38348	38348
Total Long Term Debt (Loan Funds)	Rs. Cr.	10462	7583		9053		11587	28023	13486	27500	14662	18405	18405
Total Assets	Rs. Cr.	39225	51243		76083		76337	56966	84218	75427	91713	116753	116753
No of employess of CPSE(Closing Manpower)	No.	120738	116950	114590	110794	111186	106004	107021	101878	101409	99059	96942	96942
Ratio													
PAT / Net Worth	%	4%	20%	9%	13%	4%	9%	5%	5%	4%	7%	5%	5%
EBITDA/Net block	%	25.55	87.19	45.21	59.96	26.59	44.63	26.64	33.50	21.57	26.00	14.76	14.27
EBIT/Average Capital employed	%	6.69	32.18	12.14	23.93	7.02	22.60	11.64	17.44	14.08	14.93	10.54	9.97
Sales Turnover/Net Block	%	224.47%	297.84%	225.04%	283.68%	196.23%	266.08%	203.98%	262.03%	196.32%	240.55%	116.06%	113.68%
PAT per Employee (Closing Manpower)	Rs. Lakhs	0.91	5.78	2.71	4.43	1.34	3.34	2.08	2.13	1.61	2.91	2.22	2.03
Current Ratio	Ratio	1.82	2.28		1.51		1.51	1.90	1.23	1.15	1.07	1.14	1.14
Average Collection Period of Receivables or Debtors Turnover Ratio(365*Avg Trade Rec/ Gross Sales)	No. of Days		27		30		32	32	34	27	33	31	32

Annexure-IV

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2014-15. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.


Authorized Signatory



Calculation Details for Gross Operating Margin for MOU 2014-15

Sl. No.	Particulars	Unit	2014-15	2014-15	2014-15	2014-15	2014-15
			MOU LI	MOU LII	MOU LIII	MOU LIV	MOU LV
a i	Sales Turnover	Rs. Crs.	57407	56245	53529	50883	48408
a ii	Less: Excise Duty	Rs. Crs.	6105	5994	5718	5444	5189
a iii	Sales Turnover Net of Excise (ai-aii)	Rs. Crs.	51302	50250	47812	45439	43220
b	Gross Operating Margin	Rs. Crs.					
	Operating Expenses:	Rs. Crs.					
	Cost of Materials Consumed	Rs. Crs.	21748	21349	19846	18650	17515
	Acc (-)/Dep (+) in inventory	Rs. Crs.	0	0	0	0	0
	Employee Benefits expenses	Rs. Crs.	10459	10459	10459	10459	10459
	Depreciation	Rs. Crs.	2482	2482	2482	2482	2482
	Other Expenses:						
	-Stores & Spares	Rs. Crs.	2417	2367	2253	2145	2043
	-Power & Fuel Expenses	Rs. Crs.	5550	5265	5012	4769	4537
	-Repair & maintenance expenses	Rs. Crs.	971	950	902	857	814
	-Handling Expenses RM & Scrap Recovery	Rs. Crs.	449	440	418	397	377
	-Royalty & Cess	Rs. Crs.	1083	1059	1006	956	908
	-Conversion Charges	Rs. Crs.	280	273	260	247	234
	-Water Charges & Cess on Water Pollution	Rs. Crs.	96	94	89	85	80
b i	Total operating expenses/Cost of Goods sold	Rs. Crs.	45535	44739	42728	41048	39451
b ii	Gross Operating Margin (aiii-bi)	Rs. Crs.	5768	5512	5083	4391	3769
b iii	Gross Operating Margin Rate (bi/aiii)	%	11.24%	10.97%	10.63%	9.66%	8.72%

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**HELP/ ASSISTANCE SOUGHT BY SAIL
(TO BE PURSUED BY MINISTRY OF STEEL)**

Ministry of Steel will facilitate in the following areas:

1. Grant of Stage-II forest clearance by MoEF for already broken up area of 274.691 ha in Duargaiburu lease of Gua mine before 13th June'2014.
2. Early recommendation by Jharkhand Govt. and approval of MoEF for Stage-II forest clearance for 635.986 Ha for Duargaiburu lease of Gua mine for enabling mine capacity expansion work.
3. Grant of iron ore mining lease in favour of VISP/SAIL.
4. Grant of stage II forest clearance for Kiriburu-Meghahatuburu Lease-I
 - a. South & Central Block- 247.50 Ha
 - b. Existing Broken area – 644.26 Ha
5. Early renewal of Chiria, Gua and Kiriburu-Meghahatuburu leases with the Govt. of Jharkhand.
6. Allocation of coking coal blocks to PSU under Govt./PSU dispensation route- In view of substantial contribution of PSU's to steel production capacity of the country, the four blocks reserved for allocation to PSUs under Rule 4 of Coal Mines Rules,2012 vide Gazette Notification dated 2nd February,2012 of MoC may be considered for upward revision.
7. In case of thermal coal, amendment of Rule 12 of part II of Gazette Notification dated 27th December'2012 of Ministry of Coal on auction of coal by competitive bidding (the rule deals with terms and conditions of allocation of area containing coal for the purpose of Specified end Use). As per existing policy w.r.t. thermal coal blocks , the same is allocated to those Govt. Companies who have power purchase agreement with State utilities prior to 5th January'2011. There is no provision for thermal coal allocation for Govt. companies for captive plant.
8. Increasing indigenous coking coal supply from CIL specially Prime Coking Coal
9. For supply of wagons through Ministry of Railways as finished steel despatch is getting affected because of shortage of wagons.
10. In case of vacancy of Independent Director, Ministry of Steel will take timely action for appointment of Independent Director

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Annexure – VII

Wagon requirement for 2014-15

Wagon requirement for inward Traffic

Commodity	Source/ Loading points	Type of Wagons	Rake size (No. of wagons)	2014-15 (rakes/day)
Coking Coal	Indigenous	BOXN	59	3.1
	Imported			
	: Vizag Port/Gangavaram	BOXN	59	4.0
	: Haldia	BOXN	59	4.0
	: Paradip Port/Additional Eastern ports	BOXN	59	1.3
	Total Imported			9.2
Boiler Coal		BOXN	59	4.0
Total(Coking coal+Boiler coal)		BOXN	59	16.3

Raw Materials

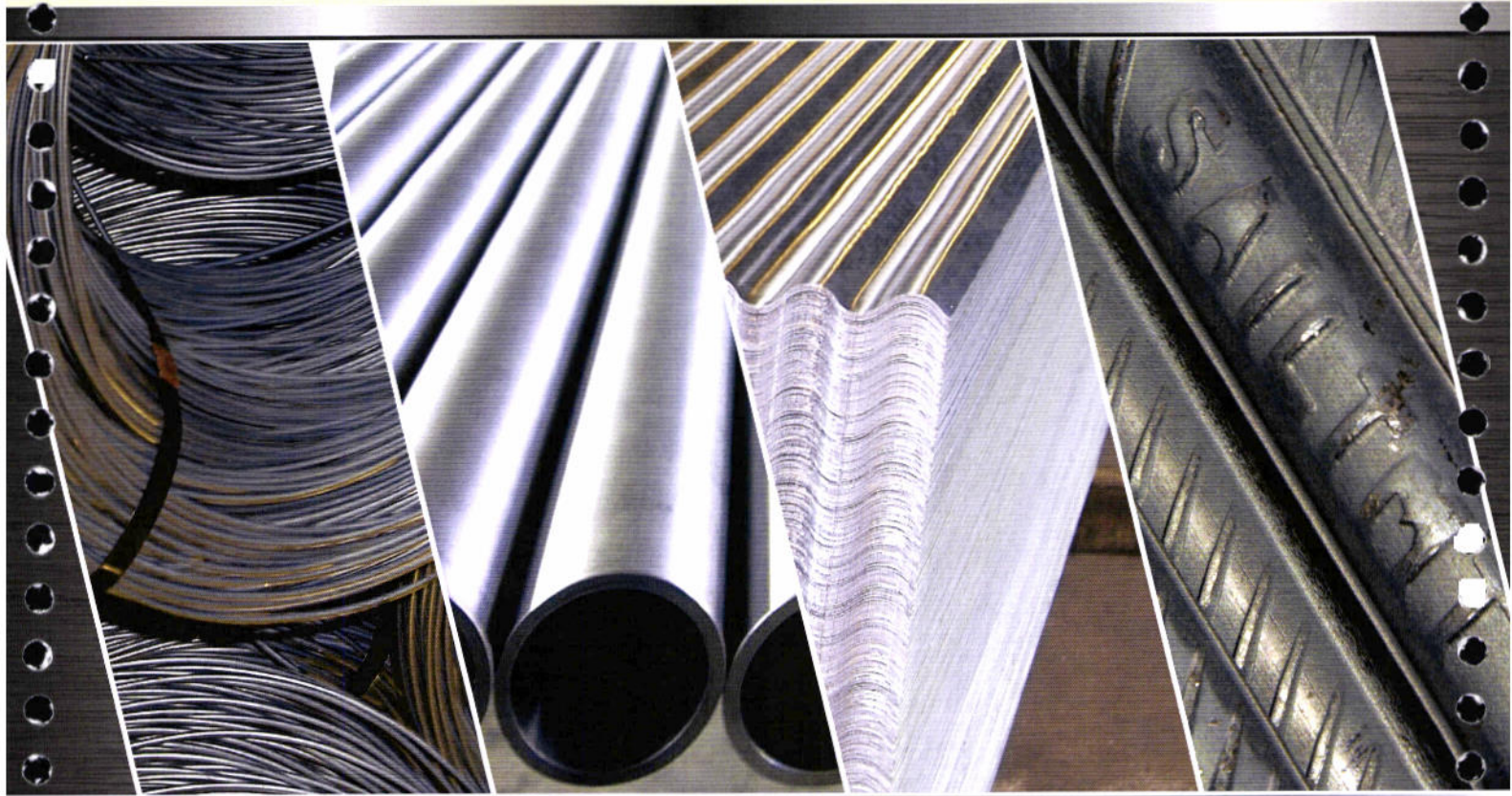
Iron Ore	Dalli-Rajhara Mine	BOBS	53	6.0
	RMD mines/Purchased Pellets (Kiriburu, Meghahatuburu, Bolani, Barsua, Kalta, Gua & Manoharpur mines)	BOXN/BOXNEL/BOY	59	11.4
	Total	BOBS	55	4.1
				21.5

Fluxes	Nandini/Hiri Mines	BOBSN	53	1.0
	Central India Mines	BOXN	59	0.8
	Bimitrapur/Sonakhan/ Rajgangpur area	BOXN	59	1.2
	Belha/Baraduar area	BOXN	59	0.4
	Tulsidamar mine /Bhawanthpur	BOXN	59	0.2
	Jaisalmer mine	BOXN	59	1.0
	North Bengal area	BOXN	59	0.6
	Import thru ports	BOXN	59	0.9
	Total Flux rakes/day			6.0

Hard Coke		BOXN	59	0.6
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Total Inward rakes per day				44.4
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Total Wagons for despatches (Average wagons per day)	BOST/BOXN		400
	BRN		200
	Total		600



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