MEMORANDUM OF UNDERSTANDING

(MoU)

2017-18

MINISTRY OF STEEL

AND

STEEL AUTHORITY OF INDIA LIMITED

INDEX

BRIEF ABOUT
STEEL AUTHORITY OF INDIA LIMITED

1. **Introduction :-** Steel Authority of India Limited (SAIL) is Maharatna Public Sector Undertaking (PSU) of Government of India (GoI), SAIL is a leading steel making company in India. SAIL was incorporated in January 1973 as a holding company for steel and associated input industries. 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 Special Steel Plants, one Ferro Alloys Plant, Refractory manufacturing unit and is a holding Company for one operating subsidiary in related business.

   During FY 2015-16, SAIL achieved production of 13.02 Million tonnes of saleable steel with a sales turnover of Rs 433 billion. Production of crude steel stood at 14.28 million tonnes.

2. **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 its 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) which has a wide network of branch sales offices and warehouses located in major cities and towns throughout India. International Trade Division of SAIL looks after export of steel products to 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.

3. **Share Holding Pattern :-** The equity shares of SAIL are listed at the Bombay Stock Exchange and the National Stock Exchange, while the GDRs are listed at London Stock Exchange. As on March 31, 2016 the paid up share capital of SAIL was Rs.4130.53 crores. GOI holds 75% of the shares of SAIL.

4. **Manpower :-** SAIL employed 84,902 people as on 1.1.2017

MOU 2017-18 Parameters & Targets

	Parameters	Unit	Marks			MOU TARGETS FOR 2017-18					
				2016-17 estimated	Best in 5 years	Excellent	V.G.	Good	Fair	Poor	Improvement (%)
						100%	80%	60%	40%	20%	
i	Turnover- Revenue from operations	Rs. crore	10	43973	46682	48000	47526	46374	45775	44877	8.1%
ii	Reduction in operating Loss/ Deficit (s) over previous year	%	20	(-)6072 *	3794*	100%	25%	20%	15%	10%	
iii	Reduction in Total Expenses as a percentage of Total Income as compared to previous year.	%	20	113.1%	88.70%	14.00%	4.06%	3.18%	2.39%	1.51%	
iv	Production of Saleable Iron and Steel	000 Tonnes	6	14433	12880	15600	15400	15000	14800	14500	9.22%
v	Exports as a percentage of Revenue from operations	%	3	3.50%	3.50%	5.0%	4.50%	4.0%	3.5%	3.25%	28.57%
vi	Reduction in Coke Rate as compared to actual previous year	%	3	478*	489*	1.5%	1.0%	0.80%	0.60%	0.40%	

	Parameters	Unit	Marks	2016-17 estimated	Best in 5 years	MOU TARGETS FOR 2017-18					Improvement (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
vii	CAPEX	Rs. crore	10	4000	11021	3470	3400	3300	3200	3100	-15%
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	%	5	100	NA	100	90	80	70	60	
ix	Inventory of finished goods and work in progress to Revenue from operations (Net)	No. of days	3	90	62.05	83	84	85	86	87	6.67%
x	Trade receivables (Net) as number of days of Revenue from Operations (Gross)	No. of days	3	25	23	23	24	25	26	27	3.7%
xi	Reduction in claims against the Company not acknowledged as debt	%	3	34558*	6593*	1.0%	0.75%	0.6%	0.5%	0.4%	
xii	Return (share of profit/loss) on Investment in JV (Excluding ICVL)	%	3	17.2	29.3	19%	18.5%	18.0%	17.5%	17.0%	7.56%

	Parameters	Unit	Marks	2016-17 estimated	Best in 5 years	MOU TARGETS FOR 2017-18					Improvement (%)
						Excellent	V.G.	Good	Fair	Poor	
						100%	80%	60%	40%	20%	
xiii	Increase Steel Production through continuous casting Route over previous year	%	3	11.87*	10.8*	5.3%	5%	4.8%	4.6%	4.5%	
xiv	Online submission of ACR/APAR of all executives (E-0 and above) along with compliance of prescribed timelines w.r.t writing of ACR/APAR	% of no. of executive s	2			100%	95%	90%	85%	80%	
	Online quarterly vigilance clearance updation for Senior Executives (AGM & above)	% of no. of senior executive s	2			100%	95%	90%	85%	80%	
	Preparation of succession plan & its approval by Board of Directors	Date	1			30.9.17	15.10.17	31.10.17	15.11.1 7	30.11.17	
	HR audit and decision of Board of Directors on the findings of HR Audit	Date	1			31.12.17	15.01.18	31.01.18	15.02.1 8	28.02.18	

	Rationalization of regular manpower excluding superannuation (Net Reduction in manpower in nos over manpoer as on 31.3.17)	No.	2			1000	900	800	700	600	

*Figures in absolute terms

1. It was agreed that the CPSE would update land holdings on Government Land Information System(GLIS).

2. It was agreed that the targets recommended by the IMC are based on estimates submitted by the CPSE for the year 2016-17. In case of better performance of the CPSE as per final results as compared to estimates, the difference may be added to the targets for the year 2017-18.

3. It was agreed that the targets decided in MoU are unconditional and no offset will be allowed. Further evaluation would be subject to compliance of additional eligibility criteria a contained in para 14.2 of MoU guidelines 2017-18

P K Singh

[P.K Singh]

Chairman
Steel Authority of India Ltd.

8/8/17

[Aruna Sharma]

Secretary
Ministry of Steel

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
									Apr-Sep	Estimated
1	Revenue from Operations -Gross	Rs. crore		51029	49829	52360	51149	43910	22913	49206
	Revenue from Operations -Net	Rs. crore	Actual	46335	44441	46682	45730	39086	20464	43973
			MoU	*	*	*				
2	a. Profit before Tax	Rs. crore	Actual	5151	3241	3225	2359	-7198	-2178	-6021
	b. Other Incomes		Actual	1629	1119	899	1001	581	157	269
	c. Extraordinary & Exceptional items		Actual	-262	-229	1056	0	0	218	218
	d. Prior Period Items		Actual				-88	-16	0	0
	e. Operating Profit/ Loss (a-b+/-c+/-d)		Actual	6518	3976	5179	1446	-7764	-2554	-6508
			MoU	5500	6000	5533				
3	a. PAT	Rs. crore	Actual	3543	2170	2616	2093	-4137	-1267	-3502
	b. Net Worth at year end		Actual	39811	41025	42666	43505	39281	37641	35405
	c. Average Net worth		Actual	38440	40418	41816	43086	41393	38461	37343
	d. PAT/ Net Worth	%	Actual	9.2%	5.4%	6.3%	4.9%	-10.0%	-3.3%	-9.4%
			MoU	4.85	5.87	3.96	*	*		
	e. Paid-up Share Capital	Rs in Crores	Actual	4130.53	4130.53	4130.53	4130.53	4130.53	4131	4131
	f. GoI share	%	Actual	85.8%	80.0%	80.0%	75.0%	75.0%	75.0%	75.0%
	g. Reserves and surplus (Net of DRE)	Rs in Crores	Actual	35680	36894	38536	39374	35151	33511	31274
4	Total Expenses	Rs in Crores	Actual	42541	42131	45563	44284	46850	22581	50045
5	Total Incomes		Actual	47965	45560	47581	46732	39667	20621	44242

TREND ANALYSIS

Sl. No.	Financial Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Apr-Sep	2016-17 Estimated
6	Total expenses/ Total Incomes	%	Actual	88.7	92.5	95.6	94.8	118.1	109.5	113.1
7	Detail of other incomes	Rs. crore								
	a. Interest		Actual	1464	826	584	475	337	80	159
	b. Dividend		Actual	57	59	125	103	71	0	0
	c. Other Incomes		Actual	108	233	190	423	173	77	110
	d. Total		Actual	1629	1119	899	1001	581	157	269
8	a. Cash and Bank Balance and equivalent	Rs in Crores	Actual	6416	3850	2856	2305	298	265	265
	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	12.19	12.19	12.19	17.19	17	67	67
	d. Total (a+b+c)	Rs in Crores	Actual	6428	3863	2868	2322	315	332	332
	e. Cash credit/ Over-draft loan/ Short-Term loan	Rs in Crores	Actual	4511	8015	10634	14195	15530	15711	20275
	f. Balance in Current account	Rs in Crores	Actual	10.97	3.78	5.03	1.87	2.21	1.86	1.86
9	Dividend paid/ declared for the year, excluding Dividend Tax	Rs in Crores	Actual	826.10	826.10	834.35	826.10	NIL	NIL	NIL

MOU Target given is for Very Good Level (L-2)
* Was not an MOU parameter during the year

Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
								Actual upto Sep	Estimated
Installed Capacity in respect of each product (Saleable Steel)	Million Tonnes	Actual	11.23	11.23	11.23	11.23	14.86	7.73	15.46
Capacity Utilisation for Each Product (Saleable Steel)	%	Actual	110%	110%	115%	114%	83%	90%	93%
		MoU	*	*	*	*	*	*	*
Contribution of each product in sales	%	Contribution varies widely with Product shape, chemistry, mech properties, sizes of steel produced and also with market location (export vs domestic)							
New orders received during the year	Rs. crore	Actual	Not Relevant for SAIL						
		MoU							
Exports as a percentage of Revenue from operations	%	Actual	2.73	2.67	3.27	3.49	1.45	3.90	3.55
		MoU	*	*	*	*	*	*	*
Development or Revenue from new products or product with new features	Nos	Actual	23	24	24	24	24	13	20
		MoU	*	*	*	*	*	*	*
Coke Rate	kg/thm	Actual	517	512	513	504	489	478	478

Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
								Actual upto Sep	Estimated
		MoU	*	*	*	*	512	*	
Completion of milestone of clients orders/ agreements without time overrun		Actual	Not Relevant for SAIL						
	%	MoU							
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					No R&D Parameter in MOU	
		MoU							
Market share (Production basis)		Actual	NO RELIABLE SOURCE OF MARKET DATA						
		MoU							
CAPEX	Rs in Crores	Actual	11021	9756	9890	6840	6034	2374	4800
		MoU	*	13775	10000	8000	6500	NA	3500
CAPEX projects running/ completed without time/ cost overrun to total value of CAPEX	%	Actual	105	100.7	96.7	93.2	Was not MOU parameter in present form	100%	100%
		MoU	was not MOU parameter in present form					90%	100%
Inventory of finished goods and work in progress	Rs. crore		7646.5	9937.4	8971.5	10615.4	9940.9	9051.7	10843.2

Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
								Actual upto Sep	Estimated
Inventory of finished goods and work in progress to Revenue from Operations (Net)	%	Actual	16.50	22.36	19.21	23.21	25.43	22.12	24.66
		MoU	was not MOU parameter in present form						
Inventory of finished goods of more than one year	Rs. crore	Actual	Not Relevant for SAIL						
Inventory of finished goods of more than one year as a percentage of RO	%	Actual	Not Relevant to SAIL						
		MoU							
Trade Receivables (net)	Rs. crore	Actual	4749	4424	5482	3192	2833	3128	3387
		MoU	*	*	*	*	*	*	*
Trade receivables (Net) as number of days of Revenue from Operations (gross)	Days	Actual	33.97	32.3	38.09	22.78	23.55	24.9	25.1
		MoU	*	*	*	32	37	was not MOU parameter in present form	
Claims against the Company not acknowledged raised by:	Rs in Crores								
Central Government Departments		Actual					3511	15938.59	18000

Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
								Actual upto Sep	Estimated
State Governments/ Local Authorities		Actual					25402	12725.78	13500
CPSEs		Actual					115	61.44	58
Others		Actual					3482	2739.23	3000
Total		Actual					32510	31465.04	34558
		MoU	*	*	*		No MOU Target for Total		
Loans disbursed/ Total Funds Available		Actual	Not Relevant to SAIL						
		MoU							
Overdue loans/ Total loans (Net)		Actual							
		MoU							
NPA/ Total loans (Net)		Actual							
		MoU							
Cost of raising funds as compared to similarly rated CPSEs/ entities		Actual							
		MoU							

Performance Criteria	Unit	Target v/s Actual	2011-12	2012-13	2013-14	2014-15	2015-16	Current Year	
								Actual upto Sep	Estimated
Return (share of profit/loss) on Investment in Joint Ventures (Excluding ICVL)	%	Actual	7.5%	29.3%	20.8%	17.8%	18.0%	**	17.20%
		MoU	was not MOU parameter in present form						
Labour Productivity (Integrated Steel Plants)	t/man/year	Actual	241	258	278	302	315	313	313
		MOU	226	240	255	270	295	*	*
Steel Produced Through CC Route	Million Tonnes	Actual	9.40	9.50	9.77	10.34	10.80	6.02	11.87
		MOU	*	9.326	9.8	10.34	10.8	*	*

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

* Was not an MOU parameter during the year.

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