INTERVIEW WITH TOP MANAGEMENT: TO WARDS COST EFFICIENCY

An Interview with Director (Finance): MRGDAGA
An Interview with Director (Commercial): Mr. S.K. Roongta,
An Interview with Director (Technical): Mr. K.K. Khanna
An Interview with Director & Chief Vigilance: Mr. P.K. Gupta
An Interview with Secretary of Sail: Mr. D.Kumar
An Interview with Executive Director of Sail: Mr. Ashish Das
TOWARDS COST EFFICIENCY

Every member of the SAIL community today is more than familiar with the term cost control. That is because cost consciousness has become an integral part of the organisation's work ethos, following nearly eight years of rigorous practise of this discipline. In 1997-98, when the Great Recession in steel was just beginning, our then Director (Finance) Mr. V. S. Jain, now Chairman / SAIL, introduced the concept in the organisation with the objective of identifying and drastically reducing all controllable expenditure in every operational area. Implementation of cost reduction received top priority on SAIL's agenda even as Mr. Jain continued trying to look for new ways to improve liquidity for the company. Cost areas and control targets were meticulously identified and communicated across the organisation, and executive were specially selected to implement the exercise stringently in each plant/ unit. The heads of the SAIL plants units spearheaded this special thrust on curtailing operational cost and constantly reviewed and monitored progress.

Besides resulting in savings to the tune of RS 731 crore in the first year itself, the exercise resulted in cost consciousness becoming part and parcel of life in SAIL, leading to the intangible benefit of self -realisation in reducing Cost. Over the years the cost control drive has proved to be one of the most successful management initiatives, with total maximisation efforts of over Rs 4,000 crore being achieved in the last seven years. The concerted efforts helped us in maintaining the variable cost of production at the same level for four years (1997-98 to 2001-02). The excellence of SAIL's cost management efforts has been recognised at the national level by the institute of Cost and works Accountant of INDIA (ICWAL) for two consecutive years 2003-04 and 04-05.

While the thrust on cost reduction continues, however, the focus of the exercise has today shifted into new efforts like shortening cycle time, reducing specific usage of inputs, eliminating wastages and improving yields, the process clearly aims at enhancing operational efficiency.

The search for best practices thus continues The idea is to help the company develop the cost competitiveness to be able to satisfy the changing requirements of its customers profitably. The guiding principle is: the customer wants more and more value for money spent on buying any material.
SAIL EXPORTS

This terse statement in bold lettering in the offices of SAIL'S international trade division (ITD) in Hindustantimes house in New Delhi. For the 21-strong ITD workforce, the stark computer printouts are constant reminder, interally in black -and -white, that SAIL has targeted an increase of 22% in exports in the current financial year over the 0.85 million tonnes (MT) achieved in 2002-03, among other aims.

Seeking New Horizons

ITD has made inroads into many new markets in the last few years. Traditionally, SAIL's exports were primarily directed towards the US, Europe and Japan. Following the imposition of AD/ CVD on SAIL's cut-to-length plates and HR coils by the US in 1998 - 99, followed by EU, Canada, etc., SAIL's export plans faced a setback. There was no alternative but to look for new markets to sustain the export plan. Fortunately, this was the time of when many of the modernised units of SAIL had stabilised and started producing superior, world-class products. Several new markets started accepting SAIL steel, many of them belonging to developed economics. As a result, today SAIL exports large quantities to a host of South East Asian countries as well as neighbouring countries like Myanmar, Shrilanka, etc. in addition to new destinations like Mauritius and Madagascar.

Continuous market development is now a regular ITD activity. The market development initiatives begin with the study of the market in terms of understanding the the supply chain, requirement of end-users, the banking system and present supplier / vendor base. While a large quantum of SAIL exports is routed through international trading houses, there is an increasing tendency to sell directly to end users like rerollers, pipe manufacturers and cold-reducers. This helps SAIL to insulate from the vagaries of market cycles.
Mr Gyan Chand Daga (52) took charge as Director (Finance) of SAIL on 3 March 2004. Prior to this, Mr Daga, a chartered accountant, was Executive Director (Consumer Sales) in the Marketing Division of Hindustan Oil Corporation Limited (HOC).

During his 28 years in IOC, Mr Daga worked in diverse disciplines, including international trade, in different capacities, and also worked at the company's corporate office and at regional headquarters. Besides, he had a stint as Executive Director (Marketing) in the Marketing Division.

Widely travelled, Mr Daga has attended various national and international conferences and seminars.

Mr Daga, with a wealth of experience in the field of Finance, will be heading SAIL's Finance function. He, along with Mr M.S. Reddy, Group Managing Director, will be the SAIL's new management team.

An Interview with Director (Finance) Mr. G.C. Daga:

One of the main planks of the company's strategic thrust over the next five to eight years will be strengthening of the company's financial foundation through a multi-pronged approach, better and more efficient cash management, reduction in total borrowings, at a lower rate of financing, and cost savings through enhancement of productivity. Now that the company is planning for growth, what is the company's general outlook and strategy?

COST, PRICES AND PROFITABILITY

The company is focusing on growth, demand, and the steel market. The growth in demand is due to incremental capacity, incremental exports, and increased production and sales. The company's general outlook and strategy is focused on cost, profit-oriented product mix, and profitability through expansion in borrowings by over Rs 4,200 crore and substantial reduction in interest charges.
SAIL aims to become the lowest cost steel producer: D(F)

Mr Gyan Chand Daga (52) took charge as Director (Finance) of SAIL on 23 March 2004. Prior to this, Mr Daga, a chartered accountant, was Executive Director (Consumer Sales) in the Marketing division of Indian Oil Corporation Limited (IOC).

During his 28 years in IOC, Mr Daga worked in diverse disciplines, including international trade, in different capacities. He also worked in the company's corporate office and as regional head in IOC's different marketing zones. Besides, he had a stint as Executive Director (Finance) in the Marketing division.

Widely travelled, Mr Daga has attended several national and international conferences and seminars in India and abroad.

Mr Daga, with his rich experience in Marketing and Finance, will have a vital role in contributing to the future development of SAIL which, having turned around, is poised to execute its growth plan over the next few years.

An interview with Director (Finance) Mr. G. C. DAGA:

Qu. One of the main planks of SAIL's turnaround was strengthening of the company's financial foundation through a multi-pronged approach—better and more efficient cash management, reduction in total borrowings, reduction in cost of financing, and cost saving through enhancement of operational efficiencies. Now that the company is planning for growth, what will be the future financial outlook and strategy?

Ans. The steel industry is cyclic in nature. After a long spell of depression, the outlook of the global steel industry looks optimistic and the steel market has shown signs of improvement. Financial year 2003-04 could be dubbed as the landmark year for the steel industry both in terms of volumes and profitability.

SAIL has closed the year with a record financial performance. The company's turnover crossed Rs 24,000 crore. This has been achieved due to growth in demand, firming up of international and domestic steel prices, 7% increase in saleable steel production and sales, intensive cost control measures, market-oriented product mix, rationalisation of manpower, reduction in borrowings by over Rs 4,200 crore and substantial reduction in interest charges.
Capacity expansion is being planned in most core sectors of the economy. This will further fuel the demand for steel. Apparent consumption of steel in India is expected to be about 60 million tonnes by 2011-12. SAIL has planned to take advantage of the projected rise in steel demand and is finalising a blueprint for capacity enhancement, mainly through brownfield schemes for de-bottlenecking of production processes to tap the full potential of existing facilities, as well as some schemes for technological upgradation, etc.

SAIL aims to become the lowest cost producer of steel. This will be achieved by process optimisation, technological interventions, reduction in procurement costs by enhancing dependence on e-procurement, long-term strategic alliance for raw material, reduction in financial cost, manpower rationalisation, prioritising 'high return-low implementation time' projects, investment in JVs or acquisition of facilities relating to infrastructure development like port handling, etc. These measures will enable SAIL in improving its profitability.

Qu. What steps do you propose to take to bring the company's debt-equity ratio to an optimum level?

Ans. With substantial reduction in borrowings during the year 2003-04 and improvement in the profitability of SAIL, the current debt-equity ratio of SAIL as on 31.3.2004 is 1.86:1, as compared with the peak level of 8.36:1 as on 30.9.2002. Given the present state of excellent financial performance and repayment/prepayment of debts proposed to be made in the current financial year, it would be possible to achieve debt-equity ratio of 1:1 in the near future.

Qu. How do you plan to solve the problem of lenders not agreeing to accept prepayment of loans? Will this stand affect SAIL's future borrowing plans?

Ans. During the last financial year we have been able to prepay all the term loans after discussions with banks. However, we have been facing some resistance in prepayment of bonds, which carry high rates of interest.
We have been discussing with major bondholders for working out mutually acceptable terms and conditions for prepayment. The lending institutions have taken up our request - either to lower the applicable rate of interest or to accept the prepayment on mutually agreed terms - positively. We expect that we will be in a position to prepay high-interest carrying bonds on mutually agreed terms during 2004-05. SAIL is not resorting to any unilateral prepayment to the lenders. Therefore, this arrangement will not affect SAIL's future borrowing plans in any way.

Qu. SAIL is looking to invest around Rs 800-1,000 crore every year on upgradation schemes of production facilities. What will be the finance route for this investment plan?

Ans. SAIL has taken up various capital schemes for sustenance and upgradation of its production facilities. At present major ongoing schemes are the Long Rail Project at Bhilai, and ERW Pipe Plant upgradation, rebuilding of Coke Oven Battery # 1, capital repair of BF# 4 and turbo alternator at RSP. Various new capital investment projects will be taken up in keeping with the company's Corporate Plan, 2011-12. SAIL has a depreciation of over Rs 1,000 crore every year that will be used for capital expenditure. Besides, accruals from internal resources also would be available; for the investments.

Qu. SAIL's Public Deposit Scheme continues to provide high interest to investors even under a falling interest regime. How viable is this policy for the company? If rate of interest is reduced in future, how will it affect those employees who had opted for deferred VR scheme and deposited part of their separation benefits in?

Ans. The SAIL Public Deposit Scheme was the largest scheme in the manufacturing sector and enjoyed very high level of trust and confidence of investors. SAIL achieved this reputation based on highest standard of service. SAIL had reduced its interest rates for new deposits by 1% w.e.f. 2.4.2001 and further by 0.5% w.e.f. 2.1.2002 in line with the falling interest rates in the market. Acceptance of fresh deposits/renewals from public has been suspended since September 2002 due to statutory requirements. The tenure of public deposit is up to three years and the scheme is scheduled for
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redemption in full by September 2005. On date of maturity, the depositors are being paid back the amount due as per the original terms and conditions of deposit.

If PDS is resumed in future, the rate of interest will be aligned with the prevailing interest rates for fresh deposits. All the depositors (including the employees who opted for VRS) are being serviced at the interest rates at which deposits were accepted. Hence, VRS employees who have deposited their money under SAIL PDS will not be affected.

Qu. Over the years, SAIL has achieved a great amount of success in inculcating a high level of transparency in its working. Do you have any plans to introduce new systems/procedures in finance area? Besides, what will be the thrust areas in your new assignment?

Ans. It is true that SAIL has the best systems/procedures not only within the steel industry but also among other public sector companies which inculcate a high level of transparency in its working. Time-tested and well-documented systems are prevalent in the company. The performance of our company is subject to number of audits, both internally as well as by external agencies like statutory audit, GAG audit, quality audit, review by various Standing and Parliamentary Committees, etc. Besides this, we have also followed and implemented the system of corporate governance as stipulated in clause 49 of the listing agreement.

We also intend to take advantage of the advancement in information and communication technology in bringing about more transparency, wherever required, in our working procedures and practices.

The existing systems/procedures of the Finance function in our company are commendable. However, with the help of new and latest technologies, innovations and experience gained, some more improvements can be brought into. The thrust areas are:

- Integrated advanced level of computerisation of all finance activities within shortest possible time frame.
- Strengthening internal control systems and MIS.
- Useful and meaningful contribution, as a service function, by faster and quicker decision-making.
• Enhancing the efforts towards achieving the cost control savings, thereby reducing cost of production of steel.

• Improvement in the cash management by:
  • Online cash balance arrangement with State Bank of India and CMO/Plants.
  • More reliance on electronic payment and collection mechanism, wherever possible.
  • Restructuring of domestic and foreign loans (including reduction in borrowing level) so as to reduce the incidence of interest burden.
  • Deployment of surplus funds at high returns, within the given parameters.
  • To arrange and provide funds for company's capital expenditure proposals.
  • To achieve desired level of debt-equity ratio (1:1).
  • Reduction in time for finalisation of annual accounts without impairing the quality and striving to achieve the 'Best Presented Accounts' award instituted by the Institute of Chartered Accountants of India.
  • Training of finance employees to keep them up to date on latest practices, standards, procedures, etc.
  • Succession planning in the Finance function, in consultation with Personnel Department.

We will increase domestic sales by over 1 MT this year

Interview with Mr. S. K. Roongta, Director (Commercial), SAIL -

Qu. SAIL's turnaround has been attributed to strengthening of operational efficiencies with substantial support from a resurgent steel market. What is your view? How much of the contribution came from internal measures taken by Marketing?
Ans. There is no denying that SAIL's turnaround has been supported by improvement in market conditions. Consumption of steel in India has been growing at an average rate of 6-7% for the last few years. The global market for steel also witnessed a high growth contributed by a demand boom in China.

But it needs to be appreciated that improvement in market conditions, per se, does not result in successful marketing. It is for the marketing organisation to convert the opportunities offered by the market into achievements. The contribution from internal measures to the overall result was very significant, although it may not be possible to exactly quantify the same. We adopted a proactive approach to foresee emerging market trends and draw up appropriate strategies for domestic and export markets. More importantly, by pursuing customer-centric strategies, we were able to keep our loyal customers with us through thick and thin. The implementation of ISO: 2001 across the marketing organisation provided an added competitive edge in achieving higher customer satisfaction. In addition, consuming segments of high value and special steel products were given a special thrust both by Marketing and Steel Plants.

Thus, the unified approach by SAIL towards identifying critical user segments in the country and effectively servicing them paid rich dividends. The surge in domestic demand provided the right environment for the success of this approach.

**Qu. Why was there a change in thrust from exports to domestic marketing towards the latter half of 2003-04? How did this help the company commercially? Are you intending to continue with this strategy during the current year?**

Ans. SAIL is basically a domestic player with about 90% of its production being sold within the country. At the same time, SAIL has been exporting various steel items like plates, HR coils, semis, etc., for the last many years and has, by now, established a name for its products in international markets. The resurgence in the global market for steel in 2003-04 was accompanied by a rising demand trend in the domestic market as well, especially in the latter half of the year. During this period, flat product prices in the domestic market witnessed considerable increase in line with global prices.
Keeping in view the prevailing domestic and international market conditions at the beginning of the year, share of exports and domestic market was kept at strategic levels with flexibility to make short-term adjustments. Exports were proportionately higher in the first half of 2003-04, and with improvement in domestic market conditions, the share in domestic market was enhanced. This helped in getting optimum realisation as well as in satisfying our long-standing customers. We would continue to maintain a balance between domestic and export sales, though catering to domestic demand would remain our main thrust.

Qu. What will be the company's marketing outlook and strategy, both for the medium and long term, to complement SAIL's plan for substantial growth during the next five years?

Ans. In order to dovetail its marketing efforts in line with the company's growth plans, CMO would be adopting a multi-pronged approach, including

- Improving our market/intelligence system and forecasting capabilities to provide strategic inputs for key business decisions.
- Retaining our overall market share and maximising our share in high growth and value added segments.
- Increasing consumer base as a safeguard against market vagaries.
- Taking further initiatives for product branding and establishing our brands in the market.
- Reduction in marketing cost through optimum utilisation of marketing infrastructure and better management of logistics.
- Maintaining sustained presence in the export markets.
- Promotion of steel for increasing per capita steel consumption in India jointly with other producers and agencies.
**Qu.** The price of steel has been a much talked about subject during the year gone by. What is SAIL's approach to pricing?

**Ans.** There have been concerns expressed by the domestic consumers regarding steel prices primarily on account of volatility of prices, regular and steep increases. It may be recalled that due to a prolonged downward trend in the steel industry, prices, both in the domestic as well as international markets, had reached their lowest ever levels and thus price increases appear substantial with reference to these low levels. It may be mentioned that Indian steel industry has got closely linked to the international markets and domestic producers can't decide the price levels ignoring international market dynamics, more so when import duties have also been brought down substantially. Thus, prices in the domestic steel market are basically a reflection of international market trends. That imports into the country have not registered a quantum jump further substantiates the fact that domestic prices have been appropriate.

SAIL follows a market-driven pricing policy and would like to discourage speculative and short-term pricing decisions not based on fundamentals.

**Qu.** SAIL has developed a strong market-oriented took in recent years. How do you propose to strengthen this?

**Ans.** The first major challenge SAIL overcame successfully was to adapt to the post decontrol scenario. This not only required a paradigm shift in systems and methods but also total change in attitude. The marketing organisation rose to the occasion and effected several internal changes to face the emerging competitive scenario. Barely had the benefits of this major transformation started coming in when the steel industry, the world over, entered a rather prolonged period of recession. It is during this period that the marketing team gave their best. These experiences helped in developing the strong market-oriented outlook. We propose to build on this through various measures such as -

- Further strengthening of result-oriented approach
- Consolidation of Key Account Management process
• Improving supply and channel logistics to widen the reach of our products
• Continuously increasing share of branded products
• Implementation of segment-focused strategies
• Improving commercial acumen and expertise.

Q. What is the current scenario in the domestic market for flat and long products? What is SAIL's position in this picture?

Ans- The domestice market for steel products in the current year is expected to grow by about 8-10%. Commencement of several infrastructure projects, both in the public as well as privatized sector, growth in auto sector, etc., should result in substantial demand growth in plates, structural, reinforcement bars, HR coils, CR coils, etc.

SAIL will continue to be a major player in the domestic steel market both for flat and long products. While maintaining our overall market share, we aim to increase our share in value-added products.

Q. Do you feel that SAIL's effort in product-branding has been as good as that of its competitors? Do you bare a firm plan to widen the scope of branding by including more products?

Ans. SAIL undertook branding of its products a bit later than its competitors. Yet, items like SAIL TMT, SAIL Jyoti, etc., are established brands today. While we would like to increase the share of branded products on a continuous basis, both in long and flat products, we are simultaneously concentrating on establishing credible retail channels to effectively widen the reach of our branded products.

Q. The majority of our steel products continue to be commercial grades. What plans are there to increase the proportion of value-added special steels in our product basket?

Ans. During 2003-04, SAIL marketed about 9% of its products under value-added special steel category - a growth of around 30% over the previous year. During 2004-05 we plan to grow in this segment further by
over 60% - about 15% of our marketing plan. CMO, in close association with RDCIS, is continuing to work to develop a number of new products and new applications.

*Qu.* **We have a large network of authorised dealers in the country. In what ways do they complement our sales effort?**

*Ans.* Authorised dealers are meant to reach SAIL steel for retail market and to service the customers where SAIL does not have a direct marketing network. These authorised dealers, in turn, appoint several sub-dealers at different locations to widen the reach of our products. The authorized dealers also help in catering to the small and tiny requirements that, otherwise, would not be cost-effective to service through our direct network.

*Qu.* **SAIL does not seem to have made great headway in rural marketing, despite the fact that there is a huge untapped marketing potential What are the plans for this area?**

*Ans.* SAIL has appointed nearly 120 rural dealers at over 90 locations all over the country. However, the effectiveness and reach of the scheme is to be further improved and much more needs to be done in this regard.

*Qu.* **SAIL is perceived as a company catering to mainly institutional buyers/mega projects. Do you feel it is appropriate to continue with this image?**

*Ans.* The perception, perhaps, arises due to inherent strength of SAIL having the widest range of materials and its ability to supply large quantities in trainloads as per delivery schedules of institutional buyers/mega projects. However, SAIL, with the largest customer base amongst all the Indian steel producers, has been catering to not only institutional buyers and mega projects but also to other large, medium and small units. We would be further enhancing our supplies to medium/small consumers in terms of our marketing plan for 2004-05 and a number of such customers have been recently brought into SAIL's fold through our order booking schemes.
Qu. Faster decision making is a must in today's competitive business environment. What measures do you plan to take to inculcate this in the Marketing function in SAIL?

Ans. Over the years, the marketing organisation's structure has been evolved to facilitate faster decisions. We are also adopting business and result-oriented procedures and systems to speed up decisions. The delegation at different levels is continuously reviewed. We are also in the process of upgrading our IT-enabled systems to provide real-time data to aid faster decision-making.

We have to improve efficiency, reduce cost of operations to absorb rising input costs -

In an interview with Researcher Mr. K. K. Khanna, Director (Technical)

Qu. SAIL has announced its intention to increase production of hot metal from the present level of 12 MT to 20 MT by 2011-12. What is the blueprint for achieving this target and what kind of preparations will it entail?

Ans. SAIL produced 12.75 MT of hot metal during 2003-04. This was achieved despite operating six out of the seven blast furnaces at Bhilai and four of the five blast furnaces at Bokaro. BF # 1 at DSP has been phased out since August 2002, after repairs and decommissioning of BF # 3. Thus, SAIL operated 17 of its 20 blast furnaces in 2003-04.

The plan for raising hot metal production to 20 MT involves operating all the furnaces, revival of BF # 1 at DSP, replacement of two smaller BFs of RSP with a new, bigger blast furnace and improving BF productivity from the current 1.5 tonnes/mVday to about 2 t/mVday. Higher productivity will be achieved by a combination of measures, including technological upgradation of the furnaces, as and when these are due for capital repairs, and improving the inputs.

Among the measures envisaged is improvement of the lining pattern of the BFs. Thin lining and copper staves with closed circuit treated water cooling will be introduced to get additional volumes and longer campaign life of BFs. Auxiliary fuel injection will also be used extensively. Three BFs in BSP and one
each at DSP, RSP and BSL will be equipped with tar injection facilities. Coal dust injection (GDI) will be introduced in three more furnaces both at BSP and BSL. Coal injection rate will be increased to 150 kg/tonne of hot metal from the present 70 kg/thm. Availability of natural gas is also being explored for use in BFs. Oxygen enrichment will be increased to 4-6% in all the furnaces against the current level of 1-2% in some of the furnaces. Health of turbo-blowers and stoves will also be improved to get higher blowing volume and pressure as well as higher blast temperatures above 1150°C. This will help in improving productivity of the BFs.

Presently, 70% of the charge burden in BFs is sinter. The plan is to introduce pellets in the burden up to a level of 10-15%, in addition to the sinter. The use of pellets will help in increasing productivity of BFs and also reduce fuel rate. The planned pellet plants will use beneficiated slime recovered from slime ponds, which otherwise is being dumped as waste. So this will also improve environmental protection.

Then, we plan to improve the quality of iron ore from our mines by using better and newer beneficiation techniques such as hydrocyclones, medium intensity magnetic separators and slow-speed classifiers to contain percentage of alumina and silica to 2% each, i.e. total gangue of less than 4% from the present level of 5-6%. With reduced alumina and silica, slag volumes shall also reduce, thereby bringing down coke consumption and increasing BF productivity.

The preparation for upgradation of BF # 7 at BSP and BF # 4 at RSP, during their ensuing capital repairs, have already started. At BSP, tar injection has started in BF# 3 and will shortly start in BF # 2 as well. Extension of GDI from BF # 6 to 7 at BSP is in progress and is likely to be commissioned by September.

All these improvements being planned will enable achievement of 20 MT hot metal production by 2011-12.

Qu. Please give us a picture of the new projects necessary to achieve the production targets for 2011-12.

Ans. Our investment strategy envisages the following:

◆ Augmenting the capacity of some of our existing iron ore mines and development of new mines to meet our enhanced requirement
in terms of both quantity and quality. New mines at China, Rowghat, South & Central block of Kiriburu-Meghahatuburu and Thakurani are planned.

- Rebuilding of coke oven batteries incorporating pollution control measures for meeting the statutory emission norms, as and when the batteries are due for rebuilding.

- Pellet plants to improve the BF charge burden, as I mentioned earlier.

- Realising full hot metal potential from existing BFs with productivity-related investments, reconstruction of one BF at DSP and installation of a new BF at RSP to augment hot metal production.

- Phasing out of the twin-hearth furnaces at Bhilai and their replacement with basic oxygen

- Complete phasing out of the ingot route in favour of the concast route.

- Installation of new finishing mills to reduce production of semis from the present level of 20% of saleable steel to 5% and augment output of finished steel to a level of 16.6 MT per annum. These additional finishing mills will facilitate achievement of the finished steel target.

**Qu. The SAIL plants are operating at more than 100% of their average capacity utilisation today. How was this made possible? Does this also mean that now there is not much scope left for further improvement in the existing capacity utilisation?**

**Ans.** The concept of production being restricted by name-plate capacity does not exist now in SAIL. The potential of each shop is carefully analysed, while making annual plans. We have inter-plant expert committees in all major technology areas, which keep looking at potential areas of improvement and transfer of good practices from one plant to another. Improvement in capacity utilisation will come from operating all the blast furnaces and improving the productivity of existing BFs and BOFs of steel melting shops.
We have decided that up to 2006-07, we will achieve higher production levels by exploiting full potential of existing equipments. I have already spoken about the various measures planned for utilising the full potential of our BFs, which will result in exceeding the production level already achieved.

Similarly, the productivity of BOFs would be raised from 6,000-9,000 heats/converter/year to over 10,000 h/c/y. This will be achieved by increasing lining life to over 4,000 heats from the present level of maximum 3,200 heats by improving operating practices like reduction in reblows, use of combined blowing, regular nitrogen splashing, creation of hot metal de-sulphurisation facilities, etc. This will improve converter availability and give additional productive time for higher production. Therefore, there is a large potential still to be tapped, particularly in the iron & steel zone.

**Qu. What are the immediate challenges before our company from the point of view of plant operations?**

**Ans.** The immediate challenge before the company is to improve operational efficiency and reduce cost of production to absorb the impact of rising input cost, particularly cost of coking coal. Our efforts to improve operational parameters and practices will be strengthened to get the desired results.

In the iron-making area, desired results will be achieved by ensuring:

- improved blast furnace availability and utilisation
- 100% screening of lump ore
- elimination of occurrence of 'not-dry' casts achievement of consistent hot metal quality in terms of silicon (0.5%) and sulphur (0.03%)
- increased use of LD slag and nut coke and
- maximum use of sinter.

These will help to improve BF operations and bring down costs.
In the area of steel making, the lining life of converters can be raised to 4,000 heats and life of ladles to about 150 heats by better operations like reduction in reblows, use of combined blowing, maintaining high basicity of slag, nitrogen splashing, reduction in turnaround time of steel ladles, online heating of steel ladles and development of zonal lining for converters and steel ladles. At RSP, full utilisation of facilities for desulphurisation of hot metal will help to reduce sulphur in steel, increase continuous casting speed and improve concast production.

Potential for improved continuous casting exists at all our plants. Realising this would increase operational efficiency further. The scope to reduce energy consumption in rolling mills, particularly in the reheating furnaces, also remains.

Stores & spares is another area where savings are possible by increased inhouse production of high-value spares at our engineering shops, thrust on reconditioning of high-value spares and systematic maintenance for reducing breakdowns. Procurement costs can also be reduced by improved vendor development.

Developing long-term relation­ships with quality suppliers, as in case of the Consumer Oriented Lube Depots set up by Indian Oil at our integrated steel plants, can help reduce stores inventory. Such relationships can be developed for items like bearings, conveyor belts, lighting systems, etc. Moreover, we have benefited considerably in recent years by adopting the e-commerce route for procurement of some items. The scope of e-commerce can be extended to cover more items.

Qu. In the area of techno-economics, has any benchmarking been undertaken to further improve our standards and efficiencies in steel making? How do our plants compare with international standards?

Ans. There has been a steady improvement in the techno-economics of plant operations during the last few years. This has been possible due to internal benchmarking being practiced in all the main areas of steel plant operations based on the recommendations of our own expert committees. The International Iron & Steel Institute (IISI) based in Brussels had benchmarked
the major operating parameters based on a survey of the best performing steel plants in the world. Coke ovens, sinter plants, iron making, BOFs and rolling mills were covered by the study. The average BF productivity of surveyed plants was 2.39 t/mV/day, while the best achieved at the international level was 3.2 t/mV/day in one of the furnaces at Rautaruukki of Finland. As against this, we have achieved best BF productivity of 2.06 t/mV day in BF # 3 of BSP.

Similarly, our best coke rate at BSP's BF # 6 is 426 kg/thm, against the best of 336 kg/thm achieved at the international level. The average specific energy consumption in the IISI surveyed plants was 5.92 Gcal/ tcs against best of 6.86 Gcal/tcs achieved by Bhilai Steel Plant last year.

The achievements at the international level are mainly attributed to best quality and consistent raw material input, modern state-of-art technology and the high efficiency of operations at these plants. Some of the gaps that exist between the international benchmarks and our own achievements shall be eliminated with the investments that are planned at SAIL along with constant monitoring and recalibrating of our performance for improved efficiency. We are constantly working towards reducing gaps in respect of international benchmarks.

**Qu.** *Is there any plan to increase the production of special/value-added steels in order to improve realisations as well as market share?*

**Ans.** We had made good progress in special steel production in 2003-04, which went up by 30% over the previous year. This had been made possible by initiatives taken by the Operations Directorate to bring about better coordination between plants and CMO.

During the current financial year, we plan to produce 1.42 MT of special grades like high tensile plates, boiler quality plates, API plates and HR coils, LPG coils/ sheets, SAILCOR HR/CR products, DD/EDD HR/CR products, etc. The thrust now will be on meeting the requirements of the oil & gas transportation sector, construction, railways and defence.

As for auto-grade steel, our focus is mainly on auto components. As we add more secondary refining and quality control facilities, our share
of special products will go up. We have to leverage the modernised facilities and expertise available at plants, RDCIS and CMO to increase our share of special steels.

Qu. In your view, how good or bah" is SAIL's responsiveness to market compulsions?

Ans. SAIL has responded very well to the vagaries of the market. We adjusted to market requirements by reducing campaign size, and by developing newer products in terms of quality and sizes. Besides, SAIL kept pace with market growth by raising production by 7% in 2003-04. In fact, production in SAIL is now well aligned to market conditions. For instance, BSP developed the means to roll 12 mm TMT at its Wire Rod Mill and increased plate and rail production beyond capacity, as required by the market. Bokaro developed SAILCOR through continuous casting. RSP increased production of CRNO. Some more examples of development of special products as per market requirement are:

- Processing of all rail heats at Bhilai through RH degasser from November '03, as desired by the Indian Railways. The rails are being supplied with maximum 1.5 ppm hydrogen in liquid steel from April '03.

- Development of import substitute DMR-249 A (ABA grade) warship steel by BSP for DMRL, Hyderabad. The steel was produced through vacuum degassing and rolled into plates from 10-24 mm thickness.

- Employment of leaner chemistry and special schedule of heating, rolling and controlled cooling at BSP for solving the problem of internal soundness in plates supplied to L&T Komatsu for their earthmoving equipments.

- Development of 'S' profile wheels for locomotive by DSP, as required by the Indian Railways.
Qu. SAIL had faced disruptions in supply of imported coking coal recently. What steps have been taken to overcome this?

Ans. SAIL had tied up its entire coking coal requirement of 12.6 MT in 2003-04 comprising 4.6 MT indigenous and 8 MT imported coking coal from long-term suppliers. While the indigenous coking coal supplies were as per plan, there was disruption in supplies from two of our Australian suppliers - M/s MIM and M/s Anglo. Roof collapse in Oaky Creek Mine of M/s MIM in June 2003 and again in November 2003 resulted in force majeure situation during June-July 2003 and November-December 2003. The shortfall in their supplies was around 0.55 MT. Again, following a roof collapse in its Moranbah North mine in January 2004. M/s Anglo had invoked force majeure. The shortfall in Anglo's supplies had been around 0.87 MT.

The situation was partly managed by arranging additional raw coal from Bharat Coking Coal Limited (BCCL) and getting it washed at IISCO, DSP and TISCO washeries. SAIL also utilised this opportunity to augment use of auxiliary fuels in its blast furnaces. Tar injection was started at two furnaces at BSP and is being extended to other plants. Plans for augmentation of GDI and usage of natural gas have been drawn up. Usage of Meghalaya coal has also been tried. Plants have also started using sponge iron to augment hot metal production. These measures helped to prevent any major cut in production.

Qu. The environment laws relating to industry are quite stringent. What steps are being taken by SAIL to conform to the regulations?

Ans. The environmental laws pertaining to iron & steel making operations are becoming more and more stringent. SAIL is operating in, conformity with the existing laws since the company is fully committed to playing a contributory role to environmentally sustainable steel operations. A pointer to SAIL's level of commitment is its voluntary joint partnership with the Ministry of Environment & Forests (MoEF) in the Corporate Responsibility for Environment Protection programme, for reduction of pollution levels and overall improvement of environment. All our operations are planned after giving due priority to the environment and social responsibility towards the community at large. Despite facing financial constraints during the period of
recession, we have been able to achieve an overall improvement in our environmental performance over previous years.

At SAIL, we have taken a number of initiatives towards pollution control and environmental protection. Since inception, over 9,000 hectares of land have been brought under greenery. We have also recently started amla plantations in vacant land at Bhilai. The produce from these plantations will go for medicinal use.

Nearly Rs 1,400 crore have been invested in pollution control equipment/technologies/measures during the last 10 years. As a result, the performance of our units in environmental area has shown significant improvements: Water consumption levels have reduced from 20.16mVtcs in 1993-94 to 6.27mVtcs in 2003-04. Water consumption levels at BSP are approaching international standards and the other plants are not far behind. But we still have to make a lot of effort to achieve the international benchmark, which is 3-5 mVtcs at the Thyssen steel works in Germany.

There has been a significant reduction in our stack emission levels - from 12 kg/tcs in 1993-94 to 2.48kg/tcs in 2003-04. The benchmark at POSCO's steel works is 0.274kg/tcs. Although the stack emissions and ambient air quality levels at all units are today within regulatory limits, we are making concerted efforts to achieve the best practice performance in the shortest possible time.

Effluent discharges, too, have shown a significant drop - from 14 mVtfs in 1993-94 to 5.4 mVtfs in 2003-04. As regards waste management, alternate uses of wastes, particularly BF and SMS slag, are being explored. Some of our facilities are already certified to ISO: 14001 standards. Others are in the pipeline.

On June 5, 2004, World Environment Day, Chairman, SAIL had released the Corporate Environmental Policy. The Environmental Policy envisages continual improvement in environment protection and pollution control by setting challenging targets, measuring progress, taking corrective action and communicating environmental information to all concerned. We are making all efforts to ensure that commitments towards environment protection made to the MoEF are fulfilled and our concerted efforts will help in ensuring a cleaner and greener environment.
Qu. SAIL's Safety Policy clearly states that safe operations and protection of human lives and machinery are of paramount importance. How stringently are operations and observance of SOPs/SMPs monitored to achieve safety in operations?

Ans. Safety at the workplace is indeed a top priority area. Steel operations should and can be accident-free. The loss of any colleague in an accident is a blow to our collective strength and a loss of precious gift of life, which cannot be retrieved at any cost.

Though the observance of SOPs/ SMPs are being monitored regularly, we are further augmenting our efforts to ensure that the standard practices are followed religiously as mishaps during maintenance, operation and material handling have been major causes of fatalities at the plants.

During 2003-04, the Safety departments at plants took up many new initiatives for reinforcing safety consciousness among employees. Such programmes include training in the areas of fire safety, electrical safety and safety in steel making, introduction of job safety cards, use of pipe scaffoldings in place of bamboos and use of full body harness instead of safety belts. We are also conducting safety audits on a regular basis to further strengthen our efforts to ensure safe operations in our plants.

New organizational culture must for faster effective decision making -

Interview with Mr. P. K. Gupta, Executive Director & Chief vigilance Officer, SAIL.

Qu. How does it feel to be" at the helm of affairs of the Vigilance function of SAIL after having spent almost your entire career span in SAIL's Central Marketing Organisation?

Ans. After having spent almost 36 years as a homegrown marketing professional and having handled almost all the sensitive positions within CMO, including the assignments of Group Product Manager and Group Market Manager for both long as well as flat products, I personally feel honored at being given this responsibility. I have always believed that one can do justice to
any job, including sensitive assignments, while remaining within the param-
eters laid down by the policy guidelines, systems and procedures. There, of
course, may be occasions when a relaxation/deviation may be needed from
the set norms. In such cases, it is always advisable to record adequate
justification for the action and seek approval rather than turning a blind eye
to the norms set and rushing ahead without recording anything.

Further, in my opinion, Vigilance offers an excellent learning
platform about all the diverse activities of SAIL, since no two cases that come
up to vigilance are alike. Hence it is a worthwhile experience to learn about
the nuances of various operational activities as well as support functions that
are at play in a vast and diverse organisation like SAIL. Which other
assignment or organisation could offer you a canvass as large as this?

*Qu. There appears to be a perception of fear in the minds of the people
within the organisation about the role and functioning of Vigilance. How
would you react to this?*

*Ans. I see no reason as to why such a fear, if it at all exists, should be
there in the first place. In a way, the very nature of the vigilance function
conjures up an element of apprehension in the minds of the people, which is
understandable up to a point. However, beyond that there is no need for any
right thinking member of the organisation, who has the organisation's
interest uppermost in his mind, to nurse unfounded fears in his psyche.

In my opinion, the major reason for this could be the fact that
during 2003-04 the pendency status of vigilance cases in SAIL - both com-
plaints as well as regular departmental action (RDA) cases has been brought
down drastically. There was not a single complaint pending as on 31.3-04,
which remained unsettled beyond the prescribed norm of three months. RDA
cases lingering on for as long as 8-10 years were brought to their logical
conclusion, a fact that has also been appreciated by the Central Vigilance
Commission (CVC) as well as Ministry of Steel.

This, naturally, has resulted in a spurt in the number of punishment
orders involving both minor as well as major penalties, issued during the
period. This may have been largely responsible for stirring up a fear
psychosis. But one should not lose sight of the fact that we have merely
cleared the accumulated load in a time-bound and structured manner under
the able stewardship of Mr S.K. Panda, our erstwhile CVO, and its not that suddenly we have invented a large number of new cases of our own.

Qu. What, according to you, should be the immediate thrust areas for SAIL?

Ans. In order to sustain the pace of growth and profitability we have achieved in the last year or so, we have to inculcate a new organisational culture that encourages faster decision making and implementation of projects. In the fitness of things, our Chairman has been emphasising this aspect in all his recent interactions with different sections of executives.

There is a need for us to move away from the governmental way of doing business, towards thinking and behaving like a commercial entity, even while remaining within the parameters laid down by various guidelines and circulars issued by the CVC.

While this would call for a thorough revamping of our existing systems and procedures as mentioned earlier, there is also a need to inject a new work culture. Changing organisational cultures is not an easy task. This is an exercise which is top-driven and calls for total commitment and an honest introspection of our leadership styles in order to assess whether the same is conducive for encouraging the culture of decision making at operating levels as opposed to the culture of pushing the files up.

In my opinion, such a fundamental change in the decision-making culture of an organisation is possible through a well-structured, time-bound communication programme involving the entire cross-section of executives on one hand and 'setting the examples' in a top-down manner on the other.

From the side of vigilance, we have to focus more on creating a system-centric approach that can prevent people from getting into vigilance problems, rather than the traditional approach of punitive vigilance.

A good beginning has already been made and a lot of system improvement ideas have been implemented at the behest of Vigilance.
I am not only hopeful but also confident that with these initiatives, in addition to our normal thrust on operational and marketing efficiency, SAIL will be well poised to achieve the corporate targets set for 2011-12.

Mr. G. C. Daga, Director (Finance) SAIL spoke to researcher on SAIL-IISCO merger

Qu. What are the key issues involved in the method of accounting for mergers like consolidation of accounts, stock valuations and cost data? Could you please give us an update on the progress?

Ans. At present, the accounts of IISCO, as a subsidiary, are included in the annual consolidated financial statements of the company. After merger, the accounts of IISCO will be merged with the accounts of the company in the same way as that for other steel plants/units like BSP, DSP etc. The accounting policies, chart of accounts and accounting guidelines followed by IISCO in the preparation of its accounts are similar to those of SAIL which are as per the company law provisions, accounting standards, established accounting practices etc. IISCO is using the same accounting package as being used by other units of SAIL. Thus no difficulties are envisaged in preparation of IISCO accounts and its consolidation with SAIL accounts. As regards stock valuation and cost data, there will be no change as IISCO is already following SAIL's methodology and guidelines in this respect.

Qu. What is the immediate financial impact of IISCO's merger with SAIL? What will happen to IISCO's accumulated loss?

Ans. Since, the appointed date of merger of IISCO with SAIL is 1.04.2005, the financial results of IISCO for 2005-06 would be merged with SAIL results. The impact for year 2005-06 would be known only on completion of the year. As regards the accumulated loss of IISCO as on 1.04.2005, this would be adjusted against SAIL's Cumulative Profit and Loss Account Surplus. Further for income tax purpose, the accumulated losses (brought forward) of IISCO as per the Income Tax act 1961 would be available for adjustment with the taxable income of SAIL for the financial year 2005-06.
What kind of exercise now need to be taken to ensure proper resource allocation among all SAIL units following IISCO's merger?

At present, SAIL is having a centralised cash management system and is maintaining Centralised Account at New Delhi. The cash inflows through sales of products are routed through CMO and merged into Centralised Account. For meeting day-to-day expenses including operational and capital expenditure, the funds are allocated from SAIL corporate office based on the requirement of plants/units and overall cash collections of CMO.

Following IISCO's merger, basically there would not be any change in the methodology of resource allocation among the SAIL units including IISCO. It would continue to be the same. Subsequent to merger the cash inflows of IISCO will also be routed through CMO and merged into Centralised Account of SAIL at New Delhi. Similarly, for meeting day to day expenditure, IISCO, now ISP would also send its requirement and funds would be allocated to IISCO from SAIL Corporate Office.

In technical parlance, could you please elaborate on the nature of IISCO's merger with SAIL?

The merger of OSCO has been effected under provisions of Sections 391 to 394 of the Companies Act, 1956. The provisions in brief involve framing of a scheme of merger which, inter alia, contain background of the companies, shareholding pattern, appointed date of merger, transfer of assets, liabilities, contracts, rights, licenses, statutory permissions, employees and their provident/other funds from the transferor company to the transferee company, consideration to be paid to the shareholders of the transferor company, etc. An application is filed with the respective High Courts in whose jurisdiction the registered office of the transferor company and the transferee company are situated for convening meeting of the shareholders and creditors of both the companies for obtaining approval of
the scheme. In case of a Government company, the application is filed with the Central Government, the Ministry of Company Affair (MCA). After obtaining approval of the shareholders/creditors and publication of general notice inviting objections, if any, to the scheme of merger, a petition is filed with the High Court/MCA for issue of order confirming the scheme of merger. The merger becomes effective on filing of the order with the Registrar of Companies concerned.

**Qu.** Pursuing the process of merger must have been a unique experience. How did you go about the entire exercise? Could you give us an idea of the volume of work involved? What are the hurdles and the facilitating factors that you encountered? And, how does it feel, when the process is finally completed?

**Ans.** The merger of IISCO with SAIL has been a unique experience and is the first of its kind in the history of SAIL. This is the first time when a company has been merged with SAIL by following the provisions of Sections 391-394 of the Companies Act, 1956. The merger of erstwhile VISL with SAIL was done in public interest under the provisions of Section 396 of the Companies Act. Moreover, IISCO, being a sick company, was registered with the Board of Industrial and Financial Reconstruction (BIFR) and the approval of BIFR was also required. It was also to be ensured that various concessions available to IISCO as a part of rehabilitation plan approved by the BIFR, be continued by the Government of West Bengal even after merger of IISCO with SAIL. Further SAIL, being a listed company, had to obtain approval of the Stock Exchanges also for the scheme, before filing the same with the MCA.

An inter-departmental committee was formed consisting of representatives of Finance, Company Secretary, Business Planning, Law and IISCO to complete various formalities required for the job. M/s. Amarchand Mangaldas & Associates were appointed as the legal consultant.

The process of various approvals was initiated with, an 'in-principle' approval of the Board of Directors of SAIL and IISCO. The proposal was formally submitted to the Government of India, Ministry of Steel for according their approval to the merger. Simultaneously, dialogues
were continuing with the Govt. of West Bengal for confirmation of continuation of benefits/concessions available to IISCO as a part of rehabilitation plan, even after its merger with SAIL. After approval of the Government of India, a draft scheme of merger was framed and approval from the Board of Directors of SAIL & IISCO was obtained. As per Listing Agreement requirements, before filing of application along with the draft scheme of merger with MCA, the scheme was sent to Stock Exchanges for their approval. A 'No Objection' of BIFR was also obtained simultaneously for the merger of IISCO with SAIL. After hearing of the application, MCA directed that a meeting of the equity shareholders of the SAIL be convened to obtain their approval to the scheme of merger. Based on our request in the application and persuasion in the hearing, MCA was kind enough to waive the requirement of holding meeting of the creditors of SAIL and also meeting of the shareholders and creditors of IISCO. This helped us in reducing the time frame of merger by at least 2 months. After obtaining approval of the shareholders of SAIL, a petition was filed with MCA for necessary directions regarding the date of final hearing. MCA directed to issue a general notice for the benefited of general public and the creditors of both the companies to submit their objection, if any, to the merger. Similar, notices were also sent to the Registrar of Companies and Regional Directors at Delhi and Kolkata and the official liquidator of IISCO, MCA also fixed 16th January 2006 as the date of final hearing of the petition. No objection from and quarter was received for the merger and MCA in the final hearing approved the merger. The final orders were issued by MCA on 15th February 2006 and with the filing of the order with the Registrar of companies on 16th February 2006, the scheme of merger became effective.

During the whole process of requiring approvals from various authorities, we received cooperation from all the quarters. The guidance and keenness from the top management was the most facilitating factor. Being a judicial process, it was bound to take time. However, officials concerned in MCA were very co-operative. Due to this the process was completed in very short time.
Q. From the perspective of Company Affairs, what are the new challenges ahead after the merger?

Ans. The Merger of IISCO with SAIL is only a step in the direction on developing IISCO as a profitable integrated steel plant. SAIL has not only to make huge investment in the capital schemes of IISCO but also provide it with managerial and technological support in a big way. A sense of belongingness with SAIL has to be instilled in the employees of IISCO. Making of requisite capital investment with a view to bringing ISP at par with the best integrated steel plant at the earliest is the real challenge.

RMD is gearing up to produce 30 MT of iron ore by 2012

Mr. S.C.K. Director (Technical)

Qu. Where does RMD stand in SAIL's operational strategy today?

Ans. SAIL has a large captive raw material base with 10. iron ore, six limestone, two dolomite and three coal mines. These mines meet all raw material requirements of SAIL, except the specific requirements vis-a-vis coal. Incidentally, SAIL is the country's second largest mining organisation after Coal India Ltd. SAIL is also the largest iron ore producer in the country. The total raw material produced from SAIL mines this year is over 22 million tonnes.

The operational strategy of SAIL strongly hinges on the formidable presence of our strong raw material base, as the steel plants continually require assured quantity and better quality of raw materials at competitive price. The strategy for the long-term linkages for sustained raw material supply for SAIL steel operations necessitates development of new mines with state-of-the-art technology and large investments, and optimisation of available resources to fully harness the potentialities of existing mines.
Qu. What are the major highlights of RMD's achievements in the recent past?

Ans. RMD has taken up a number of new initiatives in the recent past with a focus on satisfying increased demand for quality and services. Our determined efforts to save cost of operations have helped us to produce more cost effectively.

Prior to the formation of RMD, the individual steel plants used to receive raw materials directly from their respective captive mines. The rationalisation in the supply of raw materials to the steel plants under the umbrella of the RMD has allowed flexibility of supply and also reduced dependence on the outside market. In addition, there has been continuous improvement in the supply of requisite quantity and quality of iron ore and fluxes from the mines at competitive price, which is one of the lowest in the industry. This, coupled with the technological improvements in the area of bedding, blending in the steel plants, better operational practices, and technological interventions, have significantly increased the productivity of our blast furnaces.

RMD has also taken up an ambitious perspective planning to increase the iron ore production to 30 MT by 2012 through systematic comprehensive development plans for opening of new mines at Rowghat, Chiria, Thakurani and south and central blocks of Kiriburu-Meghahatuburu deposits, etc. At the same time, due emphasis is being given to achieve the rated capacity of existing mines through time targeted short-term plans.

As a responsible corporate citizen, SAIL RMD has taken up a number of initiatives to mine in harmony with nature. Schemes have been taken up to improve the environmental performance in the mines, through air and water quality enhancement measures, waste minimisation efforts, scientific greening programmes, environmental awareness programmes, eco-clubs in schools, vermiculture, etc. RMD mines have also taken the lead in community welfare schemes to enhance the social dimension of steel making.
Qu. SAIL's four integrated steel plants are operating at over 100% of average capacity utilisation. How much of this achievement was due to the improvement in quality and quantity of raw materials being supplied by RMD?

Ans. The profitability of the raw material-intensive steel industry is significantly dependent on the availability of quality raw materials at low cost. RMD caters to the total inhouse requirements of the steel plants with respect to the quantity and qualitative raw material needs. Mines are gradually supplying better and better quality of raw materials year after year. Assured supply from captive sources, flexibility of supply instead of dependence on outside market, cutting down of lead-time for procurement and transportation, reduction in outside procurement and sustained phased investments for machinery revamping and replacement have been major contributory factors to suit 100% capacity utilisation by the SAIL plants.

Qu. In view of the upturn in the steel market, SAIL plants have already chalked out strategies to go full steam in production. What measures has RMD taken to cope with such a challenging requirement in the coming years?

Ans. The coming years are going to be a highly challenging period for mines of SAIL. Our existing mines at Dalli-Rajhara, Kiriburu-Meghahatuburu, etc., will get considerably depleted within the coming decade. In view of the production plan during this period, the requirement of raw materials will increase to 30 MT. Qualitative needs will also be more exacting, with required Fe content crossing 64% and gangue to be maintained at less than 4% by 2011-12.

The current trend world over has been one of increased productivity of blast furnace and reduced coke consumption for achieving lower cost of production of hot metal. This can be achieved through use of tailored ferruginous burden in blast furnaces with high iron and low gangue content in combination with other technological improvements.

Our iron ores have intrinsic gangue associated with the iron minerals. To achieve a satisfactory liberation of the gangue for its removal, grinding of ore to a very fine size followed by beneficiation/concentration is the best long-term option/solution.
The future demand of alumina in iron ore fines is expected to be 1.3% with total (silica* alumina) gangue of about 2.5-2.7%. This would call for a re-look into the existing beneficiation facilities and a new approach for selection and installation of better and innovative beneficiation practices with concurrent adjustment/additional facilities in the steel plants. M/s Metchem of Canada has recently assisted SAIL in the formulation of a long-term strategy for its iron ore requirement and production from the mines and suggested innovative interventions in this regard.

Most of the SAIL group of mines were developed in the 1960s and Seventies with technologies prevalent at that time. These require constant upgradation. Moreover, some of the major SAIL mines like Rajhara, Dalli, Kiriburu, Meghahatuburu will undergo rapid depletion of reserves by the next decade. RMD has geared up with short, medium, and long term strategies to meet these challenges.

It is envisaged that two new mines will be developed at Chiria in Jharkhand and Rowghat in Chhattisgarh to produce 10 MTPA each. Long-term investments for mines will also see the development of south and central blocks of Kiriburu-Meghahatuburu mines and the Thakurani deposits. However, iron ore mining being confined in forested and remote areas, new projects require a long gestation period before production can commence.

Plans have been made to infuse additional funds and new technologies to better the performance from the mines and optimal utilisation of existing resources. Additional beneficiation equipment like hydro cyclones, medium intensity magnetic separators and slow speed classifiers to improve the quality of iron ore fines will help RMD meet its goals in a more effective manner. A phase out programme for systemic replacement of old mining equipment is already on and the fleet is being constantly upgraded.

SAIL is also drawing up a roadmap for the future to market any surplus in the domestic/international markets after meeting inhouse requirements.

**Qu. Is it economically viable for SAIL to have its captive mines? In other words, how does the cost of our captive mining compare with that of other suppliers?**

**Ans.** Cost of production in our mines is competitive with other suppliers. Iron ore produced at Kiriburu-Meghahatuburu is cheaper than that produced by Tata Steel and NMDC. However, cost of production is higher than the market price in some of the mines like Barsua and Kalta due to geo-techno-economic reasons. For fluxes, the SAIL plants will have to partly depend on non-captive sources in Rajasthan and Central India. However,
Qu. In a free market economy, only the cost of production is under the control of an organisation. RMD evidently has an additional responsibility in keeping the raw material cost of steel making to the minimum. How significant is it for RMD to be cost-effective? What are the key steps you have taken in that direction?

Ans. RMD proposes to supply superior quality of raw materials - iron ore with >64% Fe and with <2% alumina as well as silica content - on a consistent basis to the steel plants. This will be achieved through new technologies and adoption of new product-mix. Usage of lump will be gradually reduced from the existing level of 35% of the mix to 15%. Rich iron ore pellets will comprise another 15%, and sinter burden will be around 70%. With this mix and quality blend, the cost per tonne of iron ore produced will be higher, but will get compensated by higher productivity of blast furnaces and better quality of hot metal.

Qu. Mining operations in general are manpower intensive. But now when there is a near absence of any fresh recruitment, don't you feel that skill dilution is imminent for RMD?

Ans. SAIL's strategy has always been to harness the potentialities of the workforce to the best advantage for the organisation. Enhanced attention in terms of systems management and time and multi-skilling will go a long way in meeting the goals that RMD has set for itself in the coming years.

Qu. What steps are being taken to improve the competence level of employees keeping with the increasing mechanisation in RMD mines?

Ans. In any large organisation, the focus on optimal utilisation of human resource assets forms the cornerstone of the company policy. RMD is taking steps to rationalise manpower in the wake of increasing mechanisation at the same time fulfilling its statutory obligations. The focus is necessarily two-pronged - one, on the continuous upgradation and enlargement of capabilities of existing employees and, secondly, the retraining and multi-skilling with a view to expanding flexibility in deployment.
Qu. **Could you please provide an update on the new investments planned for RMD?**

Ans. SAIL proposes to invest extensively in its mines up to the year 2011-12. The following major projects are being envisaged:

- Mechanised mine at Chiria to produce 10 MTPA
- Mechanised mine at Rowghat to produce 10 MTPA
- Development of mechanised mines of 4 MTPA capacity each at Kiriburu- Meghahatuburu's south and central blocks as replacements for older mines
- Capacity expansion of Bolani mines to 5 MTPA
- Development of a new mine at Thakurani to produce 1 MTPA
- Computerised instrumentation and automation in mines
- Installation of CCTV and mobile GPS equipment tracking system in mines
- Upgradation and modernisation of mining machinery

Qu. **Last but not the least, will RMD remain committed to community development?**

Ans. SAIL RMD remains committed as always to demonstrate social responsibility by promoting values that show respect for people and communities, as well as build and share knowledge of sustainability. Every year, multifaceted socio-economic activities for community welfare are taken up in the surrounding villages through provision of medical facilities, mobile dispensaries, eye camp programmes, drinking water to villagers, digging of wells, road improvement and new road construction, school building construction, establishment of community centre and recreation facilities, funding drainage/sanitation measures, agriculture development measures, adult education, environment awareness measures, etc.
THE PERSONNEL FUNCTION HAS TO FACE NEW CHALLENGES

Mr. Ashish Das, Executive Director (Corporate Planning), SAIL was appointed as Director (Personnel)

Qu. How do you look at the personnel and HR functions in SAIL?
Ans. SAIL has always been a pioneer in the area of personnel and HR activities. The HR systems have evolved gradually over past years, and many new initiatives have been launched. It has been enriched through assimilation of best practices followed internationally. In fact, this is an area where SAIL has been the role model for many leading Indian companies.

Recent years have witnessed major changes in the economic environment of the country. Following liberalisation there has been an upsurge of new generation organisation and a trend towards globalisation. These changes have led to dramatic transformation of market conditions. The hallmark of the new environment has been a highly competitive business environment and enhanced customer expectation. These have posed new challenges for SAIL to survive and prosper in the emerging situation. HR has the vital role in this process of reorientation where the focus and attitude have to be quite different than what it used to be. Hence the personnel function has to face new challenges in donning a dynamic role.

We have to reorient and re-energise our workforce through appropriate HR interventions. Steps have been taken in this regard and our employees have responded well. We have to now speed up the process and make SAIL a more vibrant, healthy, innovative and dynamic organisation in a short span of time.

Qu- What are your immediate priorities?
Ans- The labour productivity in tonnes / man / year of SAIL has registered a growth of 29% in last 4 years. However, we have to go a long way to match the industry benchmark. Our cost of employment is also at an extremely high level - about 20% of the total cost of production.
The changed environment compels us to improve these parameters significantly and with speed so that SAIL gains the competitive edge in the emerging market place. Hence, we have to opt for rationalisation and optimisation of manpower as thrust area.

While ensuring this we have to keep our people motivated and focused on steady improvement of performance. This is pertinent since we have envisaged a 7-8% annual growth over the next 2-3 years in all major activities through optimum utilisation of our existing resources. This can be achieved by maintaining a healthy industrial relations climate in all our plants and units and ensuring the full involvement of employees in the process of resurgence.

**Qu. What steps are being taken in this regard?**

Ans.- Our manpower rationalisation efforts harp on the voluntary retirement schemes that we have launched from time to time. The very explains the spirit behind the scheme, where the willing employees opt for the exit route, which also makes room for reasonable social security. It is a win - win route where both the employees and the organisation gain. There has been good response to past schemes. Our manpower has come down by about 47,000 in 6 years. A VR scheme has again been introduced from 1 July 2003 valid upto September'03. We plan to continue with suitable VR schemes and reduce our manpower from the present level of about 137,500 to about 120,000 in the next 2-3 years. We will then review the situation and work out a strategy for further reduction of manpower thereafter.

We take pride in the excellent rapport and mutual understanding between the management and the employees. The fact that the organisation emerged unscathed from a turbulent period where the employees provided unsullied support to the strategy followed by the organisation, proves our contention. We have reinforced this close bond through mass contact and intensive internal communication. SAIL has always been an employee - driven organisation. We are conscious of the expectation and aspiration of the employee and the organisation will always live up to this.
Qu. What are the major concerns and critical issues?

Ans. Reduction of manpower to make the organisation leaner remains a prime concern. So far, we have pursued VR as the only means to achieve our goal. Although this has worked fine so far, it is losing steam looking at the target we expect to achieve. Hence we may have to be more innovative to ensure faster reduction. We have to evolve suitable mechanisms to persuade employees with low productivity to opt for VR in their own interest as well as for benefit for the organisation.

The second major concern is the intra-union factionalism which is affecting our working, particularly in joint forums. We believe in bipartite mechanisms for integrating organisational requirement with employees expectations. However, we seem to be getting entangled in judicial restrictions and I would like to appeal to all concerned to rise above individual differences and come together to function in a constructive manner as a single cohesive team.

Next comes to pressures for employment from various agencies, and in most cases there are no immediate requirement for such recruitment. This also needs to be addressed.

Lastly, although not exactly an area of concern, I would like to emphasise the need to maintain absolute harmony at the work place and build a workforce which is capable, skilled innovative and fully committed and motivated towards organisational vision and objective. This may call for further fine-tuning practices, systems, procedures and decisions to meet the emerging requirement.

Qu. How would you rate the success of the SAIL VR scheme vis-a-vis those offered by private companies? Many private companies have included a rehabilitation scheme in their VRS to make it more attractive. Why has SAIL not thought of such motivational factors as well?

Ans. Will like to emphasis that our VR schemes so far can be rated as quite successful. This is proved by the substantial reduction of manpower already achieved. This is no mean achievement considering the trying circumstances through which the organisation has passed, and compares well
with the best performances of other organisation in this field, whether in the
corporate or private sector. The results are further impressive in view of the
upward trend in production, techno-economics, cost savings, and the
significant financial turnaround. This has been possible only through the
understanding and support of employees, trade unions and officers,
associations.

The success of the schemes can be further gauged by the fact that it
has been systematically implemented without any major hiccups. Industrial
harmony has been maintained while effecting 32,000 VRs. The skill base
has also not been allowed to deteriorate.

SAIL is conscious of the need for rehabilitation of employees
separated through VR and is taking adequate steps to ensure this. Post - VR
housing facility for some period and lifelong provided. Employees separated
through VR are given preferential treatment in leasing of houses and
allotment of shops in steel townships. The amount which the employee gets
at the time of separation under VR provides reasonable social security. The
employees considering VR are being advised to make use of the re - training
and counselling facilities offered by the Government of India through nodal
agencies/ organisations. We are also open to other forms of rehabilitation
within the limits and systems of the company.

Qu- How has the personal function developed in SAIL? what changes
are now necessary?

Ans- The personnel policies and practices in SAIL have been well
recognised and in many cases adopted as a model by various private and
public sector organisations. This profession in SAIL has traced a transition
from labour welfare or IR - oriented focus to organisational employee
development and further matured as a true HRD function.

I believe in continuously reorienting and re - defining the role of
personnel functions and its various linkages to the changed business
environment. There are varying expectations form stakeholders such as line
managers, top management, employees, unions, officers' associations state
government machinery, the owners and society at large. Often these
expectations could also be contradictory to one another, Essentially the need
is to align the expectations of various stakeholders into the organisation's goals of continuous growth and development. For this, the personnel function must have a more strategic dimension. It must also undergo change to add significant and perceivable value.

The employees in the personnel area have to think beyond their limited functional area and be able to relate to ultimate business and company objectives. The mindset has to change to more a value-added approach. The future functioning will demand less of routine transactional personnel function and more of strategic value-added initiatives.

Some of the areas where HR functioning has to focus in future are improved performance management system, best work practices/work culture, reward-punishment modalities, continuous training and upgradation of employees, quicker response to voices of employees and environment, recreating systems to bring in customer orientation and cost sensitiveness, team building, effective communication, etc.

Our objective is to make our workforce—both executives and non-executives—skilled and capable, motivated, disciplined and innovative. Our aim is to build self-confidence in employees and develop their pride in the organisation. We have to facilitate creation, retainment and growth of such a workforce—by providing suitable challenges, giving them opportunity to grow and also providing them adequate returns for their contribution.

**Qu.-** SAIL has earlier set benchmarks for industry in the areas of personnel/HR management. What will be your initiatives in this respect?

**Ans.-** SAIL did take a leadership role in the area of HR management. The initiatives taken in this area were seen as benchmarks by the industry, be it in the area of performance, appraisal and management, shift in promotion system from seniority based to merit-based, training & development, de-layering of organisation, and other OD interventions. However, these benchmarks are time specific. More so, all these HR systems have a life-cycle of their own. They need to be reviewed, re-invented and re-engineered to fit into the present organisational context and business framework. Rapid development in information technology, increasing competition and pressure of performing in this fast-paced environment have
forced human resource function to take the center-stage of organisational management and assume a strategic role.

Therefore, major HR initiatives in achieving business results for the company would in the following areas:

- Competency building
- Improving communication
- Developing task orientation
- Building a customer focused organisation
- Creating a lean, de-layered and nimble organisation
- Creating an open, responsive and innovative culture
- Constructive industrial relations
- Strengthening joint forum working

Qu. - *In your view, how effective is the structured communication module of holding a series of workshops for effecting the change agenda?*

Ans. - The success of effective any change agenda has to centre around people. In an organisation like SAIL where the workforce represents a diverse profile in terms of educational background, age-groups and sociocultural background, the communication aimed at bringing about smooth change will be most effective through structured communication modules. It has been a time-tested exercise in SAIL for effecting the change agenda at the shopfloor. The whole exercise centres around the need for making the employees understand the organisational priorities, the difficulties being faced by the organisation (external and internal), solving technical problems, encouraging them to come out with innovative ideas and implementing the same.

Structured communication provides an excellent forum for employees to vent their views and suggestions in open sessions. When the suggestions given by the employee are implemented, it gives a sense of satisfaction to the employee which, in turn, not only helps the organisation in improving its operations but also provides greater motivation and pride to the employees. Many problems and pride to the employees. Many problems have been solved at SAIL plants/units by adopting this powerful tool of communication.
These communication exercises have evolved over the years and have become a platform of introspecting current performance, accountability, constraints and remedial actions in different areas of operation. In fact, the whole exercise has become a learning experience for all of us.

*Question:* What is SAIL's employee-turnover ratio? How does it compare with the global industry norm?

*Answer:* The 10-year data on employee turnover (resignations) reflects that on an average it is around 300 employees/year. The turnover ratio, at only around 0.2%, is low. It is also our experience that the major contribution to such resignation is from Management Trainees within the first year of appointment, and to some extent from the computer, instrumentation and electronics disciplines. This is being tackled through advance planning at the time of recruitment. The turnover ratio is not an issue for us, as it is with other industries such as software industry.

*Question:* At a time when employee participation is a must for sustaining the turnaround at the targeted level, what steps are being taken to keep the employees motivated?

*Answer:* Our strategy for keeping up morale and motivation of our employee is based on five major foundations:

(a) Fairness, transparency and uniformity;

(b) Communication;

(c) Recognition of employees' contributions;

(d) Developing understanding of our objectives and performance; and

(e) Willingness to share prosperity of the organisation with the employee.
The boost in the level of employees' morale and motivation can be seen from steady improvement in performance in production volume, product-mix enrichment, quality improvement and cost reduction. After a prolonged, difficult period SAIL's fortunes have turned the corner. The financial performance of the last two quarters speaks for itself. The pride of being a top performer has galvanised the workforce, which now targets much higher level of performance. The employee morale is upbeat and our strategy is to keep the spirit high through consistent HR efforts and intervention.

Qu.- *SAIL's industrial relations climate has generally been peaceful. To what do you attribute this success.*

Ans.- The credit for this goes entirely to our workforce. Our employees would not like to do anything to destabilise the functioning of the organisation. Other contributing factors have been strong and healthy tripartite forums—from shopfloor level of the officers' associations and labour union. Of course, there have been instances of unwarranted IR situations. But such occasions have been far and few between. All of us believe that constructive discussions and mutual understanding will lead to amicable solutions for all contentious issues.