

CHAIRMAN'S NEW YEAR ADDRESS FOR YEAR 2021

My dear colleagues,

Namaskar.

*Aap aur aap ke pariwaar ke sabhi sadasyon ko nav varsh 2021 ki hardik shubh kamanayein.
Aane wale saal me aap ko khushiyan aur achhi shehat milen.*

I wish you and your family members a very happy and healthy New Year - 2021.

The year gone by was exceptionally challenging due to onslaught of corona pandemic. The pandemic has taught us some valuable lessons on risk management, exploring new solutions and creating new opportunities while coping up with unprecedented and unforeseen events. As a company, we took some bold and pragmatic decisions which resulted in some good performances.

While I sincerely believe that the worst is now behind us, we, as responsible citizen, have to keep following the precautionary measures and also adapt to the 'new normal' as we move ahead. During these last 10 months, unfortunately, we have lost 38 of our colleagues (I have lost a colleague in the Board), some family members, friends, co-workers, health workers, corona warrior, etc. to the pandemic. I pray to the Almighty for the departed souls and for blessing the family members with strength to bear this tragic loss. There are stories of grit and sacrifices by the health-care givers -- doctors, nurses, hospital officials and staff in the frontline at the SAIL hospitals. I, on behalf of the SAIL collective, thank all those who were directly or indirectly involved in these efforts.

In times of gloom and fear of the unknown, it was heartening to see the endeavour of the SAIL collective, be it at mines, plants & units, CMO, to not only cope up with the pandemic but also to find ways to achieve some 'highest ever volume' performances. I take this opportunity to thank all concerned for this.

Today, I am also beginning my new role in the company. It is indeed a very humbling feeling to lead an organization having a rich legacy of about 145 years. Kulti Plant of SAIL, once a Private Company, produced iron for the first time in India in 1875 and steel in 1906. All the steel plants and subsidiaries merging under the Steel Authority of India Limited (SAIL) provide a great legacy to our company. It fills us with a strong sense of pride when we realize that since inception SAIL has played the pivotal role in nation building and the slogan "There's a little bit of SAIL in everybody's life" could not have been more apt.

We continue to be the most trusted steel maker to the nation. SAIL's contribution can be appreciated more when you consider the fact that the thriving cities like Bhilai, Bokaro, Rourkela, Durgapur have been built from scratch. With the vision of our leaders, the townships envisaged then, have become the cornerstone of business activities today. During my visit to the mines, I was astounded by the efforts SAIL has put in these extremely difficult terrains in terms of providing amenities and creating infrastructure. And we, each one of us individually and collectively, are proud to be part of this great organisation. But with this legacy, comes a major responsibility - we need to continue our efforts for the wellbeing of all our stakeholders and building of the nation.

SAIL is one of the biggest and respected names in the domestic steel industry, it is a name to reckon with. Starting from 1 million tonne capacity, it has now grown to be a more than 20 million tonnes per annum company. The huge leap wasn't achieved overnight. It has been made possible with the commitment and hard work of all of you and all our ex-employees. I express my deepest gratitude and salute all ex-employees who have contributed to the growth of this great organisation.

SAIL has had an excellent leadership throughout its journey of six decades with acclaimed personalities and stalwarts in its Board of Directors and in other leadership roles. The exceptionally competent leaders of SAIL, its previous Chairmen and Directors, MDs, CEOs have been inspiring and have led the organization to greater heights. I am thankful to each one of them for their

exemplary vision and contribution. I am humbled to be in this august company and seek their wishes as I step in to the position of the Chairman. I know that these are some great shoes to step in but I can assure you that I would not be found wanting in my efforts.

The contributions of our stakeholders including members of the SAIL Board, Steel Ministry, Government of India, various State Governments, our suppliers & vendors, contractors and customers are immeasurable. I am grateful to all our stakeholders for their continued and unwavering support. As a CPSE, we are promoted by the Government of India and we are the vehicles of progress of our promoters. I would like to assure our total commitment to the nation building.

A company and its culture are made by people who work for the organisation. I thank each of the SAIL employees and workmen including workers engaged contractually, who are making invaluable contributions to sustain the growth of this organisation. The common thread of passion, commitment and strong attachment to our organization binds us all together. I value it. As I begin my journey as the mentor of this great team and the caretaker of this organization, I commit my entire focus and dedication in taking SAIL to greater heights. At the same time, I also need whole-hearted support and total commitment from each one of you towards your work and the organization. Seeing the enthusiasm and commitment of employees during my various interactions at various units, I am confident that we can and we shall bring a positive change not only in the near future but also build a strong foundation for the next generation.

Although I have interacted with many of you in the past, this would be my first interaction with SAIL collective as Chairman. This, being the first day in my new role, I would like to share with you some of the priority areas and directions that I would like to work on and I expect the 'Team SAIL' to support me in this:

- 1. Safety:**

The first and foremost is Safety. Safety of every life & every limb is important, be it a SAIL employee or a contractually engaged workman. I strongly believe that 'Safety First' should not be a mere slogan rather 'Safety is a Way of Life' should be a part of our culture – a part of our organisation's DNA. Safety is as much an individual responsibility as it is a collective one. It is the organization's responsibility to provide safe working environment and it is every individual's responsibility to ensure that those safety measures are strictly followed.

We must analyse the near-miss cases to strengthen our safety system for which we must report each and every near-miss case without hesitation. Several companies in our industry with very low accident rates have significantly higher reporting of near-miss cases. A culture to report such cases and take corrective actions, is what will prevent accidents in future. I would expect all department heads to work on this and draw out an action plan towards an accident free SAIL.

2. *Sense of Pride in company and in what you do:*

Our company has stood the test of time and braved several challenges. We are a 'Maharatna' company and we have our unique capabilities.. There should be a sense pride in each one of us to be a part of a company of such rich heritage. Many illustrious sons and daughters of our townships have attained leadership positions in various fields and during my several interactions I have found them taking huge pride in being a part of SAIL collective. We make the company and not otherwise i.e. the company does not make us. The 'Sense of pride as a SAIL member' is a significant feeling we must flaunt. Every employee is a brand ambassador of the company and the image takes a hit if we speak ill of the company. It is said "Be the change you want to see". It is you and me who make this company. So speaking ill of the company is all about speaking ill of ourselves, our colleagues, peers, seniors. So why not invest our energies in engaging constructively to improve the systems and

practices. We are privileged to be a part of SAIL family. So let's nurture and curate the bond with this organisation and make it stronger.

Pride in what you do happens when you understand why you are doing the job and the impact it has on the overall performance. We need to appreciate the company's goals, its present status, action plans, constraints and understanding the efforts required in the direction of meeting the company's objectives. I am sure that communication exercises are being held at all plants and units on these aspects. We must continue to have such structured and regular communication exercises across the company percolating to all levels of employees.

3. Customer satisfaction.

We exist because of customers. If each job done is targeted in bringing delight to the customers, both internal and external, we not only create a strong and loyal external customer base, but also can make our system and processes more smooth & efficient. Quality of output for our internal customers impacts the business with the external customers. In case we want to be the first choice of the external customers, we need to create a long term eco-system to consider their requirements and work downwards to fulfil the same while satisfying the internal customers. Marketing and production units can work on this. Please note that if we do not adapt to changes, changes will overrun us.

4. *Solutions are within:*

Every day, along with new opportunities, comes challenges. We rely on employees' talents and efficiency to address these challenges. Most of the times, solutions are within. If the frontline employees regularly identify and own a problem in their areas, the middle management gets actively involved in taking up these issues for finding a solution and higher management mentors such process, I am sure that we shall resolve most of our operational issues.

We have quality circles that do great jobs in improving our processes. We are also proud to have maximum awardees in the national level “Vishwakarma Rashtriya Puraskar” and every project taken up by the groups have given financial gains to the company and in most cases a recurring financial gain. We need to make these efforts a movement and not isolated efforts. A structured approach at departmental levels can bring faster resolutions to many routine issues impacting efficiency and cost savings.

There are many areas, which are low hanging fruits where if we work in purposeful manner, can bring in incremental improvement. Each HOD after brainstorming with his team, brings out further what interventions that are required to bring in efficiency and cut costs and also decide on the team that would own the ideas and implement within pre-decided timelines. These decisions mostly require cross-functional inputs and clearances. In the entire function, we should bring the team together in one place, discuss and resolve all issues on the subject including policy interventions, if any, and have the top management not only supporting the efforts but also participating in the entire process as mentors. By doing so, we will be able to resolve many issues faster and have quicker implementation of solutions. Plants may examine the idea and create a structured scheme.

It should be a movement within the company to have incremental improvement in all areas of operations and dare I say improvement on a daily basis. I am sure that local management may look into this as a programme.

5. *Empowerment and decision making:*

We need to examine ways to enhance empowerment of our employees. When I speak about empowerment, it's not only about empowering by delegation but also creating an environment where the employees are confident that judicious decisions taken by them will be supported by the management. The governance and feedback mechanism should be so institutionalised that there is a control. We must then trust, delegate and empower our teams to take decisions. The quality and speed of our decisions can give us the cutting edge.

The attitude of pushing decision making upwards and relieving self from any decision making, will finally render the individual redundant.

While DOP (Delegation of Power) is necessary for governance, it should not be a reason for delay in decision making. Let each of us ensure that files do not remain with us a single day more than what is necessary. With online approval system in place we should be in a position to track the movement of files and delays .Moreover, each proposal should have an owner who would track the files to maintain timeline.

6. *Top-line*

While we work towards an environment of excellence, it is the performance that will decide our future. Our company has a large fixed cost and has a need of consistent cash flow. Hence, volume of production i.e. the top-line becomes a determining factor for our financial performance. Increasing revenue by volume, value addition, right product mix, right channel mix, etc. are required to prop up the top-line.

During the lockdown, our cash collections were low. As a result, we amassed enormous debts. On 30th April-20, our borrowings peaked at about **Rs 52,290 crores** . Thanks to the sharp economic recovery, hard work put on by our employees, improved performance and buoyant cash collections thereafter, we have managed to reduce the borrowing level to less than Rs 45000 crores - a reduction of more than Rs7000 crores from the peak debt level.

We intend to continue our focus on reduction in borrowings and with present market conditions we intend to bring down the borrowing levels further. This would help in increasing our market capitalisation and with lower leverage we can embark upon the next phase of our expansion with more confidence.

To achieve this, we need to :

- a. **Produce to the maximum capacity** - We must produce crude steel of at least 18 MT in 2021-22
- b. **Utilise all the facilities available judiciously at their rated capacities** - SMS capacities, Automation tools, De-sulphurising facilities, CRM- 3, BRMs, URM, New Structural Mills.

- c. **Reduce disruption time** -We need to strictly adhere to the preventive maintenance schedule. Considering steel being a high Capex intensive industry, we need to quickly work towards predictive maintenance, through which our industry peers are already reaping major benefits.
- d. **Provide raw materials of agreed quality and quantities** - Our iron ore mines have to ensure that their supplies meet the granulometry and maximum gangue content requirements besides the volume requirements of the plants. Technical and logistic interventions required need to be done in a compressed timeline to meet the increase in production of hot metal.
- e. **Get the best value for our Products:** The marketing team has to bring in synergy between market requirements and our mill capabilities. Ultimate aim is to be the first-choice supplier with a positive brand image and to increase the value of our products while continuously upgrading the product mix.
- f. **Efficient materials, stores and spares planning:** Non-availability of spares and stores has impacted our production/efficiency in the past. Timely decision making and sense of ownership would help us to avoid such situation. Financial impact of non-availability of spares, stores and materials is very high and hence cannot be allowed to impact the profitability of the plants. We must devise a system for increased accountability and ownership. While on the subject, the inventory of stores and spares stock is a cause of concern. We must not only reduce the same with focussed efforts but also need better planning to avoid such situations in the future.
- g. **Have an Optimum Inventory:** Inventory is locked cash whether finished product, WIP or stores and spares. Steel inventory is currently low because of market conditions but our average stock holding is higher than our peers.
- h. **Sales of Iron ore:** Today there is a major shortage of iron ore in the country. To ease the shortage, SAIL has been given permission to sell

both fresh ore and dump fines and tailings. We need to maximise our iron ore sales immediately to ease the shortage and also to take advantage of the current price realisations. Already, a lot of infrastructure has been created at our mines to meet this challenge. However, more needs to be done. I am sure that RMD and Bhilai Mines will take up the challenge and meet the target for this quarter and next financial year.

7. Bottom-line:

The essence of business performance lies in the bottom-line i.e. profit made through business operations. The strategies for improving the bottom-line i.e. minimizing cost and maximizing revenue must be sustained. For improving competitiveness 'do more with less' should be our guiding principle.

Like any commercial organisation, SAIL is judged mainly by the profit it makes. We have almost **Rs 7100 crore** of capital related charges (i.e. depreciation and interest) annually, which we need to recover before calculating profits. SAIL has made investments in Modernisation and Expansion of its facilities. We have added capacity, planned new products and made our production processes more efficient. If the incremental benefit of the modernisation is not commensurate with the investment, EBITDA will be insufficient to recover the capital charges. You all know that steel industry is cyclical and ups & downs are inevitable. We need to make our production processes and systems robust enough to weather all downturns.

The ultimate aim of any business entity is to make profit i.e. we need to make more and more money. For this to happen, it is important that performances are reviewed from the financial aspect also. The concept of each vertical as a separate business unit, each a profit centre, should be institutionalised. Various other focus areas are:

- i. **Improvement of techno-economics-** We need to benchmark with our best in any month in the last 3 years, best of the sister units and peers for

equivalent facilities rather than the practice of comparison only with CPLM or CPLY .

ii. **Reduction in rejections and production of NCO** - materials outside orders, which are value destroyers.

iii. **Having a holistic review of all running contracts** - This is being done in many units. I would expect all units to take this up as a priority. This would help us to reduce our fixed cost and make us sustainable even in downtimes.

iv. **Centralisation / pooling of services** - Already we have successfully done for “Salary” of executives. We may think of other areas including improvement in our centralised procurement also.

To enable improvement in top-line and bottom-line, the following need special focus:

1. Increased digital intervention to improve efficiency, accuracy and reliability.
2. Skill development of our work force and frontline executives
3. Creating a culture of creativity, innovations and supporting innovative suggestions/ideas
4. Training and rationalisation & redeployment of manpower
5. Improving company facilities especially in mines for employees
6. Plugging leakages in social amenities
7. Bringing in a culture of quality

The business performance holds the key to our success. We should not only own and be accountable for the targets but also neutralize all impediments present or expected so that we look up with pride when our performance is being discussed. All of us have roles to play. I am sure that with able leaders at various directorates, plants & units and motivated employees who are focussed on incremental improvements on continuous basis, we can outperform our targets.

8. Consolidation and project closures:

While we need to invest to enhance capacities in the future, our immediate task is to consolidate the current capacities and capabilities, which we have already added. We must reap the benefits that were envisaged to be accrued from these expansion projects. 'Consolidation' must be our focus. 'Project closure' should be our aim. For the future, we shall have to prepare a documented blueprint on Project Management including SOPs for timely executions with learnings from our experience in the MEP projects in the recent past. Project vertical may take up this subject earnestly.

9. Sustainability:

Economic, environmental and social are three pillars of sustainability. Along with its economic activities and performances, SAIL has always been environmentally conscious and responsible. We must focus on "Waste to Wealth" and "Zero effluent Discharge". Besides monitoring water consumption, we need to work on water conservation which is likely to be an important subject in the future. However, in environmental effectiveness, we must always strive to go beyond compliance and be a leader for others to emulate. In the social front, SAIL is regarded as a leader. We will remain leader and will go beyond.

10. CSR

SAIL has always prided itself as a socially responsible organisation and the same has also been recognised from time to time. We must ensure that our activities continue to meet the intended goals as SAIL has always championed the interests of the society by taking responsibility for the impact of our activities and shall continue to do so in times to come.

11. Empathy

Empathy deficit needs to be bridged so that our employee policies can stand the test of time as the policies are the guiding light to our actions. Our biggest asset is our employees. We need to develop our empathy, both individually and at organisational levels. Higher empathy leads to better policy, which leads to better services, which in turn leads to efficiency and cost savings, as well as happier people. Cognitive and emotional empathy can help formulation of employee oriented policy without compromising on company goals.

Policies are for a larger good and hence should be devoid of preconceived notions or biases and should qualify in terms of equity, probity and transparency. The decisions we take have to be inclusive and should not be discriminatory towards religion, gender, caste etc.

Women will have an enhanced role in our industry as many of them are better equipped than before. Women will start doing the jobs which were not imagined earlier. We need to provide a suitable eco-system to allow them to contribute and grow without any inhibition.

While empathy is definitely a necessary trait, it is not always possible to do what our heart wants. The company requirement remains the first priority.

It may be appreciated that all employee welfare, upgradation of amenities, expansion plans and even our future depend on our financial performance.

I am aware that during difficult days, some of the employee emoluments had to be curtailed, we will examine the same. The salary/wage revision of executives and non-executives is under discussions with various stakeholders, which with your support, I will make relentless efforts to complete it at the earliest. I am committed to it.

The SAIL Pension Scheme was launched last December, after a long wait of 13 years. Based on the fund availability, we have opened the Pension Portal for employees who have retired up to March 2015. However, the response is poor probably because the retired employees may not be aware of the gradual

opening of the portal. In order to expedite the start of pension to the retired employees, I intend to, irrespective of funds availability, keep the pension portal open permanently for all employees who have retired. As time progresses, we may bring more retired employees in to the fold. All employees, on separation, can fill in and submit the pension form. The applications will be forwarded to the Trustees, who will remit the corpus to the annuity providers on seniority basis as and when funds are made available by the Company.

We cannot live in an eco-system thinking that the “outcome of adverse performance of the company will not impact me”.. I am sure that we can bring in innovative & modern thoughts to our company. All employees have to maintain discipline, respect hierarchy, uphold company image, avoid using external influences, and have integrity& probity. These are non-negotiable.

Friends, I have shared some of my thoughts and expectations with you. I am conscious of the fact that you have lot of expectations too. What I seek from you is your commitment for an accelerated performance with passion, ownership and purpose. I am sure that we can work together towards a SAIL that is structurally so strong that we are able to withstand the winds of challenges of the economy and technology.

Let us leverage our abilities to the fullest and re-dedicate ourselves for this great organisation.

I once again wish you all a happy and safe new year.

Dhanyawaad.