

# General Functional Management



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड  
STEEL AUTHORITY OF INDIA LIMITED

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## Chapter – 1

### Personnel Management

#### 1.1 Personnel Functions- an overview

Organizations are made of people. Their effectiveness depends on the performance of the people constituting them. There was a time when employees used to be considered as liability. Over the time the organizations have realized the importance of its human resources and they are no more being considered as liability but a valuable and strategically important asset. The employees are partner in business. The transformation in the attitude and the outlook towards people in organization has led to development of Personnel Management, which is now-a-days also known as Human Resource Management.

The primary purpose of Personnel Management is to contribute to the profitability and survival of an organization by effective Management of its total human resources. In doing so, however, it seeks to strike a balance of the macro (social justice), micro (organizational effectiveness), functional (personnel policies and procedures) and personal (individual goals, quality of work life) objectives.

All Managers have direct responsibility for the human resources in an organization and are responsible for activities and decisions concerning people. In this sense all managers are personnel managers. Still most organizations have a separate personnel department to coordinate all personnel activities, which mainly consist of the following.

- a. Human Resource Planning and Recruitment : Relates to assessment of manpower requirement and to meet that requirement through recruitment from internal or external sources
- b. Training & Development : Related to assessment of requirement of training, imparting training through training modules and assessment of its impact
- c. Promotions and transfers: Related to career growth of the employees and meeting organizations requirement of trained and experienced manpower.
- d. Performance Management: Relates to assessment of performance of employees against set goals and linking it with reward and growth.
- e. Wage and Salary administration: Management of employees' compensation, incentive schemes, bonus allowances etc.
- f. Employee Welfare : Meeting the social requirement of the employees
- g. Employees' relations: Relates to maintaining conducive environment for smooth conduct of work.
- h. Discipline management: Relates to ensuring discipline at work place and taking disciplinary action.

#### 1.2 Human Resource Planning and Recruitment

##### **Human Resource Planning**

Human Resource Planning means ensuring that the right numbers of people with right skills are available at right place, at right time so that the business goals of the Company are realized. The HR plan takes into account:

- i. Taking stock of the existing manpower, their skill and competence and their age profile
- ii. Analyzing impact of technological changes on job profiles in terms of which of the existing jobs has been /will get eliminated and which new jobs will required to be performed
- iii. The skill and competence that will be required for the future
- iv. Redeployment of manpower to fill up the skill gaps
- v. The training and development of the manpower to meet the present as well as future requirement of the company
- vi. The induction of manpower through internal as well as external sources.

The Human Recourse Plan is prepared on both long term as well as short-term basis. In SAIL annual Human Resource Plan is prepared keeping the overall separations and additional requirement into consideration. Such annual plans are short term Human Resource Plan. The long-term plans are prepared keeping into view the long-term objectives of the organization. In long-term plan, factors like employment cost and labour productivity are also kept in view so that operational efficiency can be maintained to remain competitive in the industry.

In the context of the sweeping changes in the global market, the human resource would continue to be the most vital key in realization of targets.

Some of the objectives/issues that are envisaged to be addressed through Human Resource Planning :

- i. Achieving progressive increase in Labour Productivity
- ii. Preparedness to work with state-of-the-art technology
- iii. Identification and bridging the skill gap
- iv. Correction in age-mix
- v. Ensuring availability of a competent workforce
- v. Continued thrust on multi-skill training for ensuring optimal utilization of manpower
- vii Preparing employees for redeployment to meet future plans

### **Recruitment in SAIL**

SAIL is a continuous process industry with state of the art technology. To operate this industry, SAIL needs highly skilled personnel and competent managers. In order to meet the present and future manpower needs in diverse disciplines, multiple skills and different work areas, SAIL is committed to a system of selection that ensures induction of the best and most competent personnel to take up challenging assignments in the company. All the posts in the Steel Plant are classified into two categories:

- (i) Executives and
- (ii) Non-Executives.

**Executive Posts-** The following policies govern the recruitment of the executives-

- i. The recruitment of the executives at the induction level like Management Trainee (Technical), Management Trainee (Administration) etc. is centrally done by Corporate Office. Recruitment of Medical Officers is done at Plant level.
- ii. At Central level, normal mode of recruitment is through All India Open Advertisement. At induction level, the selection procedure generally involves written test, group discussion and interview. However, some posts are also filled through Campus Selection like MTA-Finance, MTA-Law, Management Trainee Fire etc., where the candidates are subjected to Group Discussion & Interview and are not required to undergo the written test. In exceptional cases, for recruitment at senior level, selection is based only on interview.

- iii. In SAIL except for recruitment of specialists in Medical department direct recruitment at middle and senior level of management is very rare and is introduced as Lateral recruitment. Posts in the higher levels in the executive cadre are normally filled up through promotion

### **Non-Executive Posts**

Recruitment of candidates for non-executive posts is done on All India Basis. The Compulsory Notification of Vacancies Act, requires that the all the vacancies should be notified to the Regional Employment Exchange, which sponsors the suitable candidates registered with it against such notifications. As per Government Guidelines, such vacancies also need to be advertised in the employment news as per administrative convenience. In SAIL such vacancies/positions are notified on career page of SAIL careers website @ [sailcareers.co.in](http://sailcareers.co.in) against which interested and eligible candidates can apply and submit their applications online. Candidates applying directly against such advertisement or notice are also required to be considered along with the candidates sponsored by the employment exchange.

### **Steps involved in the Recruitment process**

Ascertaining the requirement in terms of number of posts to be filled, grade and pay scale of the post etc.

Identification of the medium of the recruitment whether it will be through notification/advertisement or through Campus Selection etc.

Preparation of Advertisement/notification.

The advertisement / notification is to be prepared carefully and should include the name of the post, grade, pay and the job specification, Reservations for SC,ST, OBC,EWS,PWD, ESM applicable as per Presidential directives should be clearly spelt out without any ambiguity. The advertisement should also state clearly the amount of application fee, if any, the address where the applications need to be sent/to be submitted online, last date of receipt of application etc.

The Job specification lays down minimum eligibility conditions for each post in terms of:

- i. Educational qualification
- ii. Experience required, if any
- iii. Age limit
- iv. Physical/ Medical standards
- v. Any other requirements as may be deemed fit

Job specifications for posts are reviewed from time to time depending upon the changing needs of the organization and recruitment are made accordingly.

The applications received from the candidates need to be scrutinized to check whether the candidates profiles matches with what has been asked for in the advertisement or not.

The candidates who fulfill the minimum criteria are then called for written tests/ practical tests/ trade test/skill test and/ or interview as the case may be.

The interview/skill test of the candidates is done by a duly constituted selection board as per the norms.

Before induction, the candidates are required to undergo medical test to assess their suitability as per the medical standards of the posts.

In addition to the above, in recruitment process, the Presidential Directives regarding reservation of vacancies for candidates belonging to Schedule Caste, Schedule Tribe, OBC, EWS, PWD and ESM has to be followed

## Redeployment:

While the Recruitment involves selection of candidates from external sources, Redeployment is the process in which suitable candidates are identified for deployment from within the organization. The meaning of the term Redeployment is to change the job / workplace of the employees from their existing job/workplace after necessary training / up gradation of skill to meet the requirement of the organization and individual's requirement. This process is continuously carried out to meet organizational requirement and also the requirement of the individual.

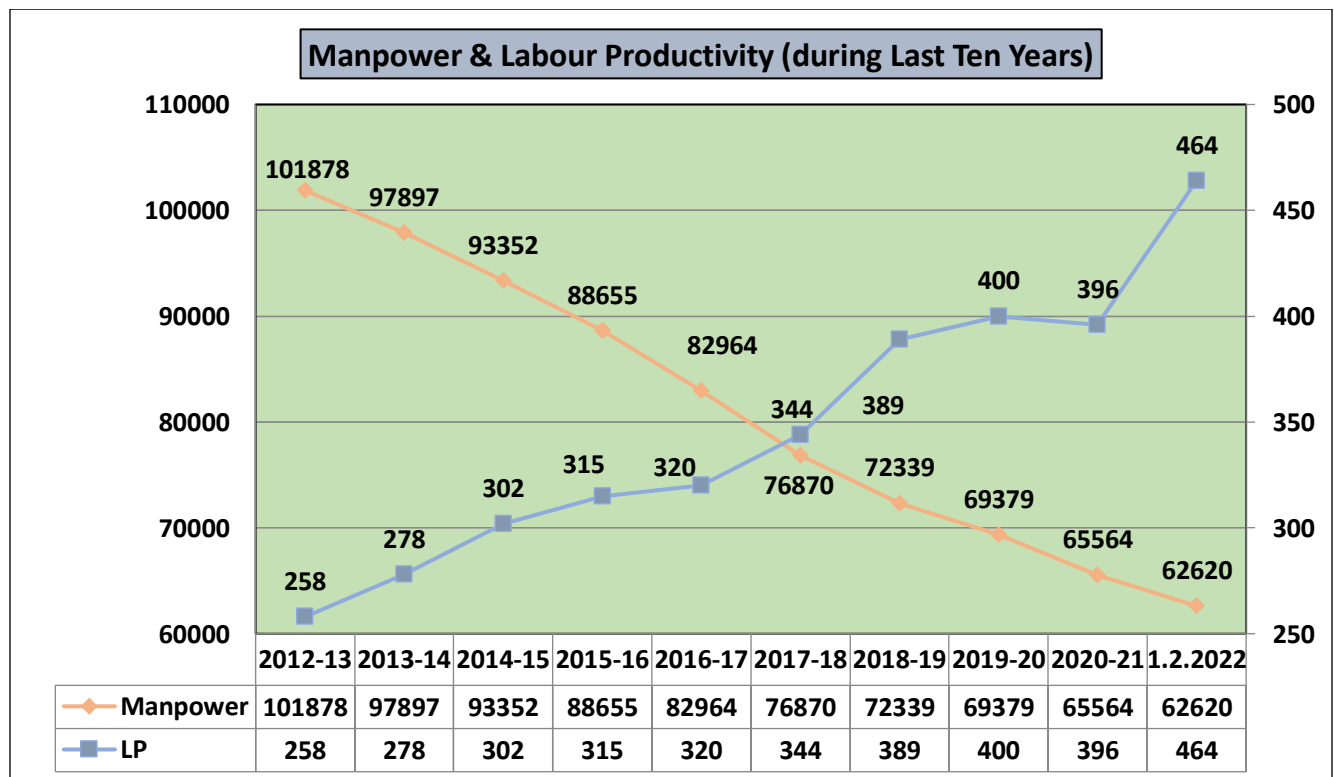
Redeployment in an organization helps individual employees in learning new skills and thereby breaks the monotony of doing the same job over the years. It helps them to get exposure to newer technology and also prevents job loss in an industry / organization.

Also, for the organization also there are gains that accrue from redeployment in the form of improved productivity of employees and better utilization of employees who are accustomed to the culture of the Organization.

## LABOUR PRODUCTIVITY

Labour Productivity (LP) is considered as an indicator of productivity of the workforce directly engaged in production process of any organization. Organization projects LP as an improvement factor and makes effort to bring it at par with the competitors in the industry or world class organizations. Being a manufacturing industry, SAIL gives continuous thrust to enhance its LP to bring it at par with other Steel Manufacturers.

Basically there are two ways to enhance the LP, either by reducing manpower or by increasing production. In SAIL, substantial improvements have been noticed in LP due to manpower right-sizing and improvement in production as an outcome of adopting advance technologies in operations. The status of last ten years manpower vis-à-vis LP is as under:-



The present method of calculating LP in SAIL is based on the methodology prescribed in the PM's trophy scheme. As per this method the main components of LP calculation are as under:-

- i) Crude Steel (CS) Production during the period
- ii) Pig Iron (PI) production during the period
- iii) Works – Technical Manpower during the period

LP for a particular period (monthly, quarterly, yearly) calculated as follows:

$$LP = \frac{\text{Crude Steel Production} + 50\% \text{ of Saleable Pig Iron}}{\text{Average Works (Technical) Manpower}} \times \frac{365}{\text{Duration for which LP being calculated (Number of days)}}$$

The LP of SAIL is calculated every month based on the average LP of 5 ISPs. The unit of LP is Crude Steel Production in Tonnes /Man/Year.

### 1.3 Human Resource Development

In order to secure a sustainable competitive advantage; it is essential to develop right competence and commitment of people in the organization and reinforce it on a continual basis. The value created by organization through its products and services depends, not only on its assets and technology, but more importantly on the competence and commitment of its people. To enhance the competence and commitment of people, there is a need to focus on knowledge, skill and attitude of people. In today's competitive scenario, these have now become the preconditions for corporate survival and growth. Competing through people's competence requires continual updating of knowledge and upgrading of skill of employees in tune with the changes in the internal and external environment.

Training facilitates the development of employee knowledge and skills which in turn help in attainment of organization's goals and objectives. The gap between the actual and desired competence of the individuals and teams can be bridged by systematic HRD inputs to achieve effective results.

Accordingly, SAIL has formulated training and development initiatives for its employees. The salient features of these initiatives are:

- Development of base-line standard of competency for different positions, assessment of competency gap at regular interval and linking this with an exhaustive system of Training Need Assessment (TNA).
- Meeting Organizational, Occupational and Individual Training Needs identified every year through TNA system.
- Developing leadership skills to create proactive and dynamic organization.
- Creating climate of continuous learning through knowledge management.
- Providing re-training for redeployment and multi-skill training to support manpower rationalization.
- Evaluating effectiveness of training to continually enhance the quality of training in SAIL.

### Systematic Approach to Training

To achieve the above objectives, SAIL follows Systematic Approach to Training, which includes:

- Identifying areas, which need training interventions.
- Assessing and defining specific needs.
- Designing appropriate training solutions.
- Implementing these solutions.
- Feedback and evaluation of training effectiveness.



- Analysis and follow-up.

### **Assessment of Training Needs**

Training Need Assessment (TNA) involves identification of training needs at the following three levels:

- Individual training needs
- Occupational training needs
- Organizational training needs

## **Designing Training Programs**

All training programs are designed taking into account the specific needs of employees. The design output contains the Program Aim and Objectives, Program Contents, Target Population, Duration of the Program, Training Methodology including specific mention of case Studies, Exercises, Role Plays etc., Program Structure, Faculty Panel, Audio - visual Aids required for the program and Session-wise Objectives and contents. Once the program is established, Trainers' Manual is prepared to ensure standardized quality of inputs during the training program.

## **Organizing Training Program**

There is an elaborate system for conducting training programs in SAIL. The system involves doing a number of activities to ensure success of a training program. This includes structured methods for identification of participants, communication to the participants about the aims and objectives of the program, selection of appropriate faculty, and ensuring requisite Administrative and Hospitality Services for smooth conduct of the program.

The system also involves various checkpoints so that the programs run smoothly. Similarly, systems are in place to ensure that the program feedback is analyzed and synthesized for necessary preventive and corrective actions.

## **Training Evaluation System**

The technical programs are evaluated to assess their effectiveness. The gap between the desired effect and the actual effect is analyzed to develop new programs or to modify the existing programs.

## **Competence Development**

### **Skill Gap Analysis**

Skill Gap Analysis is required to be conducted on regular basis to ascertain Critical Skills for decriticalisation through systematic training. The strategy so evolved for decriticalisation of critical skills addresses the following questions.

- a) What are the critical skills where skill gaps exist now or likely to occur in the near future?
- b) What are the departments/areas where the skill gaps exist?
- c) What are the actions to be taken to close the gaps?

Subsequently, the Most Critical and Urgent Skill Gaps, which needed immediate attention, are identified and actions are taken to de-criticalize them.

### **Competency Mapping**

Any underlying characteristic required for performing a given task, activity, or role successfully can be considered as competency. Competency may take the following forms: Knowledge, Attitude and Skill.

Competencies can be grouped under four areas which are: Technical, Managerial, Functional and Leadership.

The methodology adopted for Competency Mapping in SAIL involves the following process:

- Identification of competent manpower in different areas/functions of the Department.
- Identification of knowledge and skill level in respect of other employees keeping in view the job requirement/competency.

- Identification of important training needs emanating from competency mapping
- Systematic training efforts to build competencies and bridge the skill gap.

The Managerial and Leadership Competencies are based on SAIL Competency framework. The framework has 8 Competencies under 4 Leadership Pillars as given below-

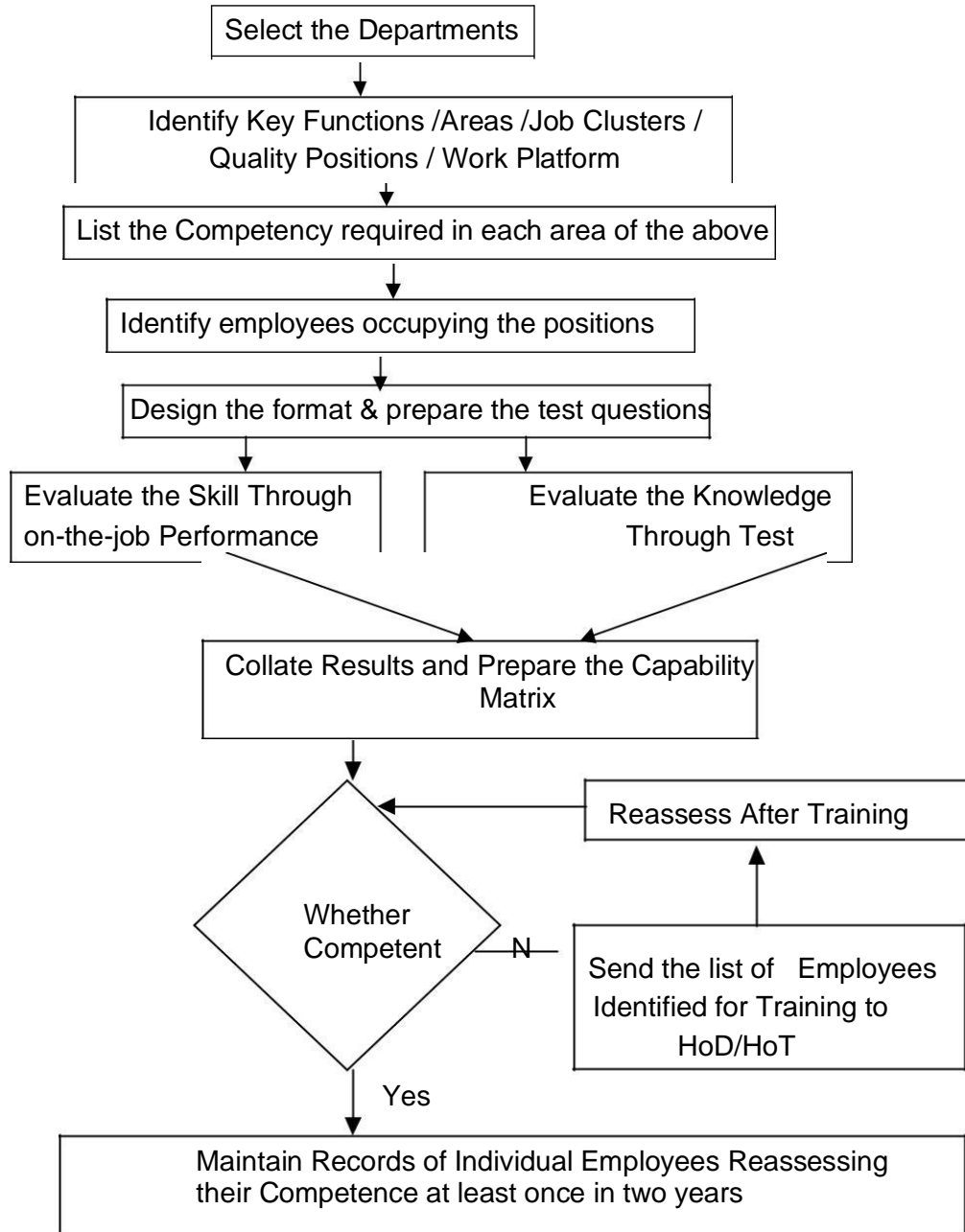
- Business Leadership Pillar
  - **Strategic Orientation**
  - **Business Acumen**
- Relationship leadership pillar
  - **Customer Orientation**
  - **Managing External Stakeholders**
- Result Leadership Pillar
  - **Change Management**
  - **Execution Excellence**
- People Leadership pillar
  - **People Management**
  - **Personal Effectiveness**

Such a systematic approach to Competency Mapping facilitates not only assessment of competency levels of existing manpower, but also identifies required competencies and links these with training initiatives. At micro level, it will also help in:

- identifying individual training needs to be addressed in a department/function
- bridging the competency gaps through structured training programmes
- ensuring timely availability of competent workforce
- minimising surprise element in case of change in technology

The above steps help in ensuring the availability of competent manpower to department concerned.

## Standard Methodology for Competency Mapping in SAIL



## **Skill Development**

For skill development at various levels SAIL has a multi-pronged approach for enhancing the skills of the workforce. The different approaches for skill development are :

### **Technical skill Development**

Technical training relates to update and enhancement of technical skill of the employees for better operation or maintenance of the equipments. Different forms of technical training are :

- Unit training: Training on specific equipment/Operational units by the experts of that unit.
- Basic Engineering Skills: Training on Basic technical trades that form the foundation of competent working
- Lab based training: Training aided by simulations in specialized areas like PLC, Hydraulics and Pneumatics in special training labs
- Development of advanced skills by sending people for specialized training centers
- Enhancing the variety of skills of the workforce through multi-skill training
- Specialized training includes foreign training/ training at other installed sites or training on the equipment after commissioning.

### **Managerial Skill Development**

- Management Development Programs are conducted at Plant HRD Centers and at Management training Institute (MTI) Ranchi.
- Management Development Programs in reputed Management Institutes like IIMs, XLRI,MDI
- Specialised Management development Programs for senior executives which includes training at reputed management institutes as well as visits to best in class companies in the world.

### **Multi-skill and Redeployment Training**

In view of the rightsizing of the manpower and improvement of productivity, Multi -skill training was undertaken as thrust areas wherein areas were identified where there was skill dilution and employees were given training in at least one additional skill. In order to optimize on utilization of manpower and improve productivity, it is essential to train employees in various allied skills. In SAIL, multi-skilling is being practiced in different units and plants to a great extent. This has not only facilitated flexibility in deployment but also help in better utilization of human recourse by enabling individuals to carry out the job in totality. This has also helped to a large extent to ensure availability of trained manpower for various important and critical jobs.

### **Induction**

Induction refers to the initial training provided to the employees on their joining an organization. The objectives of induction training are:

- i. To introduce the employees to the organization and familiarize him with it.
- ii. To acquaint a new employee with the place of work.
- iii. To inform about what is expected from him/her on the job.
- iv. To be aware of the rules and regulations of the company.
- v. To help a new entrant assimilate the organizational culture and speed up the adjustment process

- vi. To assist the new employee develop his skill and competence and to contribute his best.

The treatment a new employee receives during the early days in the new job and the first impressions made on his/her mind is likely to be a lasting impression. Careful introduction to his/her job will make adjustment to the job more rapid, mistakes fewer and attitude more co-operative. Therefore, induction training has to be carefully planned out. In SAIL, Induction Training Schemes have been formulated for various categories of trainees like, Management Trainees, Junior Manager (Finance) and for Non-executives; each plant has made their own training schemes for the new entrants.

### **Skill Development Initiatives with NSDC**

Steel Authority of India Limited (SAIL) is also contributing towards supporting skill development initiatives of the Government of India and in this regard has signed a MoU with National Skill Development Corporation (NSDC) to support skill development initiatives in the vicinity of steel plant locations. SAIL will support National Skill Development Corporation (NSDC) in setting up Skill Development Centers (SDCs) in the vicinity of SAIL Plants and support NSDC for RPL and certification of employees working in SAIL plants. For the Iron and Steel Sector, IISSSC (affiliate of NSDC) is looking after skill development initiatives.

Some of the skill development initiatives under NSDC is given below:

#### **a) System of Recognizing Prior Learning (RPL) and Certifying**

Recognition of Prior Learning (RPL) is a platform to provide recognition to the informal learning or learning through work and to get certified from competent authority. It aims to appreciate prior learning irrespective of the medium of achieving it. In short, RPL is a process of assessment of an individual's prior learning to give due importance to learning as an outcome rather than learning as process.

SAIL conducts RPL programmes by developing in-house faculty at various plants/units. Accordingly, programmes for Training of Trainers (ToT) were organised at Bhilai, Bokaro and Durgapur for developing in-house trainers for RPL in various Qualification Packs (QPs) covering trainers from five integrated steel plants.

#### **b) Affiliation of Plant Training Centres**

The affiliation of our Plant Training Centers at BSP, BSL, RSP, DSP and ISP has been completed.

### **SAIL Online e-learning portal**

SAIL has developed Online e-learning portal- [www.eAbhigyan.com](http://www.eAbhigyan.com). The portal is based on the Internet and is accessible from anywhere and anytime. All regular employees of SAIL have access to the portal. All program modules of MTI, Ranchi are available in the portal. Each of the Integrated Steel Plants, CET, CMO and Mines have their Virtual Campus in the Portal in which learning material have been made available by the Plants. Some Major Types of e-learning modules and material that are available are – Managerial, Technical, Functional, inputs on Digital Transformation. Online Communities of Practice (CoPs) for various technical and functional areas like – BF, CO, SP, Finance, HR are also available with inputs shared on the LEO workshops and option for raising technical queries and questions that can be responded by experts who are enrolled from across SAIL. All MTI programs that have Online tests, are administered through e-Abhigyan. eAbhigyan learning portal of SAIL has been

instrumental in enabling Learning and Development continuity in SAIL particularly during the pandemic.

#### **1.4 Career Growth Policies**

After working in a certain job for some time, the employees develop expertise to do so. The job becomes a routine and interest of employee in doing the same starts waning. It is in Organization's interest that the experience/expertise gained at one level of hierarchy is effectively utilized and the deserving employees get an opportunity to assume higher roles and responsibilities. It is therefore essential to put in place avenues for the employees, so that, they continue to acquire new knowledge, skill and experience and apply it in the interest of the Organization which leads to recognition and higher motivation. With wide experience and acquisition of managerial skills, an employee becomes capable of shouldering higher responsibilities. An organization requires such motivated employees to see it through the various challenges and to take it forward. Thus, a good career growth system works for the mutual benefit of both the employees and the organization.

Objectives of a career growth system are as under:

- (i) To integrate the growth opportunities of employees with the fulfillment of the objectives of the Company.
- (ii) To ensure uniformity and consistency, to the extent possible, in promotion of employees.
- (iii) To motivate employees for better performance.

SAIL has following promotion policies for its employees

- Executive promotion policy
- Non-executive promotion policy
- Non-executive to executive promotion policy

##### **A. Executive Promotion Policy**

Promotions within executive posts are effected only once in a year, i.e. on 30<sup>th</sup> June with the exception for promotion from E-1 to E-2 grade which takes place twice in a year i.e. on 30<sup>th</sup> June and 31<sup>st</sup> December.

Salient features of the policy are:

- i. It provides for the concept of clusters for the purpose of promotion and career planning.
- ii. For the purpose of promotion, Average Credit Points (ACP) is the main basis for determining eligibility for promotion based on the relative weightage of all factors based on which merit list is derived. The ACP is calculated based on the appraisal scores of the past years in the prescribed manner. Other factors, which are reckoned for promotion, are qualification, length of service in the grade and Interview.

- iii. Provides for mandatory 'Online Test' and Prescribed Training Programme for select grades.
- iv. Utilization of outcome of the Assessment & Development Center as an input for the Interview Committee for E-7 grade executives from 30.06.2022 onwards and from 30.06.2023 for E-6 grade executives.
- v. Promotion between clusters is based on fulfilling the eligibility criteria and assessment by the Interview Committee and Departmental Promotion Committee.

Promotions within non-executive positions are effected by each Plants/Units at its respective level. Promotions within non-executive positions are based on cluster system. Though the system of grant of promotion somewhat differ from plant to plant, the promotions are mainly of following two types:

- Within cluster promotion
- Between cluster promotion

While within cluster promotions are time bound, the between cluster promotions depend on availability of vacancies and the suitability of the candidates for the higher post.

The promotion policies explained above are structured systems wherein promotion orders are issued as per the specified rules at prescribed intervals and the employees who fulfill the eligibility criteria are considered for promotion to assume higher positions in lien with organizational requirements/vacancies.

**Job Rotation:** Job rotation is another tool for development of the employee to enhance his/her expertise and exposure and prepare for assuming challenging assignments. Besides routine transfers/postings based upon organizational requirements, Job-rotation normally happens through following means

**At the time of Promotion:**

In terms of Promotion Policy of executives, certain prescribed percentages of promoted executives are rotated either within same Plant/Unit or to another Plant/Unit.

**Through Internal Circular route:**

On some occasions, in order to meet requirements at one Plant/Unit towards specialized skill-set/expertise, applications are invited from eligible and interested employees against the requirements circulated. The circular contains the job specification and other terms & conditions of selection. Willing and eligible employees are required to apply for selection and the short-listed employees are required to go through a selection process, including interview by a selection committee. Candidates selected after following the laid down selection process are transferred and posted to the Plant/Unit for which the requirements was circulated.

**Non-Executive Promotion Policy (NEPP):**

Promotions within non-executive positions are effected by each Plants/Units at its respective level. Promotions within non-executive positions are based on cluster system. Though the system of grant of promotion some what differ from plant to plant, the promotions are mainly of following two types:



Within cluster promotion  
Between cluster promotion

While within cluster promotions are time bound, the between cluster promotions depend on availability of vacancies and the suitability of the candidates for the higher post.

### **Non-executive to Executive promotion Policy (JO promotion Policy)**

- A new policy for promotion from non- executive to executive cadre has been introduced in SAIL from the year 2008 which is last revised in 2022.

Main features of the policy are as under :-

- The eligibility in terms of number of years of service has been linked to S6 grade. The employees having Degree in Engineering /MBA, Diploma In Engineering/Graduation and matric qualification are eligible if they have put in 2 years, 5 years and 10 years in S6 grade respectively, provided they have put in minimum 10 years of service in the company. This has been done to provide opportunity to young and deserving candidates for faster career growth.
- For fair and objective selection process written test has been introduced, which has a weightage of 60%. In order to recognize the value of experience and the past performance on the job, the experience and performance ratings have been assigned a weightage of 16% and 9% respectively. Rest 15% weightage is given to Interview
- Employees have been provided opportunity to appear for selection for technical or non-technical stream provided they meet the eligibility criteria and compete in that stream.

### **Promotion through Internal Circulars**

The promotion policies explained above are structured systems wherein promotion orders are issued as per the defined rules at defined interval and all such employees who fulfill the eligibility criteria are considered for promotion. However, some times the organizational requirements cannot be fulfilled through the above set procedures. To meet such requirements, selection is done through issue of internal circulars.

The internal circular is a process, which comes in between the promotion and recruitment. Like recruitment, in internal circular posts are advertised through internal circulation. The circular contains the job specification and other conditions of selection. Willing and eligible employees are required to apply for selection and the short listed employees are required to go through a selection process, including interview by a selection committee.

## **1.5 Performance Management**

Performance assessment is primarily carried out with the following objectives:

- (i) Identifying employees for career planning and development, promotion, job rotation and enrichment.
- (ii) Determining training needs for further improvement in performance
- (iii) Motivating employees by indicating their performance levels
- (iv) Determination of employee compensation and reward.

To meet the above objectives, an online Executive Performance Management System (EPMS) was introduced w.e.f. 2008-09. The system has been revised recently from the appraisal year 2020-21 onwards. The main objectives of new system are to enable employees plan their work, utilize their capabilities and maximize their contributions, to create a performance culture through continuous performance improvements of individual

employees, teams and the organization and to identify and develop leadership talent for future.

Salient features of the revised EPMS are as under:

- Online Performance Management System.
- Goal Alignment cascade workshops for Performance Planning which would include setting of departmental goals & thereby finalizing the individual KPAs.
- SMART KPAs with pre-defined & quantifiable levels of achievements, jointly decided by the Reporting Officer and the appraisee in the beginning of the performance period.
- Simplified Competency-matrix with grade-wise variation for helping in better assessment.
- Mandatory mid-year review to accord opportunity to individuals to deliberate and plan mid-course correction based upon feedback.
- Sequential assessment by Reporting officer and Reviewing officers.
- Direct linkage of marks given by Reporting and Reviewing Officer with Primary Grading to develop better appreciation of assessment.
- Performance Management Committee (PMC) to decide the final ratings of the executives.
- Inbuilt mechanism for deduction of penal marks to facilitate adherence to timelines at different stages of assessment.
- Transparency through communication of the final grading on performance to the executives.

## **1.6 Wages & Salary Administration**

### **Statutory Provisions**

The Payment of Wages Act, 1936

#### **Objective**

The Payment of Wages Act, 1936 ensures that the wages payable to employees covered by the Act are disbursed by the employers within the prescribed time limit and that there is no deductions made by the employers other than those authorized by law

#### **Definition of Wages**

- Wages includes all remuneration in terms of money and includes payment under award or settlement and payment in respect of OT and holidays.
- Does not include value of accommodation, light, water, medical facilities, TA, LTC/LLTC and contribution to PF or pension.

#### **Main provisions**

- Wage period to be fixed and not to exceed one month.
- Wages to be paid before the expiry of 7th day after the wage period if less than 1000 employees and 10 days if more than 1000 employees.
- If employment terminated, wage earned by him should be paid before the expiry of 2nd working day from the date of termination.
- All wages shall be paid in current coin or currency notes or by cheque or by crediting the wages in the bank account of the employee, provided that the appropriate Government may, by notification in the Official Gazette, specify the industrial or other establishment, the employer of which shall pay to every person employed in such industrial or other establishment, the wages only by cheque or by crediting the wages in his bank account."

## **National Joint Committee for the Steel Industry (NJCS)-For Workmen**

SAIL has a rich culture of involving employees at various levels and in various forms. Participation through Collective Bargaining – The issue related to finalization of wages and allowances is decided at the corporate level by a bi-partite forum called National Joint Committee for Steel Industries (NJCS). The NJCS has representatives of all the major national trade unions operating in the steel industry and representatives of the management of SAIL. The Committee decides its own terms of reference without interference from any external agency. Other than employee related issues, issues like production-productivity, improvement in quality reduction of cost and wastage etc. are also under the purview of this Committee. Decisions in NJCS are taken through the process of collective bargaining. Till date nine Wage Agreements finalized by NJCS have been successfully implemented in Steel Industry. While discussing the Wage Revision, a MOU was signed in NJCS on 21-22 October, 2021 which shall be valid for 10 years w.e.f. 1.1.2017. After the approval of SAIL Board and MoS, an office order for Wage Revision, 2017 has been issued vide dated 18.11.2021.

### **Salient features of Office Order of Wage Revision dated 18.11.2021**

#### **1.0 Pay Fixation**

- 1.1 For employees who were on the rolls of SAIL as on 31.12.2016 and continued to be on the rolls as on 1.4.2020.
- a. Basic pay and Personal Pay (PP), if any, as on 31.12.2016  
Plus
  - b. Corresponding Dearness Allowance as on 1.1.2017  
Plus
  - c. 13% Fitment Benefit on (a+b) above
- Total of all above (a+b+c) would be the new Basic Pay as on 1.1.2017. However, this fixation will be notionally from 1.1.2017 and the actual payment would commence from 1.4.2020 after incorporating the annual increment/promotional benefit, if any.

## 2.0 Dearness Allowance

2.1 100% DA neutralization would be linked to AICPI 277.33 as on 1.1.2017 (Base 2001=100). The dearness Allowance as on 1.1.2017 shall become nil. The other conditions for payment of DA shall remain unchanged.

## 3.0 Perks & Allowances

3.1 Concept of Variable perks & allowance shall be adopted w.e.f. 18.11.2021 and the employees would be paid variable perks and allowances @ 26.5% of revised Basic Pay.

3.2 The Payment of variable perks & allowances would be linked to attendance as per existing practice.

3.3 All existing Perks & Allowances being paid to non-executive employees shall be subsumed and all payments/related issues (in any form) stands withdrawn except the following which shall continue to be paid and would be outside the ceiling of variable perks and allowances:

- Night Shift Allowance for performing duty in 'C' shift (2200 Hrs. to 0600 Hrs.)
- Mining Allowance being paid at underground Mines/Collieries.
- Special (Difficulty) Area Allowance shall be paid 8% of revised Basic Pay w.e.f. 18.11.2021.
- Underground Allowance shall be paid 12% of revised Basic Pay w.e.f. 18.11.2021.
- Washing Allowance to Nursing/Fire Fighting Staff.
- Uniform Allowance, if any, to Nursing/Fire Fighting Staff.

3.4 The subsidies extended to non-executives employees shall stand withdrawn with implementation of variable perks.

## 4.0 Rate of Increment

4.1 The current system of percentage rate of Increment @ 3% of Basic Pay shall continue. However, the maximum of scale of pay for increment value may be derived by adding the maximum of scale in 2012 structure plus DA as on 1.1.2017 and by adding 13% of this maximum of scale and DA.

### **Revision of Scales of Pay of Executives Holding Posts Below Board Level w.e.f. 01.01.2017- For Executives**

In pursuance of the 'Presidential Directives' received from the Government of India, Ministry of Steel vide letter no. S29026/94/2021-SAIL dated 18<sup>th</sup> November, 2021 and Board decision, the revision of salary structure of executives of SAIL Steel Plants/ Units holding posts below Board level are detailed hereunder:

## 1.0 Scales of Pay

Grade	Pre-Revised Scales of Pay	Revised Scales of pay
E-0	12600-32500	30000-120000
E-1	20600-46500	50000-160000
	24900-50500*	60000-180000*
E-2	29100-54500	70000-200000
E-3	32900-58000	80000-220000
E-4	36600-62000	90000-240000
E-5	43200-66000	100000-260000
E-6	51300-73000	120000-280000
E-7	51300-73000	120000-280000
E-8	51300-73000	120000-280000
E-9	62000-80000	150000-300000
Directors/CEO	75000-100000	180000-340000
Chairman	80000-125000	200000-370000

\*The executive in E-1 grade will be placed in the scale after completion of one year or successful completion of training.

## 2.0 Fitment Benefit

2.1 The fitment benefit would be 15% of Basic + DA.

## 3.0 Methodology for pay fixation

3.1 The executives who were on the rolls of Company as on 1.1.2017 and continue to be on the rolls of the Company as on 1.4.2020 will be fitted in the corresponding revised scales of pay as per the following fitment methodology:

A		B		C		D
Basic Pay + Stagnation Increment as on 31.12.2016	+	IDA @ 119.5% as on 1.1.2017	+	15% of (A+B)	=	Aggregate amount rounded off to the next Rs.10

\*In case revised BP as on 1.1.2017 arrived so is less than the minimum of the revised pay scale, pay will be fixed at the minimum of the revised pay scale, pay will be fixed at the minimum of the revised pay scale.

## 4.0 Increment

4.1 A uniform rate of 3% of Basic Pay will be applicable for both annual increment as well as promotion increment and would continue to be paid. The amount of increment will be rounded off to the next Rs.10. However, Basic pay in no case will exceed maximum of applicable scale of pay.

## 5.0 Stagnation Increment

- 5.1 In case of reaching the end point of pay scale, an executive would be allowed to drawn stagnation increment, one after every two years upto a maximum of three such increments provided the executive gets a performance rating of 'Good' or above.

## 6.0 Dearness Allowance

- 6.1 100% DA neutralization. DA as on 1.1.2017 will become zero with link point of All India Consumer Price Index (AICPI) 2001=100, which is 277.33 as on 1.1.2017. The periodicity of adjustment will be once in three months, as per the existing practice.

## 7.0 House Rent Allowance

- 7.1 As per DPE guidelines, the rates of HRA on revised basic pay provided are as under:

Classification of cities	Rates of HRA
X Class (population of 50 lakh & above)	24% of Basic Pay
Y Class (population of 5 lakh to 50 lakh )	16% of Basic Pay
Z Class (population below 5 lakh)	8% of Basic Pay

The above rates of HRA will be revised to 27%, 18%, 9% for X,Y and Z class cities respectively when IDA crosses 25% and further revised to 30%, 20% and 10% when IDA crosses 50%.

However, the issue of House Rent Allowance shall be decided separately and Chairman may be empowered to take a decision on HRA. Till such time the existing HRA being paid to executives shall continue.

## 8.0 Superannuation Benefit

- 8.1 The Company shall continue to contribute upto 30% of Basic Pay plus DA towards Provident Fund (PF), Gratuity, Post-Superannuation Medical Benefits (PSMB) and Pension of executives.
- 8.2 The ceiling of Gratuity of the executives has already been raised from Rs.10 lakh to Rs.20 lakh w.e.f. 29.03.2018. Further, the ceiling of Gratuity shall increase by 25% whenever IDA rises by 50% as per DPE guidelines. However, the funding for the entire amount of Gratuity would be met from within the ceiling of 30% of Basic Pay plus DA.
- 8.3 The existing requirement of Superannuation and of minimum service of 15 years for pension dispensed with for pension.

## 9.0 Perks & Allowances

- 9.1 Concept of 'Cafeteria Approach' shall be continued for payment of perks and allowances to executives. The Perks & Allowances in the revised structure would be paid @35% of Basic Pay. The recurring cost incurred on running and maintaining of infrastructure facilities like hospitals, colleges, schools etc. would be outside the ceiling of 35% of Basic Pay.
- 9.2 As regards Company owned accommodation provided to the executives, the Company would bear the Income Tax liability on the 'non-monetary perquisite' of which 50% shall be loaded within the ceiling of 35% of revised Basic Pay on perks and allowances.

## 10.0 Other Perks & Allowances (beyond the ceiling of 35%)

10.1 Work based Hardship Duty Allowance for actually performing duty in Underground mines would be 12% of Basic Pay.

10.2 Non-practicing Allowance (NPA) has been allowed @upto 20% of Basic Pay and shall be payable as per the following categories:

Qualification	Percentage of Basic Pay
MBBS	16%
MBBS with Diploma	18%
PG	20%

The NPA shall not be considered as pay for the purpose of calculating other benefits.

10.3 Special (Difficult Area) Allowance being paid to executives posted and working in Iron Ore and Flux Mines under SAIL would be 8% of Basic pay.

The above Perks & Allowances i.e. beyond the ceiling 35% would be paid on revised Basic pay from the date of issue of Presidential Directive i.e. 18.11.2021.

## 11.0 Periodicity

11.1 The next pay revision shall take place in line with the periodicity as decided for Central Government employees but not later than 10 years.

## 12.0 Performance Related Pay

12.1 Revised Performance Related Pay Scheme will be effective from FY 2020-21 as per OM dated 3.8.2017 issued by DPE with the approval of Remuneration Committee.

## Incentive /Reward Schemes

Incentive Schemes are being operated in SAIL since late 80's. The main objective of Incentive /Reward Schemes is to motivate the employees to enhance production / productivity at a greater pace to achieve overall goals of organization. The initial schemes were mainly production oriented and the overriding concern was to achieve the production of steel plants to its rated capacity. Over a period of time the basis of the incentive schemes shifted from production to productivity and techno-economic parameters.

### Types of Incentive / Reward Schemes

Broadly SAIL incentive / reward schemes can be classified as under:-

- i) **Incentive Schemes:** These are linked to achievement of production capacity of the department. The performance against the incentive scheme is measured on an incentive curve, where actual earning is decided based on the cut off point and ceilings considering the actual performance achieved. The cut off point and ceilings may vary from department to department and from plant to plant.
- ii) **Reward schemes:** These are based on achievement of Annual Planned Production (Target) and techno-economic parameters. Reward schemes are mostly level based

and are generally hit or miss in nature. Unlike incentive schemes which are negotiated the reward schemes are implemented unilaterally.

Since 01.04.2014, the incentive and reward schemes are applicable for non-executive employees only. Incentives / rewards earnings are paid on monthly basis.

**Main Component of Monthly Incentive / Reward Schemes**

The main component of incentive/ reward schemes are; Production, Cost, Quality and Profitability. Ideally the weightage of these components in the structure of scheme is as follows:

Component	Non-Executives
Production	50%
Cost	15%
Quality	15%
Profitability	
• Works Cost	10%
• Gross Margin	10%

**Potential / Incentive Earning:**

Grade-wise maximum incentive earning potential is decided with the approval of Chairman. In Steel Plants, the primary departments (Coke Ovens, Blast Furnaces, Steel Melting Shops and the Mother Mills) have been provided with higher earning potentials compared to other departments, to reflect the higher responsibilities, recognizing more tough working conditions and greater input of efforts to yield results.

The incentive linkages to the maximum earning potential are different for different groups / departments depending upon their direct contribution to production and the working hours /week. The Production Departments linkage is 100%, whereas potential of Service Departments of works like Traffic, Production Planning etc. ranging from 75% to 90%. In non-works area, incentive linkage is 50% or 28% depending upon 48 hours working or less. Incentive linkage of the employees of Central Units (working for 48 hours or less per week) is 40% whereas for Corporate Office employees the same is 50%. The incentive amount of Central Units (including Corporate Office) is calculated based on the average of incentive earning of BSP, DSP, RSP & BSL.

In designing the incentive packages following features should be kept in mind :

- A fair linkage between employee’s effort and challenge inducing targets.
- Overall linkage with production should be reviewed from time to time and emphasis should be given to Cost, Quality and Profitability parameters.
- Quality performance and Profitability achievement should be given a greater weightage as one move higher in hierarchy.
- The incentive earning of employees should be linked to their actual attendance. The attendance provision in incentive scheme intends to reward the employees who are regular and remains present for major period of the month.

iii) **SAIL Performance Incentive Scheme (SPIS)** : Every year payment under SAIL Performance Incentive Scheme is made to non-executive employees and the amount is finalized after detailed deliberations with workers’ representatives based on performance of respective plants/units and SAIL as a whole.



- iv) **Daily Production Incentive Scheme (DPIS)** : As and when required, DPIS is formulated and implemented for non-executive employees of SAIL Plants on a periodic basis to motivate them to achieve daily production targets.

The implementation of incentive schemes have not only helped in improving quality of product at reduced cost but also rewarded the employees which results in motivation of employees.

## 1.7 Rules governing employees in SAIL

Discipline in an industry, irrespective of its size and magnitude, is the backbone for attaining the corporate objectives of the organization. Discipline is a condition in an enterprise in which the members of the enterprise conduct themselves within the set rules and standards of acceptable behaviour. The employees need to be set right if they deviate from the set rules to maintain the system of work. Some hallmarks of effective employee discipline are that it should be immediate, consistent and impartial. Punishment should commensurate with the offense and should preferably be progressive in its severity.

Employees in SAIL are governed under either of the following applicable service rules:

- i. The Standing Orders of the respective Plant/Unit
- ii. The SAIL Conduct, Discipline and Appeal (CDA) Rules, 1977

All executives of SAIL are covered under the provision of the SAIL CDA Rules, 1977. The Standing Orders covers non-executive employees and it differs from plant to plant.

These rules broadly covers a set code of conduct for maintenance of integrity, honesty, impartiality, good behavior, discipline, transparency, accountability and high ethical standards in the performance of one's official duties. The code of conduct guides the employee for proper rules & regulations and helps to keep the decorum of the workplace. The conduct of an employee is generally regulated for the following actions:

- Observance of Government's policies: Every employee shall act in accordance with the Government policies regarding age of marriage, prevention of crime against women, preservation of environment, protection of wildlife and cultural heritage.
- Participation in demonstrations, strikes etc.: No employee shall engage or participate in any activity involves incitement to an offence or stoppage of or hindrance of work.
- Criticism of Government and the Company: No employee in any media shall make any statement of criticism against any policy or action of Government or the Company.
- Unauthorized communication of information: No employee shall directly or indirectly communicate any official document or information to any person to whom he/she is not authorized to communicate.
- Restrictions on political activities of employee: Except specified by law, an employee is prohibited to take part or canvass in any election to a legislative authority.
- Restrictions on private trade and employment: No employee, except with previous sanction of the Competent Authority, engage in any business, undertake any employment or accept any fee or any remuneration or any pecuniary advantage for any work done by him/her.
- Canvassing of non-official or other influence: No employee shall bring or attempt to bring any outside influence to further his/her interests in the service matter.

- Declaration of movable and immovable properties, acceptance of gifts etc.: Every employee shall submit a return of assets & liabilities for acquisition of movable or immovable property and report gifts of certain worth received from his/her family, friend or relatives.

The rules also prescribe the acts of omission and commission amounting to misconduct and procedure for imposition of major or minor penalties for commission of misconduct.

### **Misconduct**

Misconduct is a deviation from the set rules. The disciplinary procedure begins with an act of 'misconduct' or an act of indiscipline. The Standing Orders and the SAIL CDA Rules clearly stipulate the acts and omissions or commissions, which constitute misconduct. These misconducts generally include:

- Theft, fraud or taking/giving bribe.
- Furnishing false information to any matter germane to the employment.
- Willful insubordination or disobedience
- Absence without leave or overstaying the sanctioned leave
- Habitual late, irregular attendance.
- Damage to any company's property.
- Absence from station/headquarter without permission.
- Drunkenness or riotous or disorderly or indecent behaviour.
- Possession of pecuniary resources or property disproportionate to the known source of income.
- Non-compliance of orders in respect of submission of property return

### **Disciplinary action**

On receipt of the complaint, the Disciplinary Authority may order for a preliminary enquiry, to ensure whether the allegations made in the complaint are specific on the basis of which any prima-facie charge(s) can be framed against the delinquent employee before initiating any disciplinary proceedings. The purpose of the charge sheet is to inform the delinquent employee about the allegations against him and to give time to reply to the same. Keeping in view the circumstances and gravity of the misconduct in each case, the disciplinary authority may decide whether the alleged misconduct calls for a major or minor penalty action or not.

### **Principles of Natural Justice**

The courts have emphasized that the disciplinary process must be conducted following the principles of natural justice, which are as under:

#### **To listen to the other party:**

Before pronouncing the person guilty, he/she be given sufficient opportunity to defend him/herself. His/her side of the story should be listened carefully.

#### **No one can be judge in his own case**

The complainant cannot sit in judgment of his own case. It means that the enquiry officer should be such person who is not related to the case. This is required to be done to eliminate biasness.

#### **Justice should not only be done it must be seen to be done**

The enquiry officer should be such person who enjoys faith of both the parties. The enquiry officer should not only be unbiased he should be such person who cannot be accused for biasness. For example a judge should not take up such case where he has relationship/ friendship with either of the party. In cases even after the enquiry been fair and unbiased, the accusation or of biasness cannot be avoided.

**Penalties:**

The following major or minor penalties may generally be imposed on an employee for the misconduct committed by him/her:

**Minor Penalty:**

- Censure
- Withholding of increment
- Withholding of promotion
- Recovery of pecuniary losses from pay
- Reduction to one lower stage in the time-scale of pay for a certain period.

**Major Penalty:**

- Reduction to a lower stage in the time-scale of pay for a specified period, with or without increment of pay during the period.
- Reduction to a lower time-scale of pay, grade, post or service for a specified period, with or without conditions of restoration to the grade or post.
- Compulsory retirement
- Removal from the services
- Dismissal from the service.

**Appeal**

An employee may appeal against an order imposing upon the employee any of the penalties. The Appellate Authority shall after considering the findings of the case may pass order confirming, enhancing, reducing or setting aside the penalty.

**1.8 Employee Welfare****Statutory Provisions****1.8.1 The Factories Act, 1948****Objective:**

*f* To regulate working conditions in factories

*f* To ensure the basic minimum requirements of safety, health and welfare

It regulates working hours, leave, holidays, overtime, and employment of children, women and young persons.

**Important Terms and Phrases:**

*f* A factory is a premise where manufacturing process is carried on and 10 or more workers are engaged if power is used, 20 or more if power is not used.

*f* Worker means a person employed directly or by or through any agency including a contractor with or without the knowledge of the principal employer, with or without remuneration for any work incidental to the process but does not include member of armed forces.

*f* Occupier: The person who has ultimate control over the affairs of factory.

*f* Manager : The person appointed by the occupier to manage the factory

**Main provisions under the Act :****Health and Hygiene**

Relate to ensuring cleanliness; proper ventilation, temperature & humidity control; control of dust and fumes; overcrowding; provision of proper lighting & drinking water; latrines, urinals & spittoons.

(cool drinking water must be provided if workers are 250 or more)

**Safety**

Provides for proper fencing of machinery; young persons to be employed after training; no excessive load; floor, stair to be free from obstruction; safety

appliances; safe means of escape in case of fire; Safety officer must be employed for 1000 or more workers

### **Welfare**

Provides for washing facilities; sitting arrangement; first-aid facilities (one box for every 150 workers); ambulance room (for 500 or more workers); canteens (for 250 or more workers), shelters/rest rooms/lunch room (150 or more workers); crèches (30 or more women workers); Welfare Officer must be employed for 500 or more workers

### **Working hours, Holidays and Overtime**

Restriction on employment of

- Women workers between 7pm to 6am
- Child below 14 years of age
- Child (14 to 15 years), adolescent (15-18 years) only on certificate of certifying surgeon
- Child between 10 pm to 6 am

Working Hours

- Adults - 48 hrs./week; 9 hrs./day; max. 5 hrs. at a stretch, max spread over of 10 ½ hrs. in a day including rest.
- Child 4 ½ hours
- No overlapping shifts

### **Holidays**

- One holiday in a week, not more than 10 days continuous work
- Compensatory holiday if required to work on weekly off.

### **Overtime**

- f* Twice the rate of ordinary wages for working more than 9 hrs./day or 48 hrs./week.

™

### **™ Annual leave with wages**

- f* Every worker who has worked for 240 days or more during a calendar year is allowed leave with wages.
  - 1 day for every 20 days for an adult and 15 days for a child.
  - Carry forward of leave 30 days for adult and 40 days for child.
  - For computing 240 days, earned leave availed, maternity leave and layoff shall be included.

### **™ Statutory obligations**

- f* Registration of factory for obtaining license
- f* Renewal of license every year
- f* Maintaining registers (muster rolls) of workers
- f* Leave with wages register
- f* Notice of Accidents, Dangerous Occurrences and diseases

### **™ Special obligations regarding Hazardous processes/ Substances**

- f* Detailed policy for health and safety of the workers
- f* To inform workers/ general public in vicinity and Chief Inspector about dangers and health hazards
- f* Medical examination of workers before job, to maintain record
- f* Safety committee with equal workers representatives

### **™ Obligations of Employees**

- f* No willful interfere or misuse or neglect alliances provided for safety, health & welfare.
- f* Should not endanger himself or others

## 1.8.2 Employee's Compensation Act, 1923

### Coverage:

This Act covers all workmen, irrespective of their nature of employment, i.e., whether employed directly or indirectly, employed on casual basis or otherwise for the employer's trade or business. Employees covered under ESI Act are outside the purview of this Act.

### Employer's Liability for Compensation

- i. The employer is liable to pay compensation to workman or his/her dependent if a personal injury is caused to the workmen by accident arising out of and in the course of employment.
- ii. However, an employer will not be liable to pay compensation
  - a) In respect of any injuries which does not result in the total or partial disablement of the workmen for a period exceeding three days
  - b) In respect of any injuries not resulting in death or permanent disablement, caused by an accident directly attributable to –
    - f The workmen under the influence of alcohol or drugs, or
    - f Willful disobedience of the workmen to an order of rule framed for ensuring safety, or the will full removal or disregard of any safety appliance provided to the workmen.

The employer is also liable to pay compensation if a workman contracts an occupational diseases peculiar to that employment and such occupational disease would be deemed to be an injury by accident having arisen out of and in the course of employment.

### Amount of Compensation

The amount of compensation payable is as follows:

- i. Where death results from injury: An amount equal to the 50% of the monthly wages of the deceased workman multiplied by relevant factor (this has been specified in the Act as per age of the workman) or an amount of Rs.1,20,000/- whichever is more.
- ii. Permanent total disablement results from injury: An amount equal to 60% of the month wages of the injured workman multiplied by the relevant factor of an amount of Rs.1,40,000/- whichever is more.
- iii. In case of temporary disablement : A half monthly installment equal to 25% of the monthly basis.

In case of temporary disablement, SAIL employees get paid full monthly wages in the form of injury leave under NJCS agreement.

### Report of fatal accident and serious bodily injuries

When an accident occurring in the premises of the employer, results in death or serious bodily injuries a report shall be send to the Commissioner within seven days of the death or serious bodily injuries giving the circumstances leading to the said mishap.

### Employees Provident Fund Act

#### Coverage :

Any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of the company and who gets his wages from the company is covered under the Act.

#### Qualifying period of membership:

From the first day of the service, an employee becomes the member of the fund.

**Contributions to the fund :**

Member's contribution: The compulsory contribution of a member shall be 12% of the emoluments while on duty or on leave. However, a member can increase his own voluntary contribution to a rate exceeding 12%, but there will be no matching company's contribution to the PF. The rate of Voluntary PF contribution of a member may be enhanced or reduced at any time during the financial year.

Company's Contribution: The contribution of the Company to the PF Fund shall also be 12 %, i.e. matching to the employee's contribution.

**Withdrawal from the fund:**

Circumstances in which the accumulations (self plus company's contribution plus accumulated interest on both) are payable to a member:

1. On superannuation from service;
2. On separation on account of permanent medical unfitness;
3. On acceptance of VR;
4. On termination of service;
5. On death.

**1.8.3 Employees Pension scheme**

Except in the case of employees who have joined service prior to 1971 and did not become member of FPS 1971, all other employees are compulsorily members of Employee Pension Scheme (EPS, 1995). In their cases, the effective company's contribution to the PF fund will be 12% of emoluments less 8.33% of emoluments or Rs.1250/- per month which ever is less. The difference amount is remitted as the employee's contribution to the EPS Fund. The figure of Rs 1250/- p.m. or Rs 15000/- per year is as per the present ceiling of EPS contribution notified by the Govt.

For example, if an employees monthly pay is Rs 20,000/- , its 12% will be Rs 2400/- and 8.33% will be Rs 1666/- . Accordingly, in this case, out of the employer's contribution, Rs 1250/- will be remitted to EPS Fund, and the remainder, i.e. Rs 1150/- will be credited to the PF fund. If however, pay is Rs 10000/- , (12% = Rs 1200/- and 8.33% is Rs 833/-), then only Rs 833/- will be remitted to the EPS fund and the remainder of employer's contribution, i.e. Rs 367/- will be credited to the member's PF accumulation.

**1.8.4 The Payment of Gratuity Act, 1972:****Objective**

- f* To provide retirement benefit to workmen who have rendered long and unblemished service to the employer as a social security measure

**Qualifying period for payment of Gratuity :**

Reasons for Separation	Minimum qualifying service
Superannuation / discharge on abolition of post / resignation/ termination on account of unauthorized absence / misconduct	5 years
In case of death /permanent physical or mental incapacity	Irrespective of any qualifying period

**Amount of Gratuity:**

a) The amount of gratuity shall be equal to 15 days emoluments for each completed year of service or part thereof in excess of 6 months.

Calculation of 15 days wages :

For the purpose of computation of gratuity, 15 days wages will be computed in the following manner.

15 days wages = Monthly wages x 15/26

**Ceiling on Gratuity payment**

The ceiling for gratuity as per the Act is Rs.20.0 lakhs (Twenty Lakh only).

**Non Statutory Welfare Schemes****A. Mediclaim Scheme for Retired Employees and their Spouses****Coverage:**

- i) Retired employees
- ii) The employees who have taken voluntary retirement
- iii) The employees who cease to be in employment on account of permanent total disablement.
- iv) The spouse of an employee who dies in service.
- v) The employees who resign at the age of completion of 57 years

This scheme is optional. The members are covered through Group Insurance Policy of the Insurance Company and the period of policy is of one year which commences from 11<sup>th</sup> of July every year.

**Benefits :**

a) The members covered under the scheme can get themselves admitted in any of the registered nursing homes / hospitals anywhere in India including SAIL hospitals for major /minor surgical and non surgical diseases/hospitalization.

b) The member can get the hospitalization benefit upto Rs. 4,00,000/- per member per policy (with clubbing facility of Rs. 8,00,000/- between employee & spouse). This limit includes domiciliary hospitalization.

c) The limit of reimbursement of OPD expenses is Rs.4000/- per member (below age of 70 years) and Rs. 8000/- (above 70 years age) for the policy period.

#### **Procedure**

Open Tender Enquiry is invited from IRDAI approved Insurance Companies. Work order is awarded to L1 bidder based on the quoted premium, which at present (from 11.07.2021 to 10.07.2022) is M/s New India Assurance.

#### **B. Employees Family Benefit Scheme (EFBS)**

##### **Objective:**

To provide monetary benefit to an employee in case of permanent total disablement or permanent medical unfitness or to his / her family in case of death of the employee while in service of the Company.

##### **Eligibility:**

The scheme shall cover all regular employees including employees recruited through Management Trainees route in Executive Cadre and through trainee route in Non-Executive cadre.

##### **Benefit:**

On the separation of an employee from the services of the company on account of death, permanent total disablement or permanent medical unfitness, his / her nominee / the employee, as the case may be, on depositing with the company a sum equivalent to the PF and Gratuity amounts due to the employee, would be entitled to monthly payments equivalent to the basic pay + DA last drawn as per the scheme. However, in case of death or permanent total disablement of a trainee in a Non-Executive cadre due to accident arising out of and in the course of employment, beneficiary will be paid the Basic Pay at the minimum of scale in which he would have been absorbed on successful completion of training, alongwith corresponding Dearness Allowance thereon, as applicable on the date of separation of the trainee from the service of the company on account of death/Permanent total disablement.

Such monthly payment would continue till the notional date of superannuation of the employee. If the amount deposited is less than the amount due as PF and Gratuity to the employee, the monthly payment will be reduced in the same proportion.

##### **Termination of Benefit:**

On the notional date of superannuation of the employee, the monthly payment of the scheme would cease and the amount deposited with the company under the scheme would be refunded to the depositor or his / her nominee, as the case may be. Under the scheme, no interest on the PF and gratuity deposits will be admissible for the period of deposit.

#### **C. SAIL Pension Scheme**

- a) SAIL Pension Scheme will cover all executives (including Management Trainees) on rolls of the Company on or after 01.01.2007 (including those appointed at the Board level) and non-executives (including trainees recruited for eventual employment) on rolls of the Company on or after 01.01.2012. The employees on Contract Appointment or deputation from other organizations/ Central/ State Government, shall not be covered.
- b) The employer's contribution to the Scheme will be a percentage of Basic Pay plus DA. The employee also has the option to make voluntary contribution towards Pension.



c) The Company contribution towards Pension shall be based on the affordability, sustainability and capacity of the Company, measured as a percentage of Profit Before Tax (PBT) to average Net-worth of the Company as detailed hereunder:

- i) If the percentage of PBT to average Net-worth is 8% or above, the amount of Company's contribution towards Pension shall be limited to 9% of Basic Pay plus DA for Executives and 6% of the Basic Pay plus DA for Non-Executives.
- ii) If the percentage of PBT to average Net-worth is lower than 8%, the amount of Company's contribution towards Pension will be reduced proportionately. However, a minimum Pension contribution is kept at the rate of 3% of Basic Pay plus DA for Executives and 2% of the Basic Pay plus DA for Non-Executives.

In case of loss during a Financial Year, the floor percentage of 3% and 2% for Executives and Non-Executives respectively, would be maintained.

iii) From 01.11.2021 onwards :

The amount of Company's contribution towards Pension for Non-Executives shall be limited to 9% of Basic Pay plus DA in place of existing 6% with minimum pension contribution at the rate of 3% of Basic Pay plus DA in place of existing 2%.

Further, in case of loss during a financial year, the floor percentage of 3% as against 2% would be maintained.

- d) All regular employees who have completed minimum 15 years of continuous service and superannuate from the Company will be eligible for the benefits under this Scheme. Cases of separation including superannuation / death / permanent total disablement & incapacitation (including cases of permanent total disablement) leading to cessation of service, shall be eligible for Pensionary benefits irrespective of duration of services rendered.
- e) The benefits under the Scheme shall be payable only in the form of annuities on notional date of superannuation of the employee from the services of the company. However, in cases of Death/Permanent Disablement & Incapacitation (including PTD) leading to cessation of service, the benefits would accrue on separation of the employee from the services of the Company.
- f) In case the total corpus in the account of ex-employees/beneficiaries is less than Rs. 2 Lakhs on the date of purchase of annuity, the member or the beneficiary can avail the option of withdrawal of corpus in lump-sum. The withdrawal in such cases will be subject to Income Tax deduction.
- g) The application from ex-employees/beneficiaries whose corpus is more than Rs. 2 lakhs has to compulsorily opt for the annuity.

## **1.9 Presidential Directives on Reservation for SC/ST/OBC/PWD**

### **Reservation for SC/ST/OBC**

#### **Reservation in Direct Recruitment:**

Depending on mode of recruitment the following percentages have been prescribed for SC/ST/OBC categories for recruitment on All India Basis (for Group A and B posts)

for

Type of recruitment	SC	ST	OBC
On All India basis by open competitive test	15%	7.5%	27%
All India basis otherwise than open test	16.66%	7.5%	25.84%

For Recruitment to Group C & D posts the percentages of reservation prescribed for the particular State in which the plant/unit is located are followed. In respect of SAIL Plants the prescribed percentages are as follow (revised since 5.7.2005):

Plant	SC (%)	ST (%)	OBC (%)
Bhilai Steel Plant	12	32	6
Durgapur Steel Plant/IISCO Steel Plant /ASP	23	5	22
Rourkela Steel Plant	16	22	12
Bokaro Steel Plant	12	26	12
Salem Steel Plant	19	1	27
VISP	16	7	27

### Reservation in Promotion

While there is no reservation for OBCs in promotion, for SCs and STs a uniform percentage of 15 % and 7.5% respectively has been prescribed for all the States. However, it must be understood that even for SC/ST reservation is applicable only in promotion through selection within Group 'C', from Group 'C' to Group 'B', within Group 'B' and from Group 'B' to the lowest rung of Group 'A' posts only.

In respect of SAIL it is applicable for all promotions from lower cluster to higher cluster in non-executive cadre and from non-executive to executive cadre promotion to E0/JO grade

### Reservation for Physically Disabled Persons

#### Reservation in Direct Recruitment

In case of direct recruitment, four per cent of the total number of vacancies in the cadre strength in each group of posts i.e A, B, C and D shall be reserved for persons with benchmark disabilities of which, one per cent each shall be reserved for persons with benchmark disabilities under clauses (a), (b) and (c) and one per cent, for persons with benchmark disabilities under clauses (d) to (e), namely:-

- blindness and low vision;
- deaf and hard of hearing;
- locomotor disability including cerebral palsy, leprosy cured, dwarfism, acid attacks victims and muscular dystrophy;
- autism, intellectual disability, specific learning disability and mental illness;
- multiple disabilities from amongst persons under clauses (a) to (d) including deaf-blindness, in the posts identified for each disabilities.

**Calculation of 4 % reservation**

In Group 'A' & 'B' posts, the 4% reservation is to be provided for recruitment against identified posts only, whereas, for Group 'C' posts the 4% reservation is counted against total recruitment. However in both the cases the physically disabled persons are to be recruited only on such posts, which have been identified suitable for them

**Relaxation and Concessions available to SCs/STs/OBC and PWD in Direct recruitment**

Criteria	Relaxation available		
	SC/ST	OBC	PWD
Age	5 years	3 years	10 years ( 15 years for SC/ST and 13 years for OBCs)
Experience	Relaxable at the Discretion of the competent authority	NA	Relaxable at the discretion of the competent authority
Relaxation in standards	Selection on relaxed standards	Selection on relaxed standards	Selection on relaxed standards
Examination and application Fee	Full exemption	NA	Full exemption
Grant of traveling allowance for attending interview	Available as per rules	NA (in non-Executive category only)	Available as per rules

## 1.10 Industrial Relations Management

### Industrial Disputes Act, 1947

#### Objective

To secure industrial peace and harmony by providing machinery and procedure for settlement of industrial disputes

#### Definitions

- **Industry** means any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft, industrial occupation or avocation of workmen.
- **Workmen** means any person (including an apprentice) employed in any industry to do any manual, unskilled, skilled, technical operation, clerical or supervisory work for hire or reward whether the terms of employment be expressed or implied. For the purpose of any proceeding under this Act in relation to an industrial dispute, includes any such person who has been dismissed, discharged, or retrenched in connection with, or whose dismissal, discharge or retrenchment has led to that dispute means any person including an apprentice employed in any industry. However, 'Workman' does not include.
  - Person employed in supervisory capacity drawing more than Rs.10000 per month.
  - Person employed mainly in managerial and administrative capacity
- **Industrial dispute** means any dispute between employers and employees, employees and workmen or between workmen and workmen which is connected with employment or non-employment or the terms of employment or with the conditions of employment of any person.

#### Authorities under this Act

##### i. Works Committee

Bipartite forum having representatives from employer & workmen side in equal number ranging from 12 to 20 in total.

##### ii. Conciliation Officer

The appropriate Govt. may appoint Conciliation Officers charged with the duty of mediating in and promoting the settlement of industrial disputes.

##### iii. Board of conciliation

The appropriate Govt. by a notification in official Gazette constitutes a Board of Conciliation for promoting the settlement of an industrial dispute.

A board should consist of a chairman and two or four other members, as the appropriate Govt. thinks fit.

##### iv. Labour Court

The appropriate Govt. may constitute one or more labour courts for the adjudication of industrial dispute. A labour court shall consist of one person only with necessary judicial qualification, to be appointed by the appropriate Government.

##### v. Tribunals

The appropriate Govt. may constitute one or more Industrial Tribunals for the adjudication of industrial dispute relating to any matter, whether specified, in the

second or third schedule and for performing such other function as may be assigned to them.

vi Arbitrator :

Voluntary reference of dispute to arbitrator for adjudication under an agreement.  
Publication of arbitration agreement in official gazette is mandatory

### **Provisions related to Strike**

i. Strike means-

- a) a cessation of work or refusal to continue to work by a body of workmen acting in combination, or
- b) a concerted refusal under common understanding to continue to work or to accept employment.

ii. Lock-out means-

- a) the temporary closing of a place of employment , or
- b) the suspension of work , or
- c) the refusal of the employer to continue to employ any number of persons employed by him .

iii. Workmen in a Public Utility service cannot go on strike and the employer in Public Utility Service cannot declare lock-out-

- a) without giving six weeks notice in the prescribed form ;
- b) within 14 days giving notice;
- c) before the expiry of the date specified in the notice ;
- d) During the pendency of conciliation proceedings and 7 days after their conclusion.

f Illegal strike

- Any strike or lockout in contravention of provisions
- A strike or lockout does not become illegal if reference for arbitration/adjudication was made after commencement of strike
- A strike or lockout commenced before 14 days notice period shall be illegal for un-expired period of notice only, thereafter it shall be legal.
- A lockout/strike declared in consequence of illegal strike/lockout shall be legal

Workmen are liable to lose wages and punishment in illegal strike

## **The Trade Unions Act, 1926**

### **Objective**

It legalizes organisation of labour by providing for their registration and conferring upon them certain protections and privileges with an aim to regularise Labour Management relations.

### **Meaning of Trade Union**

Any combination formed primarily to regulate the relations between workmen and employers or between workmen and workmen or between employer and employers.

### **Registration of Trade Union**

- Any 7 or more members may apply provided at least 10% or 100 of the total workmen, whichever is less are members of such trade union.
- Application should accompany rules of the Trade Union, names and addresses of the members, office bearers, head office etc.
  - Registration may be cancelled / withdrawn if obtained by fraud or mistake or union ceased to exist or willfully contravened any provision of this Act despite notice from Registrar. Two months notice required to be given before cancellation/ withdrawal of registration.

## **Privileges of a Trade Union**

- Every registered trade union shall be a body corporate by the name it is registered, shall have perpetual succession, common seal and power to acquire and hold moveable & immoveable property, to contract, to sue and be sued by the said name.
- No office bearer/member of a registered trade union can be punished for any agreement made between the members for the furthering objectives of the Trade Union, unless the agreement is an agreement to commit an offence.
- No legal proceeding is maintainable against any Trade Union or its members in respect of any act done in relation of a trade dispute on the ground that such act induces others to break a contract of employment, or is in interference with the trade, business or employment of other persons.
- A registered Trade Union shall not be liable in any legal proceeding in respect of any tortuous act done in relation of a trade dispute.

## **Proportion of office bearers**

- Not less than one-half of the total number of the officer bearers of every registered trade union in an unorganized sector (two-third in an organized sector) shall be persons actually engaged or employed in the connected industry. For this purpose an employee who has retired or has been retrenched shall not be construed as outsider for the purpose of holding an office in a Trade Union.
- No member of the Council of Ministers or a person holding an office of profit in the Union or State (other than engagement/ employment in the connected industry) shall be an executive or other office bearer of a registered Trade Union.

## **Obligations of Trade Unions**

- Registered trade unions are required to maintain separate fund for political purposes in addition to general funds.
- Audited statement of assets and liabilities, changes in office bearers, rules of the Trade Union are to be sent annually to the Registrar
- Every registered trade union is required to submit annual returns to the registrar. In case of default or on submission of false information regarding trade union, office bearers are liable to be punished with fine.

## **Contract Labour (R&A) Act, 1970**

### **Objective**

To regulate employment of contract labour to place it at par with regular employees w.r.t. working conditions and certain other benefits available under labour laws.

### **Restrictions**

It empowers the appropriate Govt. to prohibit employment of contract labour in any process, operation or other work in any establishment keeping in view :

- The conditions of work and benefits to contract labour
- Whether the work is incidental to or necessary for the work of establishment
- Whether it is of perennial nature

### **Registration and License**

- f* Every principal employer has to get his establishment registered for employing contract labour.

- f* Every contractor should have a license for getting any work done through contract labour.

### **Amenities to Contract Labours**

- f* Canteens (100 or more contract labours), rest rooms, drinking water and other facilities, first-aid facilities.
- f* Principal employers to provide these amenities, if contractor fails. He can recover the expenses from contractor.

### **Responsibilities of Principal employer**

- f* Payment of wages and other statutory obligations like, PF, etc. through the contractor.

### **Responsibilities of Contractor**

- f* To make regular and timely payment of wages as per fixed rates in presence of principal employer's representative.
- f* To maintain Muster Roll, Wage Register, Deduction Register and OT Register.

## **1.11 Grievance Redressal**

### **Introduction**

Grievance means any discontent or dissatisfaction whether expressed or not, arising out of anything connected with the company that an employee thinks, believes or even feels is unfair, unjust or inequitable. A grievance even when trivial, unjustified or fancied can be very real to the employee who raises it. Hence, it deserves serious and empathetic consideration. An unattended complaint or grievance often leads to a bigger dispute later and can affect industrial peace and harmony.

General causes of grievance are:

- (i) Resulting from Working Conditions
  - a) Poor physical conditions of work
  - b) Work schedules
  - c) Non-availability of tools and equipments
  - d) Failure to maintain proper discipline
  - e) Poor relationships at workplace
- (ii) Resulting from Management Policies
  - a) Wages and salary
  - b) Leave
  - c) Seniority /Transfer/ Promotions
  - d) Punishment imposed
- (iii) Resulting from Alleged violation of
  - a) Collective Bargaining Agreement
  - b) Central/ State Laws
  - c) Past practices
  - d) Company rules
- (iv) Resulting from personal adjustment problems
  - a) Over-ambition
  - b) Excessive self-esteem
  - c) Impractical attitude to life

### **Industrial Dispute Act ( SEC 9-C).**

Setting up of grievances settlement authorities and reference of certain individual disputes to such authorities:

The employer in relation to every industrial establishment in which fifty or more workman are employed or have been employed on any day in the proceeding twelve months, shall provide for, in accordance with the rules made in that behalf under this Act, a grievances settlement authority for the settlement of industrial disputes connected with an individual workman employed in the establishment.

## **1.12 Counselling**

### **Introduction**

Despite the efforts to place people in well-designed, highly motivating jobs and to train them properly for those jobs, some people do behave in ways that cause problems for themselves and for the organization. These problems may be work-related, sometimes personal concerns and pressures, which the individual brings to the job each day. Sometimes a friendly suggestion or comment from the colleagues or superior is all that is needed to remedy the problem. In more serious cases, the employee need to be counselled in the structured and systematic way in order to help them to change their attitude and to overcome their personal problems.

In the industrial context, Counselling can be defined as the development of people through a change in the attitude and the behaviour, which will help them to obtain a better adjustment to their work environment. It is a person-to-person process (through discussion) aimed at improvement of performance, potentialities and personal relations, with a view to helping both the individual and the organisation.



## **Situations requiring Counseling**

- i. An employee may sense that he is not doing too well on the job, or may be having problems at home, which are affecting his/her work, and he/she may seek the help of the supervisor.
- ii. Employees may also come to the supervisor for the problem they are having with other people.
- iii. An employee's behaviour is not up to the mark, or is causing problems with others; yet he/she is not aware of it. In this case the supervisor must initiate action and bring the problem to the attention of the subordinate.

Thus, shop- floor managers and supervisors most often required to counsel employees who are habitual unauthorized absentees, alcoholics, under-performers, and employees who have adjustment problems on the shop floor.

## **The Counsellor's Role**

The counsellor's role can be summed up as follows: -

- i. To give the person recognition, credit and praise for accomplishment and abilities, thus building up his or her confidence and enthusiasm for the job.
- ii. To provide an opportunity to the person for discussion of his problem and to create better understanding.
- iii. To give the individual feedback about his/her performance and to explain the standard expected and how it is measured.
- iv. To encourage the individual to bring to the surface; problems, conflicts or other aspects of which he may not have been fully aware and which are likely to affect his behaviour or performance.
- v. To suggest positive steps which will bring about improvement.
- vi. To eliminate or relax any tension which may exist, either on the surface or in the back of the person's mind.
- vii. To create a desire in the individual to change and to improve along the lines discussed.

## **Types of Counselling**

- i. Directive counselling - where the counsellor guides the process all the way throughout.
- ii. Non- directive counselling- where counselee is encouraged to talk about his/her problems and bring them to surface

The type of counselling to be used in each case varies with the problem. For instance, in counselling a habitual absentee the counsellor has to be more directive with the counsellor explaining the benefits of attending duty everyday, whereas while counselling an employee with adjustment problems, the counsellor has to listen more and let the employee dominate the counselling session.

## **A counselling session requires that the counsellor should-**

- i. Himself be well adjusted
- ii. Be willing to listen, even to criticism and hostility directed at him
- iii. Allow the employee to dominate the interview
- iv. Refrain from criticizing or offering hasty advise on the employee's problem

## **Steps in Counselling**

- i. Prepare for the counselling session.
  - a) Think of what you want to discuss
  - b) Give time for the employee to prepare
  - c) Ensure privacy and no interruptions
- ii. Be clear about the purpose of counselling.
- iii. State the problem.

- a) State what the employee has done / not done (employee's performance, not his/her personality or attitude)
  - b) Try to find out and understand why the employee has acted as he/ she did (gain insight and not pass judgement)
  - c) Make clear that the objective is to help the employee (develop him/her and not condemn)
- iv. Get the employee's views.
- a) Let the employee describe the situation
  - b) Use appropriate questioning techniques
  - c) Listen to what is said, what is left unsaid
  - d) Do not jump to conclusions
- v. Clarify the problems.
- a) Have the employee state what he/she believes the problem really is.
  - b) Reach agreement so that the employee understands and owns the problem.
- vi. Help employee develop a solution.
- a) Ask for ideas
  - b) Share information
  - c) Agree on specific course of action
- vii. Follow up.
- a) Agree deadlines for actions
  - b) Check that these deadlines are met
  - c) Check that these actions are not causing further problems
  - d) Keep on counselling, if needed

### 1.13 Social Accountability- 8000 standards (SA-8000)

In 1997, Social Accountability International (SAI) was established and convened an expert, international, Advisory Board to partner in developing standards and systems to address **workers' rights**. Representatives of trade unions, human rights organizations, intellectuals, retailers, manufacturers, contractors, as well as consulting, accounting, and certification firms, by consensus developed the Social Accountability 8000 (SA8000) Standard. Published in late 1997, revised in 2001, 2008 & in 2014, the SA8000 Standard and verification system is a credible, comprehensive and efficient tool for ensuring rights of workers and creating a humane workplace.

**SA8000 Standards** -The SA8000 Standard is an auditable certification standard based on international workplace norms of International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

A summary of the Standard is as follows:

**Child Labor:** No workers under the age of 15; minimum lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working.

**Forced Labor:** No forced labor, including prison or debt bondage labor; no lodging of deposits or identity papers by employers or outside recruiters.

**Health and Safety:** Provide a safe and healthy work environment; take steps to prevent injuries; regular health and safety worker training; system to detect threats to health and safety; access to bathrooms and potable water.

**Freedom of Association and Right to Collective Bargaining:** Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining.

**Discrimination:** No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment

**Discipline:** No corporal punishment, mental or physical coercion or verbal abuse.

**Working Hours:** Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement.

**Compensation:** Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic need of workers and their families; no disciplinary deductions.

**Management Systems:** Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

### **SA8000 Implementation**

**Certification to SA8000:** Certification is the process by which facilities (Company or any organization) submit to an independent audit against the SA8000 Standard. If a facility meets the Standard, it will earn a certificate attesting to its social accountability policies, management, and operations. Companies that operate production facilities can seek to have individual facilities certified to SA8000 through audits by one of the accredited certification bodies. SA8000 certification is conducted by organizations accredited and overseen by Social Accountability Accreditation Services (SAAS).

### **Benefits of certification under SA 8000**

Initial evidence indicates that SA8000 certified companies enjoy a competitive advantage and workers experience concrete benefits as the SA8000 management system and any needed corrective actions are implemented.

#### **Benefits for Workers, Trade Unions and NGOs:**

- Enhanced opportunities to organize trade unions and bargain collectively.
- A tool to educate workers about core labor rights.
- An opportunity to work directly with business on labor rights issues.
- A way to generate public awareness of companies committed to assuring humane working conditions.

#### **Benefits for Business:**










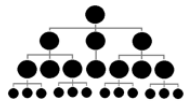
- Drives company values into action.
- Enhances company image and brand reputation.
- Improves employee recruitment, retention and productivity.
- Supports better supply chain management and performance.

#### **Benefits for Consumers and Investors:**

- Clear and credible assurance for ethical purchasing decisions.
- Identification of ethically made products and companies committed to ethical sourcing.
- Broad coverage of product categories and production geography.

SA8000:2014 is the latest version of the SA8000® Standard launched in June 2014. A central improvement to the Standard was the inclusion of Social Fingerprint®. It is a set of tools that helps

organizations continuously measure and improve their management system for social performance, helping them fulfill the requirements of the Management System Element of SA8000. Social Fingerprint® breaks down the Management System Element into ten process-based categories:

<p><b>SA8000: 2014- 9.1</b> Policies, Procedures &amp; Records</p> 	<p><b>SA8000: 2014- 9.2</b> Social Performance Team</p> 	<p><b>SA8000: 2014- 9.3</b> Identification &amp; Assessment of Risks</p> 	<p><b>SA8000: 2014- 9.4</b> Monitoring</p> 	<p><b>SA8000: 2014- 9.5</b> Internal Involvement &amp; Communication</p> 
<p><b>SA8000: 2014- 9.6</b> Complaint Management &amp; Resolution</p> 	<p><b>SA8000: 2014- 9.7</b> External Verification &amp; Stakeholder Engagement</p> 	<p><b>SA8000: 2014- 9.8</b> Corrective &amp; Preventative Actions</p> 	<p><b>SA8000: 2014- 9.9</b> Training &amp; Capacity Building</p> 	<p><b>SA8000: 2014- 9.10</b> Management of Suppliers &amp; Contractors</p> 

With the

following three tools, organizations can measure and improve their management system.

- Social Fingerprint® Self-Assessment: Completed by the organization applying for an SA8000 certification, the self-assessment provides a baseline score of the organization’s management maturity.
- Social Fingerprint® Independent Evaluation: Completed by an accredited certification body, the independent evaluation helps the organization identify strengths and weaknesses in its management system.
- Rating Chart: The Rating Chart explains the organization’s maturity level in each of the ten categories listed above. The maturity levels are rated on a scale of one to five, with five being the highest level (see table below). The results help the organization identify areas for improvement.

<b>5</b>	Developed and implemented <b>mature management system</b> with <b>continual improvement</b> of the system
<b>4</b>	Developed management system, implemented <b>consistently and regularly</b>
<b>3</b>	Developed management system, but <b>not fully implemented</b>
<b>2</b>	Partially developed management system, but implementation is <b>reactive, inconsistent</b> and mostly <b>ineffective</b>
<b>1</b>	<b>No awareness of SA8000</b> or any system in place to manage social performance

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## **MATERIALS MANAGEMENT**

### **2.1 Overview:**

From our daily life, we know that each one of us depends on commodities and services supplied by other individuals or organizations. Similarly, every organization, big or small, depends on materials and services from other organizations to varying extents. These materials and services are obtained through exchange of money or through barter arrangements.

SAIL, is a major steel producer in the world with an annual turnover of around 103473Cr in FY 2021-22. Materials constitute an important ingredient of inputs to the activities of a manufacturing organization like ours, where about 50 to 60 % of the total expenditure is incurred on materials and related services. The various materials used as inputs, such as raw materials, consumables & spares are required to be purchased or manufactured in-house & made available to the shops / users as & when needed to ensure uninterrupted production. Therefore efficient management of input materials is of paramount importance in a business organization for maximizing material productivity, which ultimately adds to the profitability of the organization. This requires a well-coordinated approach towards various issues involving decision making with respect to materials.

All the materials related activities such as material planning & indenting, purchase systems & procedures, standardization through variety reduction & rationalization, reducing uncertainties in demand & supply, handling & transportation, quality assurance, proper storage & issue of materials to the internal customers, inventory management, vendor management & finally disposal of obsolete, surplus & scrap materials etc. taken together is termed as “INTEGRATED MATERIALS MANAGEMENT”.

To carry out these functions efficiently, it is essential to have a unique identification of individual material, very good supplier base, effective order booking process and inventory management system as well as professional Materials Managers.

SAIL, being a Central Public Sector Enterprise (CPSE), follows a detailed Purchase Procedure which incorporates the guidelines of Central Vigilance Commission (CVC) & different Ministries & Depts. of Government of India (Gol) and executes these functions in a transparent & fair manner. Leveraging different forms of emerging technology to carry out the MM functions & activities in procurement, storage and maintenance of optimum levels of inventory has been focus area in SAIL.

Govt. e-Marketplace (GeM), since its adoption in SAIL in 2018, has emerged as the leading e-platform on which procurement of products & services has become mandatory as per extant Govt. directives. Progressively, more and more items and services are being procured on GeM across SAIL plants and units, which has made SAIL a leading buyer on GeM among all CPSEs.

### **2.2 Material Planning & Indenting:**

#### **PROJECTION OF REQUIREMENT OF MATERIALS**

The Material Planning Cell of the user department as well as the Central Planning Agencies make their Annual Procurement Plan for consumables, equipments, spares etc. based on the Annual Production Plan envisaged, capital repair / major repair plan, past consumption pattern of various operational consumables / spares etc. Lead time of procurement is kept in mind, while making the procurement plan & required delivery schedule.

With a view to optimize utilization of Plant's internal facilities, such as Central Engineering & Maintenance (CEM) Shop, Machine Shop, Fabrication Shop, Foundry Shop, Wagon / Loco Repair Shops etc., in order to reduce overall cost of outside procurement, each Plant / Unit prepares an

annual plan for 'Make' items, before the beginning of each financial year, which is duly approved by the Competent Authority. Indents are not raised for items identified as 'Make' in the annual plan. For such items the User department raises a demand in the prescribed format to the Production Planning & Control Department (also referred as PPC). Based on such demand PPC makes a production plan/order and after getting it manufactured in the relevant shops the materials is made available for use. Where there is limited capacity in the plant to make total annual requirement the item may be marked as 'Make & Buy' so that the balance quantity of such item may be procured from the vendors.

SAIL Policy Guidelines on Inventory Management of Stores & Spares stipulates that Department-wise standing list of "Make" items which can be produced in-house or in sister plants shall be published and maintained on Intranet portals of all plants and CMMG. Material UCS Code, material description and other details like normal lead time of manufacturing, etc. may be included in such lists. There will be two such lists – "Make Items" list within the plant; and "Make Items" list within SAIL. The list shall be updated every quarter or earlier

## **ESTIMATED VALUE**

The estimated value is worked out to know the cost to company (Landed Cost Net of Input Tax Credit of GST or LCNITCG) of the purchase / in-house production of any material so that appropriate procurement strategies can be adopted. The LCNITCG is the sum of all costs including materials / services cost, taxes, duties, freight, insurance etc. **less** the amount of Input Tax Credit on account of Goods & Services Tax (GST) or other credit made available by the Government. This is also important to prepare the annual indenting/procurement budget.

It is the prime responsibility of the Indenter to prepare a judicious estimate of the current value of the Indent. The indenter shall take the help of engineering services and other centralized agencies, if so required, for the preparation of judicious estimate using scientific / technical methods. Following guidelines apply for the preparation of estimates:

- For **frequently purchased** items(i.e. items purchased at least twice during last three years), the estimate is based on the Last Purchase Price (LPP) obtained through normal tendering & competitive bids in the last 3 years with adjustments for variations in current market conditions. For infrequently purchased items, budgetary quotation(s) is generally considered for preparation of departmental estimate along with LPP or Cart Value on GeM, whichever is lower.
- For **new items** engineering estimate is prepared taking into consideration material cost and cost of workmanship. At times budgetary quotations may be obtained.
- For **proprietary items**, the estimate is based on the Last Purchase Price (LPP), if available within the last 2 years, otherwise supplier's price list along with applicable discounts or prices obtained directly from manufacturer / their duly authorized representative is considered for preparing the estimate.

The estimated value of each and every item to be procured is indicated in the indent. Indents are processed with the approval of the Head of the Department (HoD).

## **BUDGET PROVISION**

The Revenue Budget as allocated by Corporate Office to the individual plant based on the Annual Production Plan (APP) is distributed to the various shops under different categories. SAIL Policy Guidelines on Inventory Management of Stores & Spares stipulates that emphasis shall be given on need based budgeting for department-wise and category-wise budget preparation using Dept. Code, Cost / Consumption Centre, Category Codes e.g. mechanical spares, electrical spares, instrumentation spares, general stores items, refractories, etc. considering their projection for the subsequent year and planned capital repairs, if any.

Normally, not more than 90% of consumption budget shall be used for indenting purpose by any dept. / shop and not more than 90% of indenting budget shall be used for procurement purpose. Each dept. / shop may therefore develop an indenting calendar indicating quarterly milestones for utilizing their indenting budget under each material category.

For procurement of Capital items (Plant & Machinery, Equipments etc) the budget is allocated separately for each scheme.

### **CATALOGUING & INDENT GENERATION**

The indents - generally called Purchase Requisitions (PRs) in ERP system - are raised for purchase of materials by the department(s) concerned or designated centralized agencies like MPD / Stock Control / Bearing Cell / Refractory Planning Cell / Roll Shop etc. Indents / PRs are raised by the authorized executive of department / shop subject to availability of budget. Competent Authority for approving such indents is as per DOP. All provisions of Purchase / Contract Procedure (PCP) as applicable should be followed while raising an indent / purchase requisition (PR).

SAIL Policy Guidelines on Inventory Management of Stores & Spares stipulates that appropriate forecasting techniques will be used by each Dept. / Shop for working out its material requirement as per Annual Production Plan / Annual Maintenance Plan / Annual Business Plan, as applicable. Targeted benchmarks of consumption shall be given due weightage in place of historical consumption data, if any, for an item or an equipment.

Normally, no indents shall be raised in the last quarter of a financial year. The “indenting holiday” i.e. the period Jan-Mar shall be utilized for comprehensive review and restricting / regulating the delivery of items already ordered for.

For raising of an indent / PR, Material UCS code / legacy Catalogue no. as per Material Item Master is used for each item of the indent / PR. The Indenter gives complete specification of the item to be procured. To the extent possible, specifications given should be standard specifications conforming to IPSS (Inter Plant Steel Standard), PS (Plant Standard), ISS (Indian Standard Specification), ASTM (American Society For Testing And Materials) or DIN (German Institute for Standardization) etc.

There should be strict control on addition of an item to Material Item Master. Adding of any new catalogue number (Material UCS Code) by any plant / unit shall be done only after due checking using “e-string” maintained and operated by SAIL/BSP. Introduction of a new item to the catalogue master shall be done only after the recommendation of Divisional Head (DRO to the Head of Plant / Unit) and approval of HOMM for entry into the computer system. In order to avoid unnecessary increase in no. of items in inventory, focus should be on variety reduction.

Along with the Indent, the Indenter also encloses:

- a) In respect of new items, a check-list as per the prescribed proforma justifying the indented quantity, duly signed by the HOD.
- b) In respect of Proprietary Items, a certificate on the prescribed proforma signed by the HOD- The purchase of items on proprietary basis should be kept at the minimum possible level and should be resorted to when other technically acceptable substitutes are not available.
- c) Special requirement of Inspection, Packing Instructions, if any, number of sources for order placement etc. depending upon the nature of the item.
- d) In case some of the items in the Indent are matching / complementary parts of an equipment / assembly and are required to be supplied by one supplier only, the Indenter specifies this in the Indent.
- e) The cut-off points for performance and the points for bonus and penalties wherever feasible.
- f) Manufacturing Drawings, wherever required.

The indenter also suggests the Mode of tendering, giving reasons, in the indent / PR raised by him:

- a) In case of Open Tender Enquiry (OTE) / Global tender Enquiry (GTE), the indenter proposes the eligibility criteria.
- b) In case of Limited Tender Enquiry (LTE), the indenter may mention proposed vendor list for consideration. However, as per procedure, LTE is issued only to the vendors registered / provisionally registered for the item.
- c) In case of Single Tender Enquiry (STE), the indenter needs to specify if the procurement is proprietary in nature or not. For STE (Proprietary), the indenter indicates the name of the

Original Equipment Manufacturer (OEM) with a Proprietary Certificate stipulated for the purpose. For STE (Non-Proprietary) or Nomination-basis procurement, the indenter indicates the name of vendor along with approval of Competent Authority.

The modes as available on Govt. e-Marketplace (GeM) shall be utilized for procurement of goods & services through the GeM portal.

### **APPROVALS & CLEARANCE**

Approval of the competent authority, as per Delegation of Power (DOP), are obtained in raising of Indent, clearance by Screening Committee, issue of Tender Enquiry, placement of Purchase Order etc.

### **SCREENING COMMITTEE**

The Indents raised by the departments / centralized agencies for purchase of material are scrutinized by various Screening Committees / Task Forces constituted by the Competent Authority depending on the nature of the items concerned. The Screening Committees comprise of representatives of departments such as Indenter, MM Dept., Finance, etc. in the rank of E-5 and above. In case of computer generated indents of Automatic Procurement (AP), based on re-order level, screening is not required.

The scrutiny of indents by the Screening Committee is done w.r.t. the following:

#### **a) For Material Procurement :**

- a) Norms prescribed with the approval of the Competent Authority for inventory holding, both in terms of value and duration of consumption.
- b) Complete specifications, including drawings if required.
- c) Non-inclusion of the item in approved annual plan for "Make Items".
- d) Consumption pattern.
- e) Stock in hand and Dues in.
- f) Budget availability.
- g) Availability of all prescribed enclosures and certificates.
- h) Estimates along with the basic data.
- i) Suggested mode of procurement /tendering, giving reasons.
- j) Names of suppliers suggested by the Indenter in the Indent.
- k) Inspection guidelines.
- l) Eligibility/Acceptance criteria for Open/Global tender enquiries or GeM.

#### **b) For Service Contracts :**

- a) Inclusion of the job in approved Annual Plan.
- b) Complete job description including drawings, if required.
- c) Budget availability.
- d) Availability of all prescribed enclosures & certificates.
- e) Estimates along with the basic data.
- f) Terms & conditions required for execution of the job.
- g) Suggested mode of tendering, giving reasons.
- h) Names of contractors, suggested by the Indenter in the Indent.

In case of any indent going beyond the approved overall budget of the department concerned, for additional / readjustment / reappropriation of the budget, approval of Competent Authority as per DOP is obtained. Once approved, the Indent is forwarded to the Contracting Agency (Purchase/Contract Cell) for taking procurement action.

### **2.3 Management of Automatic Procurement (AP) Items:**

Automatic procurement items are those items whose indents can be automatically generated through the system based on pre-fixed norms of regular consumption and existing stock-levels. These are generally multi-user items whose availability is monitored by MM Dept. The indenting of AP items is done under a separate AP budget.



AP items are identified and listed periodically in each Plant for the convenience of all the users. These items are grouped under various commodities like Fasteners, Hardware items, Electrodes, Cables etc based on the nature of these items. Planning, Indenting, Stock and Issue of such items are monitored by a central agency under Materials Management, known as "Stock Control". However special requirement by different users, additional capital repair requirements are considered while finalizing the quantity for procurement. Scrutiny through a Screening Committee is not required in case of AP items; as such the indents raised by Stock Control (AP items Planning Agency) are directly forwarded to Purchase department for procurement. Some of the systems followed in the automatic indent generation are listed below.

#### Periodic Review System (P System)

The periodic review system of raising indents is also known as Calendar based system or P-system. In this, the stock position and consumption trends of a specific group of items are reviewed in a fixed time period and the indent is generated to cover the requirement of all items of the group up to the next review. Usually this review is done annually so that indents are raised for annual quantity.

#### Continuous Monitoring System (Q System)

In the continuous monitoring system also known as Q-System, the stock position of items are monitored continuously through the system and the indents are raised for the items for which the stock level has reached a pre-fixed re-order level. The quantity to be indented is usually the quantity known as Economic Order Quantity (EOQ), which is the quantity to be procured with minimum total cost (procurement cost + inventory carrying cost etc). However in practice, the quantity indented is the annual requirement quantity and the stock level (Inventory) is maintained by scheduling the delivery suitably.

#### Safety Stock, Re-Order Level

As the stock outs of items have adverse effect on the continuous running of the plant and the production, care needs to be taken to ensure continuous availability of items. However as the consumption of items and the supply of the same may vary due to uncertainties, sufficient stocks of the items are needed to be maintained to take care of such variations which is known as safety stock.

**Safety Stock** = Buffer Stock to take care of consumption variations + Buffer stock to take care of supply variations.

Safety stock of an item is decided based on the criticality of that item and uncertainties involved in the consumption & supply of that item. So Safety Stock varies for various categories of items.

**Re-Order Level (ROL)** is the stock level of an item at which the procurement activity is initiated by raising indent so that the items are received before the stock out of that item.

$ROL = \text{Quantity required for consumption during the lead time of procurement} + \text{Safety Stock}$

Based on the lead time of procurement of the item & its safety stock requirement, the ROL is fixed for each AP item.

#### Monitoring of Stock Levels:

The stock levels of the AP items are continuously monitored by Stock Control by taking Exception Reports of items approaching Safety Stock level, ROL, nil stock etc. in order to take suitable corrective measures to ensure their continuous availability. The percentage availability of AP items to users when required is known as **Service Level** of AP items.

## **2.4 Procurement of Material**

The fundamental principles of Purchasing are usually based on **5 R's** i.e. buying materials of **Right Quality**, in **Right Quantity**, at the **Right Time**, at the **Right Price**, from the **Right Source**. The main objectives are:

- (i) To make the user department of the organization periodically aware of the range of materials available in the market and to maintain the right quality based on standards, technical specifications and suitability.
- (ii) To procure at the lowest possible cost (Total Cost of Ownership or TCO) considering quality, service / maintenance requirements, product life and any other costs for use or upkeep of the material.
- (iii) To maintain continuity of supply to ensure that the scheduled activities are not interrupted.
- (iv) To integrate the requirements of various departments of the organization in order to take advantage of economies of scale, wherever possible, and also to avoid waste and obsolescence.
- (v) To create goodwill for the organization through healthy buyer-supplier relationship.

### **Procurement Activities:**

#### **Indent Scrutiny:**

On receipt of the Indent by the Contracting Department the same is scrutinized by the Dealing Purchase Officer. While processing the indent for tendering, if any discrepancy is found, the MM Department returns the indent to the Screening Committee / Indenter for compliance or clarification.

**Modes of Procurement/Tendering:** The various modes of tendering are as under:

- **Open Tender Enquiry / Global Tender Enquiry:**

Open / Global Tenders are to be considered, if any one or more of the following circumstances exist:

- i) When reliable manufacturers / suppliers / traders / contractors as well as latest technology are not clearly known.
- ii) When it is felt that advertising may elicit better response.
- iii) For any other commercial consideration i.e. as a policy, DOP / estimated value of purchase / job contract, formation of cartel / ring like situations etc.

- **Limited Tender Enquiry (LTE):**

LTE should be issued only when reliable manufacturers / suppliers / contractors are known. For this purpose, the MM Department / Contract Dept. maintains a list of Registered Vendors. The registration is done according to the relevant IPSS. The selection of firms for LTE is done in a judicious manner to ensure that:

- i) The firms are financially and technically sound and of similar capability.
- ii) The past performance of the firms with regard to quality and adherence to time schedule should be considered while recommending a firm for issue of LTE.
- iii) The Supplier who has successfully made the last supply / executed the last jobneeds to be considered for issuance of LTE, except in case of any restriction(s) imposed by Govt. Policy / Statute / Guidelines.
- iv) The firms registered for a particular category are all given coverage by rotation.

In cases where there are less than three registered suppliers for an item, vendors registered for similar items with other SAIL plants / units should be considered for issuance of LTE, provided there is no adverse report on their performance. Under exceptional cases, such tender enquiry to only these two registered suppliers shall be issued with the approval of CEO of plants / units.

LTEs should be issued in such a way that sufficient competitive quotations are received from the parties.

- **Single Tender Enquiry (for Proprietary items)**

Enquiries for Proprietary items (Original Equipment Manufacturer / Suppliers / Technology Supplier / Job Contracts) should be issued with the approval of competent authority as per the DOP. Such proprietary items should be purchased from their manufacturers or their authorized dealers only, where the manufacturer does not supply the equipment directly. In case there is more than one dealer authorized to sell a particular proprietary item to plant / units, discount may be possible through Limited Tender Enquiry, therefore LTE may be issued to the authorized dealers.

However, for the items so far purchased as proprietary for which additional vendor(s) has/ have been found/ developed as proven source, LTE to all such additional vendors shall also be issued with the approval of Competent Authority as per DOP.

- **Single Tender Enquiry (other than Proprietary) / Procurement on Nomination basis**

The cases where the enquiry is restricted to only one source, though many sources/ suppliers/ contractors/ agencies exist, such procurement contract is on nomination basis. Single Tender Enquiries should be issued as an exception only. Such enquiries should be processed, after recording reasons and indenter should take approval of Competent Authority, normally the Chief Executive of the Plant / Unit.

### **REPEAT ORDER:**

Normally, as per the lead time, prior to expiry of the running supplies, the Indenter has to process fresh Indent. However, due to unavoidable circumstances, if either the Indent is not processed or even after processing the Indent, it is not possible to place fresh order in time or where prices show an upward trend for the Item for which continuity is essential, it may be necessary to place repeat order on existing party.

After recording the reasons leading to placement of repeat order, the proposal for repeat order on same terms, conditions and specifications may be considered on the following:

- i) The original order must have been placed in the usual course after issue of LTE or Open Tender. Emergency orders shall not be considered.
- ii) Not more than two years have elapsed since placement of the original order.
- iii) No price escalation for firm price orders shall be given.
- iv) No repeat order shall be placed, if there is downward trend in prices.
- v) Not more than two repeat orders should be placed.
- vi) The quantity considered for ordering is not more than 100% of the original ordered quantity, for each repeat order.
- vii) The original order was not placed on the basis of a higher price for earlier delivery
- viii) Sanction of Competent Authority for repeat order shall be obtained

However in exceptional cases, a third repeat order can be placed with approval of Chief Executive of plant/units after recording justification.

### **RATE CONTRACT:**

As a substitute to frequent tendering, it is recognized that it is often advantageous on commercial as well as technical grounds to finalize orders on Rate Contract basis for items which are procured regularly, repetitively and for items of proprietary nature. The rate contract is finalized where the total annual requirement of such items / quantum of such jobs is large but not fixed. For entering into rate contracts / long term contracts, the mode of tendering to be followed may be decided as per the nature of the job / item, the available sources, etc. Thus, rate contract enquiries may be either Open / Limited / Single Tender depending upon the nature of item / job.

Where rate contracts are finalized then the process of tendering is avoided and backup orders with reference to Rate Contract are directly placed on receipt of indent by contracting agency, thereby saving time and cost for the organization.

SAIL Policy Guidelines on Inventory Management of Stores & Spares stipulates that list of items under plant-level Rate Contracts shall be maintained on Intranet portals of all plants. List of items under centralized Rate Contracts shall be maintained on CMMG portal. Material UCS Code, material description and order details like price, validity, normal lead time of supply, etc. may be included in such lists. The list shall be updated every month.

### **LONG TERM AGREEMENT & MOU**

It may be required to enter into Long Term Agreement (LTA) or MOU (Memorandum of Understanding) with strategic suppliers to obtain long-term benefit in terms of ensured availability of materials at optimum cost.

### **PROCUREMENT ON GeM:**

Government e-Marketplace (GeM) is presently utilized for procurement of goods & services only and not for works contracts, but the items to be used in works contracts may be procured through GeM. For processing of indent / enquiry /placement of Orders on GeM, the delegation of powers (DOP) is based on mode of tendering viz. OTE / LTE / STE selected.

### **EMERGENCY PROCUREMENT**

- Provisions for emergency purchase have to be kept to meet the emergency needs of the Plants/ Units such as break down jobs, unscheduled repairs etc so as to keep the flow of production uninterrupted.
- In case of purchase, such emergency normally occurs when there is no stock in the Stores and either there is no pending order or chances of getting supplies against pending orders within the stipulated time schedule are remote. Similarly, in case of job contracts, such emergency occurs when break down of equipment occurs and internal resources are not adequate to take timely action.
- Due to the very nature of the requirements, which has to be met in the shortest possible time, the normal process of tendering stipulated in this procedure cannot be followed. For emergency Indents, the mode of tendering and method of placement of order may, therefore, be adopted as per the specific requirements of the case and the time available for the placement of order and getting materials / execution of jobs.
- Emergency Indents should be accompanied by non-availability & criticality certificates issued by the concerned HOD on prescribed format.
- Provisional order at the rate to be finalized later on / spot quotations and placement of order on Single Tender basis may be adopted in such situations. The materials may be procured from best possible source and jobs be awarded to reliable Contractors.
- Formal purchase orders should be issued / contracts entered into, in due course for regularizing the emergent action taken.

### **CENTRALIZED PROCUREMENT THROUGH PURCHASE COST REDUCTION MODULE (PCRM):**

As an initiative for Purchase Cost Reduction, certain commodities are procured centrally by consolidating the total requirements of different units of SAIL to take advantage of economies of scale as well as enhanced vendor base.

A number of high value critical items required by most of the Plants/Units like Ferro Alloys, Cast & Forged Rolls, Explosives & Detonators, Lamps & Fittings, Sea Water Magnesia etc have been identified for centralized procurement in SAIL. At present 28 items worth approximately Rs.4400 Cr are being procured under this system, with Reverse Auction (RA) being the preferred method of discovering lowest price.

Under PCRM for centralized procurement, generally the highest consuming plant becomes the Central Procurement Agency (**CPA**) which coordinates & undertakes the activities for order finalization on behalf of all plants/units. An inter plant committee of Technical & Commercial members from the plants called the Sourcing Team (ST) or Core group (CG) is constituted for each CP item. The HOMM of a CPA plant is called the Commodity Champion (**CC**).

The HOMMs of the 5 ISPs & CMMG are members of the Working Committee (WC), which takes all major decisions or make recommendations w.r.t. the Mode of Tendering, Tender Terms & Conditions, Vendors list etc. and other short / long term strategies of procurement. The Chief Executive (CE) of the CPA plant approves the order placement. The individual plants then execute the contracts by issue of **Back-up Orders** against the central Letter of Acceptance (LOA) of the CPA.

**The advantages of CP are volume consolidation, better bargaining power, and enhanced competition due to increased vendor base, rationalization of specification as well as uniform terms & conditions across SAIL.** Centralized procurement in SAIL is done as per guidelines issued by Corporate Materials Management Group (CMMG) with the approval of Competent Authority.

**INTER PLANT TRANSFER (IPT):**

If the items manufactured by one SAIL plant are required by other SAIL plants, the items are procured by generating Inter Plant Transfer (IPT) Order. In such cases, payment is made through book adjustment only. IPT is also used in emergency when stock of material available at one plant is required by and is to be transferred to another SAIL unit.

**Reverse Auction Based Price Bidding:**

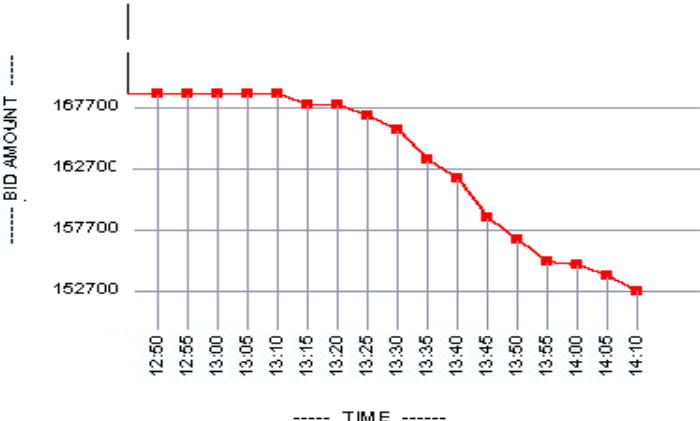
In order to obtain the most economic price, sometimes price bidding is done through reverse auction, which is an on-line bidding process amongst the techno-commercially suitable vendors. In our case M/s mjunction services Ltd., a joint venture of SAIL & Tata Steel is the service provider for all RA cases.

Reverse Auction (RA) is a methodology of on-line price bidding through internet by eligible suppliers against a tender at a pre-scheduled date & time, in which these suppliers continuously bid & re-bid to reduce the lowest bids of others. At the closure of an RA event, the lowest bidder becomes eligible for award of the contract. An Auction Administrator conducts the RA event neutrally by using software referred to as Auction Engine. The basic features of the RA process are:

- It is an internet based on-line price negotiating tool
- It creates a competitive environment during auction, leading to better price discovery
- This bidding process is fully transparent & hence fair
- It gives equal opportunity to all the participating bidders to revise their bids during the time period specified for the auction event.
- It helps in avoiding cartelization amongst suppliers
- It is a globally accepted tool of e-commerce
- L1 price / bidder is determined by the Auction Engine (software)
- Only one vendor is declared as L1 or the winning bidder
- It is a faceless transaction – bidders are able to see the lowest prevailing price at any point of time but are unable to see the identity of other bidders

Reverse Auction in SAIL is conducted as per guidelines issued by Corporate Materials Management Group (CMMG) with the approval of Competent Authority. Reverse Auction on GeM is conducted as per the extant provisions of GeM.

**GRAPHICAL REPRESENTATION OF AN RA EVENT:**



Picture: MM-01

### **Performance Based Procurement:**

Sometimes it is advantageous to procure certain items such as refractory materials, de-sulphurisation compound, rolls, bearings, lubricants etc on performance basis. Here the performance parameters (minimum guarantee, bonus threshold etc) and payment criteria are spelt out at the tender enquiry stage & payment is made against actual fulfillment of milestone performance parameters as per contractual terms.

### **Trial Orders:**

For fostering purchasing cost-reduction in SAIL, plants/units may try out: i) a new source of supply for an existing item; or ii) an alternate / new product / concept which can offer better techno-economic advantages over the existing product. Cost reduction and need-based vendor development is an integral part of all initiatives for trial of New Item / Product / Concept / Source at SAIL plant / unit.

The initiative to try out new item/product/concept/source is taken by a SAIL plant/unit either internally on its own as part of structured regular deliberations or externally on the basis of proposals received / forwarded for it.

For trial of new source for the existing product category or for the development of new/alternate products, user departments of each plant/unit need to finalize a list and/or category of items/areas for input cost reduction and share the same with respective MM department to take up for further examination.

Provisions of Trial Procedure as applicable are followed in case of placement of Trial Orders. For items under centralized procurement, the uniform Trial Procedure (**TP-CP: 2017**) issued by CMMG stipulates detailed examination of every trial proposal for its technical feasibility by a Technical Screening Committee (TSC) and its commercial feasibility by MM Dept. & Finance Dept. In case trial is agreed to, based on potential cost-benefits for SAIL, performance during trial is assessed by a Performance Assessment Committee (PAC); and after completion of trial, results are communicated to the vendor in a time-bound and transparent manner. The price payable to the trial vendor shall in no case be more than that of the proven vendor. If it is established that the material supplied by a trial vendor has achieved the desired results, the trial vendor is considered for inclusion in the list of proven vendors for the item.

### **Imports:**

As the import of goods involves business transaction with suppliers located in foreign countries, it is governed by international regulations, like INCOTERMS. Hence stipulation of suitable terms & conditions in the Tender as well as documentation is very important. Documents of title of goods include Supplier's Invoice, Bill of Lading, Country of Origin Certificate etc.

The Bill of Lading is a document issued by the master of the ship in which goods are loaded, acknowledging the receipt of the goods. It is also an undertaking to deliver them at the end of the voyage subject to such conditions as may be mentioned in the Bill of Lading. It is similar to the "Consignment Note" issued by the transporters in India.

Some common types of contracts as regards carriage by sea are:

- i) **Free On Board (F.O.B.) contract:** The supplier ensures loading of the goods on ship at the loadport designated by the purchaser, at his own expenses, after which the title of goods passes on to the purchaser & supplier's liability ceases. The seller gives notice of the

shipment to the buyer to enable him to insure the goods. The buyer pays the ocean freight & marine insurance charges.

- ii) **Cost & Freight (Free Out) i.e. C&F (FO) contract:** In this contract, ocean freight is borne by the supplier whereas marine insurance is arranged by the buyer. Delivery point is discharge port.
- iii) **Cost-Insurance-Freight (C.I.F.) contract:** This contract includes the price of goods, ocean freight and marine insurance charges up to the discharge port. It is the supplier's responsibility to arrange for loading of goods, insurance & payment of freight charges for delivery of materials at discharge port.

In import cases, the buyer obtains delivery of goods against the receipt of shipping documents and certificates as stipulated in the contract for which the buyer generally pays through Letter of Credit (LC). The buyer arranges for Bill of Entry at discharge port for clearance of goods after payment of applicable port related charges and duties/taxes such as Customs Duty (CD), GST, etc. as applicable.

Post implementation of GST since 01.07.2017 in India, import of Goods & Services are treated as inter-state supplies and IGST are levied on imported goods & services. The incidence of GST follows the destination principle and the tax revenue in case of SGST accrues to the State where the imported goods & services are consumed. Full and complete set-off are available on the GST paid on import of goods & services.

#### **Purchase Preference under Public Procurement Policy of Govt. of India**

As per Public Procurement Policy of Ministry of Micro, Small and Medium Enterprises (M/o MSME), all CPSEs have to mandatorily procure minimum 25% value of goods & services from MSEs. Out of this 25%, minimum 3% and minimum 4% of the value of goods & services are earmarked for procurement from women MSEs and SC / ST category MSEs respectively.

As per the extant policy, opportunity is given to the MSEs for matching the L-1 price in case their quoted price is up to 15% higher compared to the L-1 price. However, there is no price preference.

As per the PP Policy, M/o MSME has reserved 358 categories of items for exclusive procurement from MSEs only. Each SAIL plant / unit has its identified list of items for exclusive procurement from MSEs.

#### **Lead Time Of Procurement- Internal & External**

Internal lead time refers to the time period from the date of clearance of indent till placement of purchase order. Similarly external lead time is counted from the date of release of purchase order till the first consignment of material is received at the plant stores. It is imperative to reduce the lead time in order to reduce uncertainty of demand & supply and also to bring in efficiency in the system.

#### **Standard Terms & Conditions**

All standard terms & conditions pertaining to procurement of materials are contained in a standard document, which is called "SAIL-P1", which is available on SAIL Tender website ([www.sailtenders.co.in](http://www.sailtenders.co.in)) for ready reference and downloading by all tenderers. Apart from this, special terms & conditions as specific & relevant to a particular indent are stipulated in the tender enquiry & also in the purchase order.

#### **Duties And Taxes:**

The One Hundred and Twenty Second Amendment Bill of the Constitution of India, officially known as **The Constitution (One Hundred and First Amendment) Act, 2016**, introduced a national Goods and Services Tax regime in India from 1 July 2017. The GST has subsumed most of the indirect taxes and duties as follows:

- Excise Duty (ED) & Cess on ED
- Central Sales Tax (CST)
- Value Added Tax (VAT)
- Entry tax
- Service tax

- Octroi
- Countervailing Duty (CVD) & Cess on CVD
- Special Additional Duty (SAD) or Special CVD (SCVD)

GST has subsumed CVD and SAD which were applicable for import cases. However, Basic Customs Duty (BCD) continues to apply in all cases of import.

All invoices must bear the GSTIN no. of the supplier and buyer (to avail benefits of input credit). GST is indicated against Harmonized System of Nomenclature (HSN) Code of each item in invoice so as to keep proper accounting of GST. Statutory returns are to be filed by both supplier and buyer through fully computerized GSTN network of Govt. of India.

### **Risk Purchase**

Risk Purchase action against a supplier can be initiated by Purchaser in case of breach of contract where delivery against Purchase Order is overdue or even in case of anticipated breach of contract where delivery commitments of supplier are not likely to be met as per the scheduled delivery.

On reasonable grounds and with recorded reasons, Tender Enquiry is issued in such cases by Purchaser; keeping the technical specifications of material and also the commercial terms & conditions same as the original Purchase Order. However, notice, generally 15 days, to defaulting supplier for completing supplies must be given by Purchaser before taking RP action against the defaulting supplier.

Differential amount is recoverable from the defaulting supplier in case purchase price obtained through RP action exceeds the original order price and **vice versa**.

Risk Purchase actions are taken on the basis of extant guidelines of SAIL, which are issued by CMMG with the approval of Competent Authority. There is no provision for Risk Purchase on GeM.

### **Liquidated Damages:**

Liquidated Damages, not by way of penalty, are levied against suppliers in case of delay in supply of materials beyond the date of delivery specified in Purchase Order. Extension of delivery period may be granted by the Competent Authority as per DOP, if the delay in completion of supply is attributable to SAIL or under Force Majeure conditions.

### **Amendment To Purchase Order**

Amendment to Purchase Order may be issued, with recorded reasons, after the approval of Competent Authority as per DOP.

## **2.5 Procedural Aspects:**

### **Purchase/Contract Procedure (PCP-2020):**

- The main tenets of public procurement process are economy, efficiency, fairness and transparency. Keeping that in view, the main objective of Purchase / Contract Procedure, 2020 (PCP-2020) are to ensure procurement of material / services of desired quality at desired time in desired quantity and at the optimum cost maintaining transparency.
- The procedure is applicable to all purchases / award of contracts. As most stages of procurement as well as award of contract are common, hence, a common procedure has been evolved.
- Deviation with respect to the PCP shall be rare. In exceptional cases, deviation may be permitted for recorded reasons with the specific approval of Chief Executive of the Plants / Units on case to case basis.

### **Delegation of Power (DOP)**

The Chief Executive of a SAIL plant may delegate certain powers to his sub-ordinate officers. These officers exercise the power on behalf of the CE. This delegation of power varies from plant to plant.



A number of circulars / procedure orders are issued by CMMG (Corporate Materials Management Group), CVO (Chief Vigilance Officer) and also the head of Contracting Department of the plant, which are to be complied with while processing indents for procurement of materials.

## **2.6 Vendor Management:**

### **Vendor Registration:**

For ensuring continuous supply of right quality materials required by the plant, at the optimum cost, it is essential to have a dependable, competent & competitive vendor base. Also as per the Purchase Procedure of the Company, Limited Tender Enquiry (LTE) should be issued only when reliable manufacturers / suppliers / traders / contractors are known and for this purpose, the list of registered vendors / provisionally registered vendors should be maintained by MM / Contracting Dept.

Vendors are empanelled for the supply of various categories / subcategories of items by each of the SAIL Plants. Applications are invited periodically by SAIL plant/unit from vendors interested to supply the specific category/sub-category of items. Prospective vendors are asked to submit the application in specified format downloadable from SAIL website, along with all the documents required to establish their financial & technical capability.

The filled up application forms are scrutinized and the vendor capacity assessment is carried out through inspection department / technical experts to establish the technical capability of the vendors. The scrutinized application form along with relevant documents and capacity assessment report are put up to a Vendor Registration Committee (VRC). After due deliberation in the VRC, the vendors are recommended for the registration for specific category/subcategory. After approval of Competent Authority, a Registration Certificate, generally valid for 5 years, is issued to the vendor by SAIL plant/unit. The vendor has to apply for renewal of its registration well before the expiry of validity.

The firms registered for a particular category are all given coverage by rotation and no registered party should be considered for LTE for a second time unless all the registered parties in the list have been considered at least once in each cycle. Also wherever sub-category wise registration exists, enquiry shall be issued to all such registered vendors.

Some reputed vendors, Public Sector Units and/or foreign vendors who may not take initiative to get themselves registered with SAIL, are registered provisionally by Purchaser with the approval of Competent Authority.

### **Vendor Development:**

It shall be the continuous endeavor on the part of all Plants/ Units to find out and develop substitutes & sources of supply with a view to reduce cost of input materials and also to have reliable alternative source for imported/critical material. Efforts are continuously made to explore suitable vendors from various sources like internet websites, international bulletins, and vendor list of other PSUs etc.

### **Vendor Rating:**

There is a need to continuously monitor and update our registered vendor base to have the most competent & competitive vendors in our panel of vendors. For this purpose the efforts are made to monitor supply performance of the vendors and rate them objectively. The major factors usually considered for such vendor rating are competitiveness of vendor (price), quality of supply and delivery adherence. This vendor rating may also be used in removing a vendor from registered vendor list and also in the selection of vendors for issue of LTE. The IPSS guideline for Vendor rating is to be followed. On GeM, both Sellers (vendors) and Buyers are rated with respect to their performance and timely adherence to contractual provisions and their rating is displayed to all.

## **2.7 Inspection of Inbound Material:**

### **Need For Inspection**

Quality denotes “**CONFORMANCE TO ORDERED SPECIFICATION & FITNESS FOR USE**” - whether for products or services. Depending upon the nature, criticality & value of items, inspection is pre-specified in Purchase Orders and as per contractual terms, conducted either at supplier's premises (Stage or Pre-Dispatch Inspection) or at Plant Stores after receipt. However, a large no. of consignments is also accepted based on Manufacturer's Test Certificate / Guarantee Certificate and they are subject to cross-checking on random basis.

### **Stage Inspections**

For critical items, it is required to conduct stage inspection of semi-finished items (such as castings, forgings etc) at suppliers premises. In such cases, the supplier gives an interim Inspection Request to the inspection agency. During stage inspection, sample is collected by the inspecting officer for chemical analysis / Physical testing at either plant laboratory or authorized laboratories. On receipt of test results, conformance to specification is verified & clearance is given to the supplier for further processing of the item.

### **Pre-Dispatch Inspection:**

If it is specified in the **Purchase Order (PO)** that, the inspection is to be carried out at supplier's premises, the supplier gives an **Inspection Request (IR)** to the inspection agency mentioned in the PO. On receipt of IR, the inspecting officer visits the supplier's premises along with copy of PO, drawing, specification etc. The following checks are conducted depending on the nature of item:

- Visual check
- Dimensional check
- Functional check
- Physical testing such as hardness, pressure test, load test etc
- Electrical tests such as High voltage test, Insulation resistance test etc.
- Verification of documents as mentioned in PO

With a view to minimize inspection costs, Pre-Dispatch Inspection (PDI) is normally avoided where it does not add value. For this a list of such items where pre-dispatch inspection is not required has been made at respective plant level.

### **Final Inspection**

After readiness of the material in all respect & internal checking, the supplier gives the final Inspection Request to the inspection agency. In some critical cases, joint inspection by Indenter & Inspection is carried out at supplier's premises.

The supplier also submits the required certificates such as **Material Test Certificate (MTC)**, **Manufacturers Test Certificate (TC)**, **Guarantee Certificate (GC)**, **Warranty Certificate (WC)** etc., as mentioned in the PO, to the inspecting officer for verification.

After ensuring conformance of materials to the ordered specification in all respect, **Inspection Certificate (IC)** is issued by the inspecting officer to the supplier. Materials are marked by stamping / punching / stickers / seal / tag etc as a mark of acceptance or rejection. The supplier is asked to deliver the accepted material to the consignee as per PO.

### **Stores / Receipt Inspection:**

Normally standard items, ISI marked items, bulky items and low value items are inspected at Plant Stores after receipt. Such items are usually accepted based on visual examination & verification of documents.

For bulky items such as Ferro-alloys, sample is collected & tested at plant laboratory & on receipt of test report, acceptance or rejection is decided. Uniform Sampling Procedure for Ferro-alloys (SP-FA: 2014) issued by CMMG and available on CO portal may be referred to for details.

Materials having deviations from the ordered specifications are rejected by inspection. However, there are occasions when, rejected materials are taken in to use under the following circumstances:

- i. Non-availability of accepted material & urgency of requirement
- ii. Extent of deviation being nominal

The proposal for using rejected material in view of the above situation is to be approved by the Competent Authority as per Delegation of Power. Such cases are processed through **Material Review Board (MRB)** for deciding price reduction depending on the performance vis-à-vis expected life of item, consumption rate, extent of deviation etc. MRB consists of members from Purchase, Inspection, Stores, Finance, Indenter and also from specialized agency like Laboratory, Design etc.

### **Third Party Inspection:**

In case of specialized items, which require special proficiency for inspection, help of third party inspection agencies is taken. Normally such third party Inspection agency is either mutually agreed or from a panel mentioned in the tender document.

### **Statutory Compliances- IBR, Explosive:**

In case of items, which require approval of statutory authority such as CIB (Chief Inspector of Boilers), CCE (Chief Controller of Explosives) etc., verification & correlation of documents with the materials is done by the inspection agency before acceptance.

### **Quality Complaint Redressal:**

If the material, after issue to the user department, is found to have defects such as dimensional deviation, fitness problem etc, the supplier is asked to supply free replacement against such defects. If there is a pre-mature failure of the material, joint investigation is carried out by the Indenter & Inspection Agency. If it is established that, the pre-mature failure has occurred due to use of wrong material or faulty workmanship, the supplier is asked to either rectify the defects (if feasible) or supply free replacement.

## **2.8 Transportation of Inbound Material:**

### **Inbound transportation –**

- Depends on the “Mode of Dispatch” in the Purchase Order (PO)
- For overseas vendors, Mode of Dispatch may be “By Sea”, “By Air”, “By Courier” or “Multimodal” etc.
- For indigenous vendors, Mode of Dispatch may be “By Rail”, “By Road”, “By Courier” and “Hand Delivery by Vendor” etc.
- To facilitate sea and air shipment as well as to co-ordinate with overseas vendors and related agencies, some SAIL units employ the services of Clearing and Forwarding (C&F) agents. A few are Balmer Lawrie, Schenker, Kuhne & Nagel.
- On arrival at Indian port (Port of Discharge) mentioned in the PO, the consignment is got cleared from Customs Authorities and Port Authorities by Custom House Agents (CHA) appointed by the plant / unit. Port of Discharge is the destination port where the incoming goods are unloaded.
- After clearance at the Port of Discharge, the consignment is transported by Road / Rail to the plant.

The Chart of Responsibility as per INCOTERMS:

	<b>EXW</b>	<b>FCA</b>	<b>FAS</b>	<b>FOB</b>	<b>CFR</b>	<b>CIF</b>	<b>CPT</b>	<b>CIP</b>	<b>DAF</b>	<b>DES</b>	<b>DEQ</b>	<b>DDU</b>	<b>DDP</b>
Services	ExWorks	Free Carrier	Free Alongside Ship	Free Onboard Vessel	Cost & Freight	Cost, Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivery at Frontier	Delivery Ex Ship	Delivery Ex Quay	Delivery Duty Unpaid	Delivery Duty Paid

Warehouse Storage	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labour	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder Fees	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance Premium	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
Arrival Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Buyer	Buyer	Seller	Seller	Seller
Duty, Tax & Custom Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

**Road Transport Contracts :**

1. Material has to be transported to the plant from Ports of Discharge (Kolkata, Haldia, Mumbai, Vizag etc). Further, if freight terms are "To Pay" for indigenous orders, material has to be transported from all those places where indigenous vendors are located.
2. Road Transport Contracts may be for Assured Tonnage / Volume (where the quantum of material to be transported from a specified location is known before award of contract); or for Expected Tonnage / Volume (where neither the quantum nor the location is known before award of contract). For any given location, freight rates of the former category are less than that of the latter.
3. Depending on volume of transportation from a particular station the number of transporters is decided.

**Road Transport Documents:**

- i Consignee copy of Consignment Note / Lorry Receipt.

- ii Packing list
- iii Challan
- iv Invoice
- v Insurance Declaration
- vi Inspection Certificate (IC)
- vii Material Test Certificate (MTC)
- viii Guarantee / Warranty certificate (GC/WC)

### **Railway Transportation & Documents :**

Railway transport is used in case of bulk material (like coal, iron ore, limestone etc) as it is cheaper.

### **Railway transportation documents**

- Railway Receipt (RR) / Parcel Weigh Bill (PWB)
- Packing List
- Challan
- Invoice
- Insurance declaration
- Inspection Certificate (IC)
- Material Test Certificate (MTC)
- Guarantee / Warranty certificate (GC/WC)

### **Shipping & Shipping Documents:**

As per the Law of the Land, all PSU imports on FOB basis through sea route have to be canalized through Ministry of Surface Transport and Shipping Corporation of India (SCI), i.e., through ships owned / chartered by SCI, or flying the Indian flag.

If the port of Loading is not serviced by SCI ship, or where freight charged by SCI is higher than the market rate, dispensation has to be sought from Ministry of Surface Transport for placement of PO on CFR or CIF basis, whereby sellers can employ any shipping line of their choice.

### **Shipping documents**

- Bill of Lading
- Packing List
- Invoice
- Country of Origin Certificate
- Third Party Inspection Certificate (TPIC)
- Material Test Certificate (MTC)
- Guarantee / Warranty certificate (GC/WC)
- Bill of Entry

### **Air Transport:**

1. If an overseas consignment is small by weight / volume or where the consignment is required urgently, such material may be airlifted.
2. Air Transport documents :
  - Master Airway Bill
  - House Airway Bill
  - Packing List
  - Invoice
  - Country of Origin Certificate
  - Third Party Inspection Certificate (TPIC)
  - Material Test Certificate (MTC)
  - Guarantee / Warranty certificate (GC/WC)
  - Bill of Entry

### **Custom Clearance & Port Clearance:**

- i. On arrival of vessel at port of discharge, the shipping company files an Import General Manifest (IGM) on behalf of ship owner or master of the vessel.
- ii. IGM is a declaration to Customs authorities on the items to be discharged at the Port of Discharge.
- iii. After filing IGM, vessel is allowed to berth and cargo is unloaded.
- iv. Simultaneously, shipping company informs the importer regarding arrival of vessel, IGM number and the amount of sea freight that is payable.
- v. On importer's behalf, Customs House Agent (CHA) will prepare draft bill of entry, known as checklist.
- vi. With checklist, CHA encloses Bill of Lading, Packing List, Invoice, Country of Origin Certificate and Freight Bill, and enters all details in Indian Customs and Central Excise Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway (ICEGATE) system
- vii. If the information in Checklist and IGM (available with Customs) match, then Customs authorities give a Bill of Entry Number (BE Number), and case goes to Customs Appraising Officer (CAO).
- viii. CAO scrutinizes documents, checks the Brussels Tariff Number (BTN), checks requirement of license, if any. If the invoice value is more than Rs. Five lakhs, the case goes to Customs Audit.
- ix. After Customs Audit Clearance, the case goes to Assistant / Deputy Commissioner of Customs for clearance, after which TR 6 challan is printed for customs duty payment.
- x. After customs duty payment, TR 6 challan (duly paid) is sent to the docks. At docks, all shipping documents and TR 6 challan are presented to examiner who comes and examines goods, and passes an Examination Order.
- xi. With Examination Order, file goes to Appraising Officer, who issues Out of Charge Certificate (OOC).
- xii. Along with OOC, Bill of Entry is printed.
- xiii. In the meantime, shipping company issues Delivery Order (DO) after receiving all its dues like freight, detention charges, demurrage charges, handling charges etc.
- xiv. The DO and OOC are sent to Port Trust authorities for payment of stamp duty and port charges. After payment of Stamp duty and Port charges, Release Order is issued by Port Authority
- xv. Based on DO, OOC and Release Order of Port Authorities, CHA brings the material out of Port and hands over the same to authorized transporter.

## **2.9 Stores Functions:**

### **Material Receipt & Accounting:**

Material required in the plant are received from various sources, verified and accounted for in the Stores.

### **Different modes of receipt:**

The major modes of transportation in our Plants are receipt through Rail and Road. Other than this the materials are received through courier, registered post or by hand also.

**By Rail:** The bulky material required in huge quantity like Raw Materials are received by Rail in rake load. A rake consists of multiple numbers of wagons received together. In such cases the whole rake is received inside the plant/unit and the wagons are returned back to railways after unloading. When the quantity received is less than a rake load, materials are received in wagons which are transferred inside the plant by the Railways and empty wagons are returned to railways after unloading. The consignments received in rake load or wagon load are accompanied by the carrier's (Railways) document called Railway Receipt (RR).

The wagons / rakes are to be unloaded within the stipulated time limit given by the Railways known as Free Time. For any delay in releasing the wagons beyond the free time Railways charge extra amount known as "Demurrage" based on the extra time that wagons are held.

Material less than a wagon load are received in smaller consignments also known as “Smalls”. The railway document accompanying such small consignments is also known as Parcel Way Bill (PWB). These small consignments / parcels are received from the railways from their Godown within the stipulated time. For any delay in collection of such material from Railway godown, Railways charge an extra amount known as ‘wharfage’.

**By Road:** The materials are also received through Road by trucks/trailer/vans etc. The materials received by road are accompanied by a transporters document know as consignment note. Depending on the terms of the Purchase Order, the material by road are received in the Plant Stores or in the transporters local godown in which case Stores collects the material from the transporters godown.

The materials sourced from the foreign countries are received by Ship or through Air Carrier up to the nearest Seaport / Airport respectively which is further transported to Plants by road.

**Verification of Consignments:**

When the materials are received by Rail the wagons received are verified for any pilferage / shortage and also weighed for ascertaining the receipt of correct quantity. Any discrepancy in the quantity found or the damages observed is recorded on the RR / PWB. A Railway claim is lodged against this discrepancy. This Railway claim becomes a prerequisite for lodging insurance claim with underwriters.

The materials received through road are verified at the point of receipt for the correctness against our Purchase Order and the suppliers’ challan and outward damages or shortages in quantity if any. If any shortage or outward damage in the received material/consignment is observed the remarks is made on the transporters document and a carrier claim is lodged. Acknowledgement for the receipt of consignment/material is given on the transporters document like consignment note or on the delivery challan of the firm.

**Receipt, Accounting & Documentation:**

Once the consignments/materials are received in the Stores from the transporters/railways, actual quantity received & the condition of the material received are further checked in detail after unpacking the packages and matching the quantities with the supplier’s delivery Challan and the Purchase orders. Weighment is resorted to wherever the weight is to be ascertained. The correctness/completeness and the quality of material received are checked as per the terms of Purchase Orders. Then the document for receipt accounting is prepared which is known as Goods Receipt Note (GRN).

GRN is the document which:

- Indicates the quantity of received materials taken on charge in the plant,
- Communicates the acceptance/rejection of the material supplied
- Enables settlement of payment to the supplier.

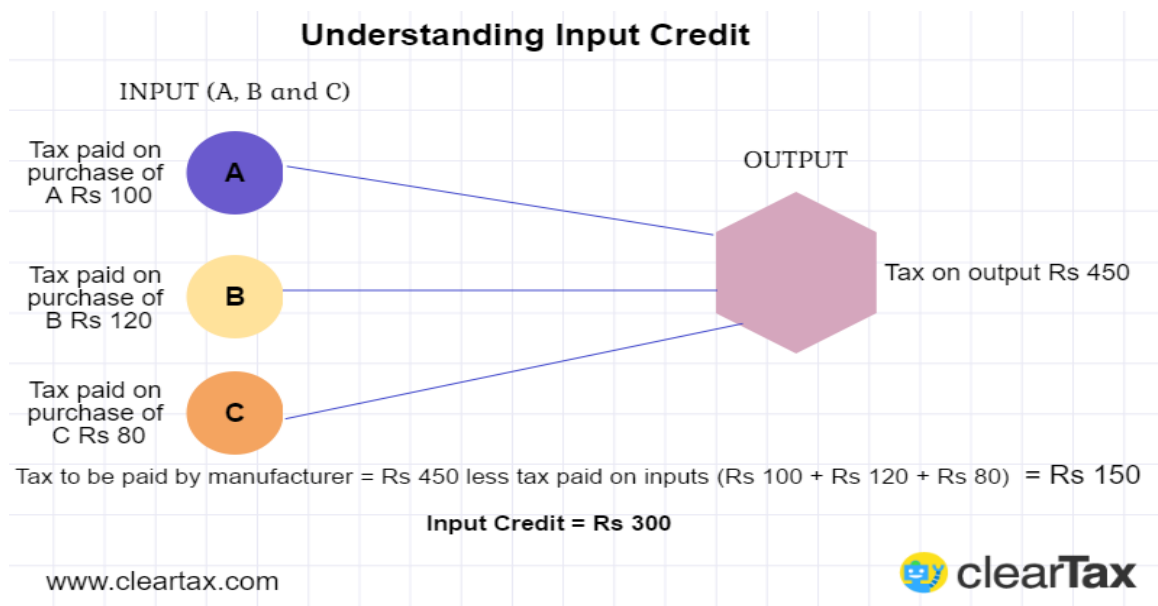
**Direct Delivery to Users or Central Stores:**

The materials against the various Purchase Orders are generally received centrally by Stores and stored after verification and accounting. However in case of certain items where there is no central facility of storage in the Stores the material is directly transferred to the storage facility available with the user departments. After ascertaining the quantity and the quality of such materials received at the user departments and their certification, the material receipt is accounted for by raising GRN.

**Input Tax Credit:**

Input tax credit means that at the time of paying tax on Output, you can reduce the tax by adjusting the tax you have already paid on Inputs.

For example, a manufacturer whose tax payable on Output (Final Product) is Rs.450 but who has already paid total tax of Rs.300 on different Inputs, can claim an Input Credit of Rs.300 and only need to deposit as Rs.150 in tax payable to the Govt.



**However, there is distinct mechanism for availing this input credit under GST.**

To claim input credit under GST –

- You must have a **tax invoice (of purchase) or debit note** issued by registered dealer.

Note: Where goods are received in lots/installments, credit will be available against the tax invoice upon receipt of last lot or installment.

- You should have **received the goods/services.**

Note: Where recipient does not pay the value of service or tax thereon within 3 months of issue of invoice and he has already availed input credit based on the invoice, the said credit will be added to his output tax liability along with interest.

- The **tax charged on your purchases** has been **deposited/paid** to the government by the supplier in cash or via claiming input credit.
- **Supplier has filed GST returns.**

Possibly the most path breaking reform of GST is that input credit is **ONLY** allowed if your supplier has deposited the tax he collected from you. So every input credit you are claiming shall be matched and validated before you can claim it.

**Therefore, to allow you to claim input credit on purchases all your suppliers must be GST compliant as well.**

- It is possible to have unclaimed input credit. Due to tax on purchases being higher than tax on sale. In such a case, you are allowed to carry forward or claim a refund.

If tax on inputs > tax on output → carry forward input tax or claim refund.

If tax on output > tax on inputs → pay balance.

No interest is paid on input tax balance by the government



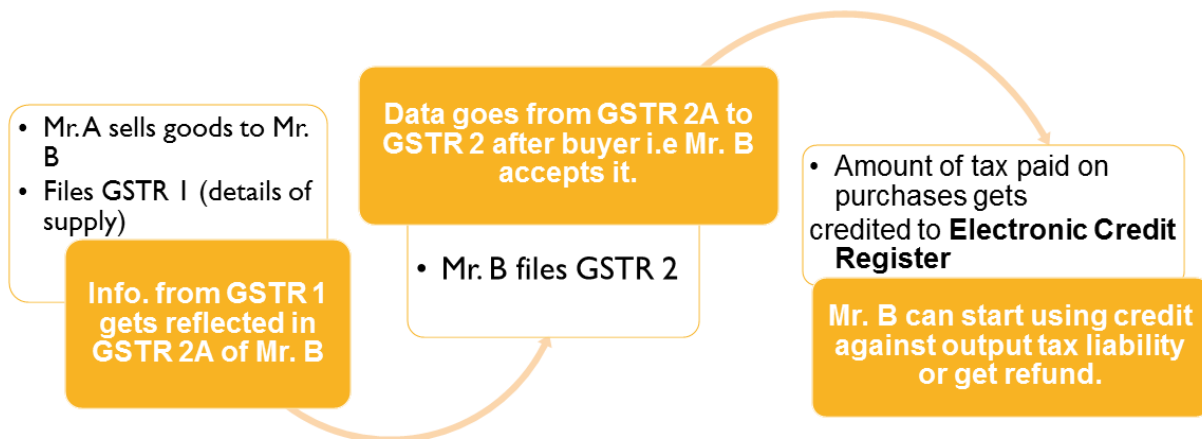
- Input tax credit cannot be taken on purchase invoices which are more than one year old. Period is calculated from the date of the tax invoice.
- Since GST is charged on both goods and services, input credit can be availed on both goods and services (except those which are on the exempted/negative list).
- Input tax credit is allowed on capital goods.
- Input tax is not allowed for goods and services for personal use.
- No input tax credit shall be allowed after GST return has been filed for September following the end of the financial year to which such invoice pertains or filing of relevant annual return, whichever is earlier.

How to avail Input Credit:

Following apply as per GST provisions:

To Pay IGST: Take Input Tax Credit from IGST, CGST and SGST paid on purchases  
 To Pay CGST: Take Input Tax Credit from IGST and CGST paid on purchases  
 To Pay SGST: Take Input Tax Credit from IGST and SGST paid on purchases

Suppose there is a seller Mr A and he sells his goods to Mr B. Here Mr B i.e the buyer will be eligible to claim the credit on purchases based on the invoices. Let's understand how:



**Step 1:** Mr A will upload the details of all tax invoices issued in GSTR 1.

**Step 2.** The details with respect to sales to Mr B will auto populate/ get reflected in GSTR 2A, the same data will be pulled when Mr B will file GSTR 2 (i.e details of inward supply).

**Step 3:** Mr B will then accept the details that the purchase has been made and reported by the seller correctly and subsequently the tax on purchases will be credited to 'Electronic Credit Ledger' of Mr B and he can adjust it against future output tax liability and get the refund.

**REMEMBER:**

- **CGST: CGST ITC availed against CGST but cannot be used to pay SGST liability**
- **SGST: SGST ITC availed against SGST but cannot be used to pay CGST liability**
- **CGST & SGST ITC CANNOT BE USED TO PAY EACH OTHER**



Input Tax Credit (ITC) can be claimed by the consuming plant/unit of SAIL based on its GSTIN.

**Lead Time of Receipt Accounting:**

The material received from various sources are verified and accounted for in the Stores only after which the materials can be made available for use and the payment to the supplier can be made. So the timely accounting of the receipt of the material is very important. The time taken in accounting & taking the material on charge from the time it is received in Plant/Stores is known as "Lead Time for raising GRN". Every plant tries to minimize GRN lead to ensure timely accounting of material, availability of received material for use and the payment to the suppliers.

**Storage of Material:**

The materials received from various sources need to be stored properly for ensuring the proper upkeep of material till its use, to ensure security and safety of the material as well as ease of retrieval and handling. The various aspects considered in the storage of material are given below:

**Central Stores - Sub Stores**

The materials used by multiple users are usually stored at a Central Stores from where all the users get the material. Materials which are used in a particular department only may be stored in Stores nearer to that department itself. Such Stores are called Sub-stores in which all shop specific items and some regularly used central items are stored.

**Commodity wise Stores**

The storage of material is also done on the basis of the nature of the commodity being stored as the storage requirement, handling requirement and the precautions to be taken depend on the commodity. Lubricants are stored in drums or in a central tank from where lubricant can be pumped to users. Refractory bricks & other refractory items are stored in the Refractory Stores. Gases are stored in cylinders in Gas stores. Petrol & diesel are stored in centralized storage with pumping facility for dispensing.

**Codification/cataloguing of items**

When we use a large number of items it is difficult to identify, account and handle the material by its nomenclature alone. So each item is given a unique code representing that item alone for enabling easy identification, accounting and handling which also enables easy computerization. These item codes are also known as material codes of the item. At SAIL there has been an effort to standardize material codes across the plants through a Uniform Codification System (UCS) so that same material is identified by a unique number by all SAIL units.

**Bin Card**

Bin card is the document in the stores depots where the history of transactions of an item is maintained. There are separate bin cards maintained for each of the stores item under separate material codes. Each receipt and issue transactions is posted in the bin card giving the updated stock

position of the item. The item description, unit of transaction and location of items are also maintained. With the advent of ERP based systems, e-bin cards have become the norm.

### Location

Location of an item in stores is the physical storage location where material is kept. The location of the stock of each item is maintained for ease in receipt & issue.

There are two ways of maintaining item locations: **Fixed location&Random Location**. In case of fixed location system the item is stored in a specific place every time it is received. This fixed location is maintained in bin cards. In case of Random location system, items are stored in different locations based on the availability of space and corresponding location reference is given on the bin card against the corresponding stock.

### Preservation of material

There may be a time lag between the receipt & actual use of the material. Different materials deteriorate to different extent during the storage period, so some items need to be preserved to maintain their useful life. The action taken to maintain the useful life of the material to avoid its deterioration is known as preservation of material. Items need to be initially preserved to avoid deterioration during storage and subsequently verified for any change in condition for corrective actions to be taken to restore the preservation.

### Shelf life items monitoring:

Some items have fixed useful life beyond which they become useless. Such items are known as shelf life items & the period within which they continue to have their useful life is known as shelf life. Some items having shelf life are: Medicines, Chemicals, Rubber items etc. The shelf life information of these items needs to be maintained on the bin card or the tags on them so that they can be issued for use before they deteriorate. Such material should be issued based on balance shelf life i.e material expiring first should be issued first. With the advent of ERP based systems, checks & warnings/alerts are automatic.

### Proper Storage:

For maintaining the useful life of the items stored for future use proper storage needs to be ensured. Different materials have different storage requirement for ensuring useful life & to avoid damage / loss. The items which get affected by keeping in open weather need to be stored in the closed storage spaces, costly items should be kept under lock & key etc.

### Security & Safety aspects of Storage :

While storing the items care needs to be taken to ensure the security of the items from theft / pilferage. Costly & pilferable items may have to be stored in strong rooms, safes with lock and key. The movement of items in a store needs to be with proper documentation to ensure accountability as well as precaution against pilferage / damages.

While storing the items it also needs to be ensured that the material will not be a safety threat to the persons handling them or the other material in the vicinity.

### Stock Verification & Reconciliation

For maintaining the continuous accountability of items under storage, it is essential to periodically verify the stock of the items with respect to bin card. The process of physically verifying the stock of items with respect to the stock on record is known as stock verification. The correction of the record to take care of any observed discrepancy in stock is known as reconciliation of stock. The periodicity of stock verification depends on the value and nature of the item. High value & pilferable items are verified more frequently. In ERP system this is called Physical Inventory Process.

### **Material Handling:**

Material handling involves loading, unloading, stacking and transportation of the material.

### Loading / unloading

While receiving the material they need to be unloaded from the carrying vehicles like trucks and wagons. Once the items are unloaded they need to be placed in a proper manner so as to ensure proper storage as well as ease of further handling which is known as stacking. While the materials need to be transported the same needs to be loaded back on the carrying vehicles like trucks and wagons. While loading and unloading of material precaution is to be taken so as to ensure that no damage or loss occurs to the material being handled or to other material / properties in the vicinity or to people.

#### Internal Transportation

Internal transportation involves the process of shifting the material from the point of unloading to the place of actual storage in stores and also from the stores to the point of actual use of materials.

#### Material handling equipments

These comprise of articular trailers, overhead cranes, revolving cranes, fowlers, forklifts of various carrying / lifting capacities, wagon tippers, conveyors etc.

#### Contractual handling

Manual loading / unloading, shifting, stacking, sorting, opening of bags, sewing, re-stitching, sampling etc. are managed through contract labour.

### **Material Issue & Accounting:**

#### Material collection by user departments

Materials required for use in the department are collected from Stores by the user department against an Issue Note / Stock Transport Order (STO) / Reservation.

#### Delivery to User Department by Stores

Materials are also delivered to the User Departments by the Stores themselves. The items required regularly in the plant for production/ operation like non-ferrous metals, ferro-alloys, heavy chemicals etc are shifted daily by Stores to the user department at the predetermined rate given by the user for which consolidated issue notes are given. Materials are also shifted on specific requirement (like heavy spares) by the Stores department directly or through the material handling contractor.

#### Authorization & Release of materials -

To ensure the issue of the materials to the correct user in correct quantity there is a system of releasing the items for issue. The central agencies responsible for the procurement of the particular item release the item in specific quantity to various users. For example Stock Control releases AP items, Spare parts cell (SPC) releases the spare parts and so on. Items procured directly by the user department are issued to them without any specific release.

#### Issue Notes & Gate Pass -

Material is issued from Stores to the actual users against a document called Issue Note/Stock Transport Order/Reservation. Only Authorized persons can raise such documents for drawing the material from Stores.

Stores issues the materials to the user department after scrutinizing the document and updates the bin card by posting the issue transaction. To ensure secured material movement outside the plant the system of moving the items against a Gate pass issued by the Stores depot exists.

### **2.10 Disposal & Dispatch of Material**

**Disposal:** In the course of producing steel, there arise some defectives, re-rollables, end cutting, side shearing, cobbles, Turnings, Borings etc. All such items are segregated and continuously shifted to an area earmarked for storage of such items, generally known as Disposal Stores. Similarly there are various other items like non-ferrous scrap, used conveyor belts, used grease drums, electrical and mechanical unserviceable items, idle assets, surveyed-off assets, serviceable surplus stores and spares, which have no further use in the production process of the plant. These items are also continuously shifted to Disposal Stores.

All such items are normally disposed off through e-auctions also known as Online Forward Auctions. However, sometimes other disposal methods like Open Tender, Quick Open Sales (QOS), etc. may also be adopted as per extant guidelines issued by CMMG.

Lot formation is done normally by shifting the disposable materials to Disposal stores. Sometimes, Lots are also offered for sale on arising basis. With a view to maximize revenue, size and composition of Lots are maintained judiciously. The items which can fetch better price are kept in separate Lot. Lots have to be clearly identifiable to avoid any commercial issues.

**Online Forward Auctions (e-Auctions):** Under Forward Auction, these lots are declared to the general public by uploading the Auction Catalogue on SAIL website and offering for sale through the Internet.

- As of now, auction is conducted by mjunction services ltd, which is a joint venture of SAIL and TATA STEEL.
- Each vendor who shows a willingness to participate in the weekly forward auction for iron & steel items by submitting the required EMD, is given a unique user name and password, through which they can access the online auction and bid for eligible lots.
- After completion of auction, the service provider (MJ) submits lot-wise H-1 bid report. The H-1 bids are compared with the lot-wise reserve price and those lots which are within a specified percentage of the reserve price are sold.
- Sale Orders for sold lots are issued in favour of the highest bidder, asking them to deposit the lot value. On receipt of lot value, Delivery Order is issued in favour of the highest bidder, who then lifts the sold lot within the stipulated time.

Online Forward Auction is the most prevalent way of disposal of materials by any plant / unit. Other methods of disposal, if chosen for use by plant / unit on practical or any other considerations, are as per extant policy guidelines issued by CMMG.

## 2.11 Inventory Management:

### Insurance Spares –

Insurance spares are those Revenue spares which normally do not fail, but whose life expectancy is uncertain; and failure of which will result in stoppage of production process not only of the concerned shop but will also affect the preceding and succeeding shops. Availability of such items is vital to liquidate break-downs and to reduce the down-time of the shop/mill.

These are required to be declared as Insurance spares from indenting stage and have to be capitalized on receipt at stores, i.e., their value has to be added to the mother asset value.

### Inventory Control Mechanisms -

1. ABC analysis - If yearly **consumption** value of all items used in manufacturing process is compiled and sorted in descending order, then items which cover top 70% cumulative **consumption** value shall be called A class items, next 20% shall be called B class items and balance as C class items.
  2. XYZ analysis - If inventory value of all items used in manufacturing process as on a particular date (normally end of financial year) is compiled and sorted in descending order, then items which cover top 70% cumulative **stock** value shall be called X class items, next 20% shall be called Y class items and balance as Z class items.
  3. VED analysis – Classification of items based on their **criticality to the production process** i.e., Vital items, Essential items and Desirable items.
- Inventory Holding Norms – Five months in terms of number of months' consumption. However, the norms are dependent on type of item, criticality to process, cost of item and availability of storage space.

- Nonmoving inventory – Stock items which have not been consumed for preceding five years.
- Slow Moving Inventory - Stock items which have not been consumed for preceding four years and shall get added to NM inventory of next year if not drawn in the current year.
- Obsolete/Surplus Items – Any stock item that is no longer of use in the plant/unit owing to technological reasons is called as obsolete item. These items are put up to a Committee chaired by Head of Plant Maintenance for declaration as surplus. After declaration as Surplus, these items are not included in Stores & Spares inventory and are taken up for use by other plants or for disposal.
- Idle Assets – An asset which has some useful life left, but which is not required / used at its present location is an Idle Asset.
- Stores/Goods In Transit – All items dispatched on or before 31<sup>st</sup> March of any year (i.e., the date of AWB, BOL, MR, RR etc is dated 31<sup>st</sup> March or earlier) but not received on or before 31<sup>st</sup> March of the same financial year. SIT also includes items received at Stores but neither accepted nor rejected as on 31<sup>st</sup> March.

## 2.12 Computerization of MM Activities:

### Integrated Material Management System (IMMS):

The computerized system of processing the entire activity chain of the Materials Management & related functions, including management of documents / forms involved, is known as IMMS. It generally covers functions of Indenting, Procurement (Tendering, Comparative Statement, Proposal and Order), Quality Assessment, Receipt, Inventory, Issue, Disposal etc. The computerized system helps in reducing paper work, reducing procurement lead time, increasing accuracy of inventory status besides providing important information for decision making.

Enterprise Resource Planning (ERP), a special software package encompassing planning, procurement, production, quality, receipt, issue, disposal, accounting, payment etc has been implemented at 5 ISPs (BSP, DSP, BSL and RSP) and also at CMO and CO.- Electronic tendering through Supplier Relationship Management (SRM) module of SAP has also commenced at BSP, DSP and BSL. Implementation of ERP / SRM has opened up many possibilities and opportunities of leveraging technology for further cost reduction in procurement and also in inventory reduction.- With increasing focus on GeM, integration of SAIL-ERP with GeM is underway.

### e-Commerce (e-Procurement, e-Sale, e-Payment) :

SAIL took initiatives in Electronic Commerce (e-Commerce) quite early to stay ahead of competition and take advantage of the technological advancements especially in internet. SAIL is the pioneer among PSUs in implementing e-commerce activities. Price discovery in tenders through the mode of Reverse Auction started in 2001-02. This was followed by sales of secondary materials as well as prime through the online Forward Auction route in 2002-03.- The volume of e-buying & e-selling has steadily increased over the years. SAIL is working towards 100% e-procurement and 100% e-selling

The major activities undertaken in e-Commerce are as below:

### **Reverse Auction (RA) –**

-Reverse Auction (RA) is an online, real-time dynamic auction where a number of bidders compete with each other to win the contract by submitting successively lower priced bids during a scheduled time period, and at the end of the auction, bidder with the lowest price bid wins.

### **Forward Auction (FA) -**

Forward Auction mode of on-line price bidding is being followed for sale of secondary steel, by products, iron ore fines, surplus/ obsolete/non-moving inventory, idle assets etc. Currently majority of

these items are sold through FA mode only. This helps in getting the best market prices and generation of additional revenue for the company.

### **E-Procurement:**

E-procurement means electronic processing of procurement activities right from indenting stage to payments and overall contract management. SAIL plants / units have implemented e-procurement by adopting / using a combination of products such as Enterprise Resource Planning (ERP), Supplier Relationship Module (SRM), Enterprise Procurement System (EPS), etc., for carrying out these activities. However, in recent years, GeM has emerged as the leading e-platform for procurement of all goods & services other than those imported.

e-Payment -

**E-Payment** is implemented in the form of NEFT/RTGS for payments to Vendors.

### **Tender Website of SAIL:**

A dedicated tender website of SAIL (<https://www.sailtenders.co.in>) has been hosted on the **internet**, which has the following salient facilities

- Publishing of Tenders: Open / Global Tenders/ EOIs
- Publishing list of Limited Tenders, Single Tender Item details.
- Publishing of **Forward Auction (Sales) Tenders**
- Provision of centralized MSME vendor enlistment module for SAIL.
- To align with the GOI directive of Make in India & Atmanirbharta, a section has been created in the website to facilitate the vendors to see and show interest in supply/ development of items for which SAIL Plants / Units are issuing Global Tender Enquiries under the tab **Indigenization – A Step towards Atmanirbharta.**
- **Information section** : The Information section on the homepage has plant unit wise
  - Notice / Circulars,
  - Standard Terms & Conditions of Purchase
  - Vendor Registration form and other formats
  - Contact Details of HoMM/HoMkt

A user, buyer / seller, has to complete a simple process of user registration on the SAIL Tender site. The site provides easy access/downloading of tenders, notices & other information to interested vendors. The website is secured with SSL (Secured Socket Layer) certification and uses Digital Signature Certificate (DSC) for uploading of Tenders & other content to ensure authenticity & prevent unauthorized changes.

## Chapter – 3

### Finance & Accounts

#### 3.1 Overview of Finance & Accounts Department

The Finance & Accounts Department plays pivotal role in any organization, and is generally considered to be the nerve centre of all activities, as all activities have a commercial and financial implication.

The activities of Finance can be broadly classified into the following categories:

1. **Finance functions:**
  - a. **Sourcing and control** of funds
  - b. **Evaluation and concurrence** of proposals.
2. **Accounts function**– Preparation of Financial Statements.
3. **Legal function**– compliance and adherence of various laws.
4. **Audit functions**– compliance with Company Laws, Rules & Regulations.
5. **MIS functions**– providing the management with data for decision making.

Based on the above functions, various sections are formed which deal with specific activities. This is required as every single business activity taking place in an organisation has some sort of financial implication, the effect of which is reflected in the financial statements.

### Accounts

#### Basic Accounting Principles & Concepts

Financial accounting is the art and science of recording transactions and events in a manner that captures the economic realities of those transactions and events. The financial accounting is concerned with book keeping and measurement of assets and liabilities.

Accounting is the language of business. Affairs of a business are communicated to others as well as to those who own or manage it through accounting information, which has to be suitably recorded, classified, summarised and presented. Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. The following are accepted as *fundamental accounting principles and assumptions*:

**Going Concern:** The enterprise is normally viewed as a *going concern*, that is, as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operation.



**Consistency:** It is assumed that accounting policies are consistent from one period to another.

**Accrual:** Revenues and costs are accrued, that is, recognized as they are earned or incurred (*and not as money is received or paid*) and recorded in the financial statements of the periods to which they relate.

The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements. There is no single list of accounting policies which are applicable to all circumstances. The differing circumstances in which enterprises operate in a situation of diverse and complex economic activity make alternative accounting principles and methods of applying those principles acceptable. The choice of appropriate accounting principles and applying those in specific circumstances calls for considerable judgment by the management. . All significant accounting policies adopted in the preparation and presentation of financial statements should be *disclosed* as part of the Financial Statements.

**Double Entry Accounting System**

When a transaction is entered into, its consequences are bound to follow. The *accrual concept* of accounting requires that all transactions or events, even if not yet settled in cash, must be taken into account. Such system is called *mercantile system of accounting*. Book keeping is based on the double-entry system that records transactions and events by the **Debit-Credit** principles. The debit-credit principle is a set of instructions for recording changes in balance sheet elements, that is, assets, liabilities and equity.

**Debit and credit rules for different types of accounts**

1. **Real account** : *Debit what comes in, credit what goes out.*
2. **Personal account:***Debit the receiver and credit the giver.*
3. **Nominal account:***Debit expense and losses and credit revenues and gains.*

**Rules of Debit and Credit-Based on the basis of Accounting Equation:**

Accounting equation is a statement of equality between the three basic elements of accounting. They are assets, capital and liabilities. Each and every financial transaction affects the three basic elements. However, the total of all assets is always equal to the total of capital and liabilities at any point in time. The rules of debiting and crediting an account based on the accounting equation can be summarised in the following way:

S.N.....	Effect	of	Transactions.....	Debit	or	Credit
1.....	Increase	in	assets and	expenses/losses.....		Debit
2.....	Decrease	in	assets and	expenses/losses.....		Credit
3.....	Increase	in	capital,liabilities,	income/gains.....		Credit
4.....	Decrease	in	capital,liabilities,	income/gains.....		Debit

The accounting cycle begins with recording of opening entries (balances carried forwards from the previous reporting period) in the general ledger, and ends with the preparation of financial statements for a particular period. Transactions are recorded in books of accounts in chronological order. Account heads, in accordance with their nature of classification, are opened in the general ledger and journal entries are posted in the general ledger. Accounts in the general ledger are balanced periodically. Usually, a trial balance, a statement that lists out balances in different ledger accounts, is prepared periodically. At the end of the reporting period, adjustments entries are passed to adjust revenue and expenses for matching expenses with revenue. A revised trial balance is prepared and closing entries are passed to close nominal accounts and prepare Statement of Profit and Loss. Balances that appear in the general ledger after preparation of the Statement of Profit and Loss are aggregated and classified for presentation in the balance sheet.

According to **matching principle**, all items of revenues earned and expenses incurred (*whether paid for in cash or not*) should be recorded properly under different heads in accordance with nature of classification, for preparation of Statement of Profit and Loss. Further, transactions of capital nature are accounted for directly in the Balance Sheet. Therefore, the capital and revenue nature of transactions must be distinguished properly. The transactions concerning assets and liabilities will affect the items in the Balance Sheet, reflecting the financial position.

## 23.2 Financial Statements and Analysis

### Balance Sheet

Every Balance Sheet of a Company should give a true and fair view of its state of affairs as at the reporting date, and should be set out in the form prescribed in Schedule III (Part I) to the Companies Act, 2013. The Companies Act, 2013 prescribes the format of the Balance Sheet and the details required to be disclosed under the various categories of assets and liabilities in Balance Sheet. Liabilities are classified into five main categories; (i) Share Capital, (ii) Other Equity, (iii) Non-Current Liabilities and Provisions, (iv) Current Liabilities and Provisions & (v) Tax Liability. Non-current and Current liabilities are further divided into Financial and Non-financial liabilities. Apart from these, contingent liabilities (a **potential liability** that may occur, depending on the outcome of an uncertain future event) and certain other items are required to be disclosed by way of note to the Financial Statements. Assets are classified into 3 major categories; (i) Non-Current Assets, (ii) Current Assets and (iii) Assets classified as held for Sale. Also, Non-current and Current assets are further divided into Financial and Non-financial assets.

### Statement of Profit and Loss

The **Statement of Profit and Loss** of a company should give a true and fair view of the profit or loss of the company for the financial year and should comply with the requirements of the Companies Act.

The Statement of Profit and Loss of the company shall include:

- (1) Profit or loss for the period ;
- (2) Other Comprehensive Income for the period

The sum of (1) and (2) above is 'Total Comprehensive Income' to be carried forward to Other Equity. Schedule III (Part-II) to the Companies Act, 2013 prescribe the format of Statement of Profit & Loss and the details required to be disclosed therein under the various categories of Incomes and

Expenses. Income of a company are divided into two categories; (i) Revenue from Operations and (ii) Other Income. The Expenses are divided into seven categories; (i) Cost of material consumed, (ii) Purchases of Stock in Trade (iii) Changes in Inventories of finished goods, Stock in Trade and Work-in-progress, (iv) Employee benefit expenses, (v) Finance cost, (vi) Depreciation and Amortisation, (vii) Excise Duty and (viii) Other Expenses. The difference between Income and expenses is Profit/Loss before exceptional items. Exceptional items are adjusted to calculate Profit before tax (PBT). Further, Tax expenses are adjusted with PBT to arrive at Profit after tax (PAT).

### **Indian Accounting Standards (Ind AS)**

With effect from 1<sup>st</sup> April 2015, Companies listed on Stock Exchanges in India or Outside India and having net worth of Rs.500 crore or more are compulsorily required to prepare its Financial Statements in accordance with Indian Accounting Standards (Ind AS), recommended by the Institute of Chartered Accountants of India (ICAI) and notified by The Ministry of Corporate Affairs (MCA). For this purpose, Net Worth shall be calculated in accordance with the stand-alone financial statements of the Company as on 31<sup>st</sup> march, 2014 or the first audited financial statements for accounting period which ends after that date.

Once Ind AS are applicable, an entity shall be required to follow the Ind AS for all the subsequent financial statements.

A complete set of financial statements comprises:

- (i) A balance sheet as at the end of the period;
- (ii) A statement of profit and loss for the period;
- (iii) Statement of changes in equity for the period;
- (iv) A statement of cash flows for the period
- (v) Notes, comprising significant accounting policies and other explanatory information; and
- (vi) Comparative information in respect of the preceding period.

### **Ratio Analysis**

Financial statements are required among other purposes, for making evaluations and financial decisions. Users cannot make reliable judgments unless the financial statements are clear and understandable. Ratio analysis is an important tool for analyzing financial statements.

The ratio analysis involves comparison for a useful interpretation of the financial statements. The parties interested in financial analysis are short and long term creditors, owners and management. Short term creditors' main interest is in the liquidity position or short term solvency of the firm. Long term creditors on the other hand are more interested in the long term solvency and profitability of the firm. Similarly, owners concentrate on the firm's profitability and financial condition. Management is interested in evaluating every aspect of the firm's performance. They are classified into four categories:

- **Liquidity ratios**
- **Leverage ratios**
- **Activity ratios**

- **Profitability ratios**

### **Liquidity Ratios:**

Liquidity ratios measure the firm's ability to meet current obligations. It is extremely essential for a firm to be able to meet its obligations as they become due. Liquidity ratios measure the ability of the firm to meet its current obligations. In fact analysis of liquidity needs is done thru preparation of cash budgets and cash and funds flow statements, but liquidity ratios by establishing a relationship between cash and other current assets to current obligations provide a quick measure of liquidity.

A firm should ensure that it does not suffer from lack of liquidity and also that it does not have excess liquidity. The failure of the company to meet its obligations due to the lack of sufficient liquidity will result in a poor credit worthiness, loss of creditors confidence or even in legal tangles resulting in the closure of company. A very high degree of liquidity is also bad, as idle assets earn nothing. The firm's funds will be unnecessarily tied up to current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity. Various types of liquidity ratios are

- **Current ratio**
- **Quick ratio**
- **Interval measure**
- **Net working capital ratio**

### **Leverage Ratios:**

The short term creditors, like bankers and suppliers of raw material are more concerned with the firm's current debt paying ability. On the other hand, long term creditors like debenture holders, financial institutions etc. are more concerned with firm's long term financial strength. In fact a firm should have short as well as long term financial position. To judge the long term financial position of the firm, financial leverage or capital structure, ratios are calculated. These ratios indicate mix of funds provided by owners and lenders. As a general rule, there should be an appropriate mix of debt and owners equity in financing the firm's assets. Various types of leverage ratios are;

- **Debt Ratio**
- **Debt Equity Ratio**
- **Capital employed to net worth ratio**
- **Other Debt Ratios**

## **Activity Ratios:**

Funds of creditors and owners are invested in various assets to generate sales and profits. The better the management of assets, the larger is an amount of sales. Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios are also called turnover ratios because they indicate the speed with which assets are being converted or turned over into sales. Activity ratios, thus, involve a relationship between sales and assets. A proper balance between sales and assets generally reflects that assets are managed well. Various activity ratios are

- **Inventory turnover ratio**
- **Debtors turnover ratio**
- **Collection period**
- **Net assets turnover ratio**
- **Working Capital turnover ratio**

## **Profitability Ratios:**

A company should earn profits to survive and grow over a long period of time. Profits are essential but it would be wrong to assume that every action initiated by management of a company should be aimed at maximizing profits, irrespective of social consequences.

Profit is the difference between revenues and expenses over a period of time. Profit is the ultimate output of a company and it will have no future if it fails to make sufficient profits. Therefore, the financial manager should continuously evaluate the efficiency of the company in terms of profits. The profitability ratios are calculated to measure the operating efficiency of the company.

Generally, there are two types of profitability ratios;

### **a. *Profitability in relation to sales***

- **Gross profit margin ratio**
- **Net profit margin ratio**
- **Operating expenses ratio**

### **b. *Profitability in relation to investment***

- **Return on Investment**
- **Return on equity**

- **Earnings per share(EPS)**
- **Dividends per share(DPS)**
- **Dividend pay-out ratio**
- **Price-earnings ratio(P/E Ratio)**

### **Indian Accounting Standards (Ind AS)**

The Companies Act requires that Statement of Profit and Loss and Balance Sheet of the company shall comply with the accounting standards. The expression "accounting standards" means the standards of accounting recommended by *the Institute of Chartered Accountants of India* as may be prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards.

Where the profit and loss account and the balance sheet of the company do not comply with the accounting standards, such companies are required to disclose in their profit and loss account and balance sheet the deviation from the accounting standards, the reason for such deviation and the financial effect, if any, arising due to such deviation.

### **Corporate Governance**

In a narrow sense, corporate governance involves a set of relationships amongst the company's management, its board of directors, its shareholders, its auditors and other stakeholders. These relationships, which involve various rules and incentives, provide the structure through which the objectives of the company are set, and the means of attaining these objectives as well as monitoring performance are determined. Thus, the key aspects of good corporate governance include transparency of corporate structures and operations, the accountability of managers and the boards to shareholders, and corporate responsibility towards stakeholders.

In a broader sense, however, good corporate governance, the extent to which companies are run in an open and honest manner, is important for overall market confidence, the efficiency of capital allocation, the growth and development of countries' industrial bases, and ultimately the nations' overall wealth and welfare.

Corporate governance is a process or a set of systems and processes to ensure that a company is managed to suit the best interests of all. The systems that can ensure this may include structural and organisational matters. The stake holders may be *internal stakeholders* (promoters, members, workmen and executives) and *external stakeholders* viz.

- **customers,**
- **lenders,**
- **vendors,**
- **bankers,**
- **community,**
- **government**
- **and regulators.**

Corporate governance is concerned with the establishing of a system whereby the directors are entrusted with responsibilities and duties in relation to the direction of corporate affairs. It is concerned with accountability of persons who are managing it towards stakeholders. It is concerned

with the morals, ethics, values, parameters of conduct and behaviour of the company and its management. Corporate governance is nothing but a voluntary ethical code of business of companies. This is based on the core values of the top management and the guiding principles that emanate from it.

Corporate governance is the system by which companies are directed and controlled. The board of directors is responsible for the governance of the company. The directors and the auditors are to satisfy themselves that an appropriate governance structure is in place.

## **AUDIT COMMITTEE**

For better corporate governance, the concept of Audit Committee for companies was introduced by section 292A of *the Companies Act, 1956*. Every public company having paid up capital of not less than Rs.5.00 crores must have an Audit Committee.

The auditors, the internal auditor, if any, and the director-in-charge of finance are to attend and participate at meetings of the Audit Committee.

As per section 292A (6) of the *said Act*, the function of the Audit Committee includes the following:

1. The Audit Committee has to discuss with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors.
2. The Audit Committee has to review the quarterly, half yearly, nine monthly and annual financial statements before submission to the Board.
3. The Audit Committee has to ensure compliance of internal control systems.

The Audit Committee has the authority to investigate into any matter in relation to the items specified in this section or referred to it by the Board and for this purpose, has full access to information contained in the records of the company and external professional advice, if necessary.

The recommendations of the Audit Committee on any matter relating to financial management, shall be binding on the Board and if the Board does not accept the recommendations of the Audit Committee, it shall record the reasons therefore and communicate such reasons to the shareholders.

The above provisions of law relating to powers and functions of the Audit Committee relating to financial statements has helped in achieving one of the objectives of corporate governance, i.e., accountability and avoidance of poor financial reporting. It also ensures that the companies are managed in clean and transparent manner.

## **Management Information System**

A management information system (MIS) is a system that provide requisite information to the management in a timely manner relating to an organisation's operations which in turn helps them to take necessary decisions.

The terms MIS and information systems are often confused. Information systems include systems that are not intended for decision making. The following are pre-requisites of an effective MIS:

### **Database**

It is a master file which consolidates data records formerly stored in many data files. The data in database is organized in such a way that access to the data is improved and redundancy is reduced.

Normally, the database is subdivided into major information sub-sets needed to run. The database should be user-friendly, capable of being used as a common data source, available to authorized persons only and should be controlled by a separate authority. Such a database is capable of meeting information requirements of its executives, which is necessary for planning, organizing and controlling the operations of the business.

### **Qualified System and Management Staff**

MIS are manned by qualified officers. These officers who are experts in the field should understand clearly the views of their fellow officers. The organizational management base should comprise of two categories of officers (i) System and Computer experts and (ii) Management experts. Management experts should clearly understand the concepts and operations of a computer. Their whole hearted support and cooperation will help in making MIS an effective one.

### **Support of Top Management**

An MIS becomes effective only if it receives the full support of top management. To gain the support of top management, the officer should place before them all the supporting facts and state clearly the benefits which will accrue from it to the concern. This step will certainly enlighten the management and will change their attitude towards MIS.

### **Control and Maintenance of MIS**

Control of the MIS means the operation of the system as it was designed to operate. Sometimes users develop their own procedures or shortcut methods to use the system, which reduces its effectiveness. To check such habits of users, the management at each level in the organization should device checks for the information system control.

Maintenance is closely related to control. There are times when the need for improvements to the system will be discovered. Formal methods for changing and documenting changes must be provided.

### **Evaluation of MIS**

An effective MIS should be capable of meeting the information requirements of its executives in future as well. The capability can be maintained by evaluating the MIS and taking appropriate timely action. The evaluation of MIS should take into account the following points:

1. Examining the flexibility to cope with future requirements ;
2. Ascertaining the view of the users and designers about the capabilities and deficiencies of the system ;
3. Guiding the appropriate authority about the steps to be taken to maintain effectiveness of MIS.

### **Cost Accounting**

Cost accounting, or Costing, is the process of tracking, recording and analyzing costs associated with the products or activities of an organization. Managers use cost accounting to support decision making to reduce a company's costs and improve its profitability.

Whether a company is engaged in manufacture of products, or providing service, there is an application of cost. A steel manufacturing company would have both manufactured products, as well as services. For example, a steel melting shop would produce an output called 'Cast Slab', which is a product. In the process of manufacture it would consume various input products such as Hot Metal, limestone, ferro-alloys, oxygen, etc. It would also consume services such as the manpower of Central Repair Agencies, Machine Shop, etc. Both products as well as services have a cost. Cost accounting



deals with the tracking of such costs, and analyzing them, in order to work out the cost of the product (or service), and to control such costs.

The Louisville & Nashville Railroad first used cost accounting in the late 1860s. This enabled the company to determine such measures as comparative cost per ton-mile among its branches, and it was by these measures, rather than earnings or net income, that the company evaluated the performance of its managers.

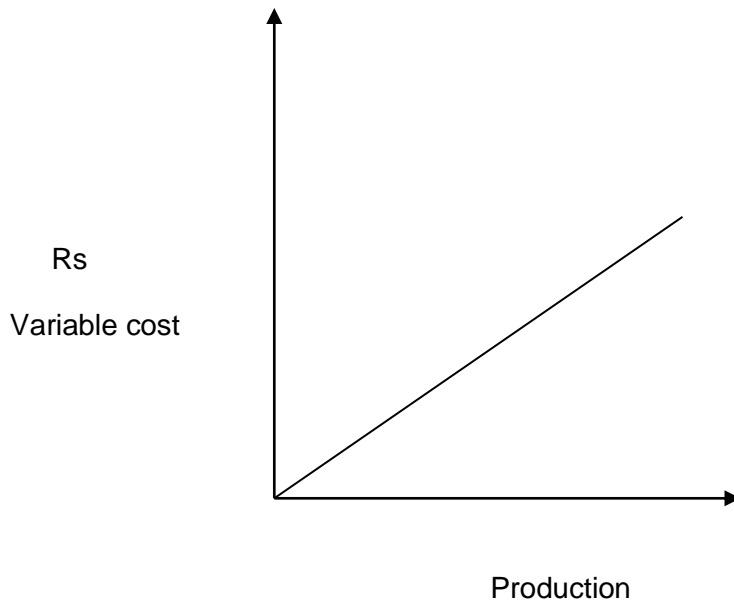
There are two conventional costing approaches used in manufacturing. The first, and more common, is **Process Costing**. Used in most mass-production settings, a process cost system analyzes the net cost of a manufacturing process; say rolling slabs into plates, over a specified period of time. The per-tonne cost for rolling plates is simply the net cost incurred while rolling all slabs into plates during the period, divided by the tonnage of plates rolled. Since most manufacturing processes involve more than one step, a similar calculation is made for each step to arrive at a unit cost average for the entire production system.

By contrast, the second major costing method, **Job-order costing**, is concerned with recording all the costs on an individual product basis. This is useful in settings where each unit of production is customized or where there are very few units produced, such as in machining customized products, or fabricating goods against specific orders. Under job order costing, the exact costs incurred in the production of a particular unit are recorded and are not necessarily averaged with those of any other unit, since every unit may be different. A single manufacturer may use both process and job-order costing for different parts of its operations. For example, in most integrated units of SAIL, process costing method is followed for the main production line (coke-making to finished product rolling), while job order costing is used in foundry, machine shop, structural shop, etc for calculating the cost of items made against specific job-orders.

**Activity-based costing (ABC)** is a costing method that assigns overhead and indirect costs to related products and services. This accounting method of costing recognizes the relationship between costs, overhead activities, and manufactured products, assigning indirect costs to products less arbitrarily than traditional costing methods. Activity-based costing (ABC) is mostly used in the manufacturing industry since it enhances the reliability of cost data, hence producing nearly true costs and better classifying the costs incurred by the company during its production process. ABC clusters all the costs associated with a single manufacturing task, regardless of whether they fall under the headings of labour or materials or something else, into a single activity cost.

### **Cost Categorization (Variable & Fixed Cost):**

Costs can be divided into two main categories – Variable and Fixed Cost. Variable cost are those cost that change proportionately to the level of output. For example, a manufacturing firm pays for raw materials. When activity is decreased, less raw material is used, and so the spending for raw materials falls. When activity is increased, more raw materials is used and spending therefore rises. Thus, raw material is a variable cost. In the context of a steel plant, coal, iron ore, fluxes, ferro-alloys, power, oxygen, etc are examples of variable costs. Since variable cost changes in proportion to the change in output levels, the 'per-unit' variable cost is almost the same at all levels of output. That is, if the cost of coal is Rs 8,000 per tonne of coke produced, it would remain at (or near about) this rate at all levels of coke production.



Fixed Costs are those costs that do not change with changes in the level of output within a given period or scale of operation. Expenses like Salaries & Wages, Depreciation, Interest, Maintenance Costs, etc are examples of fixed costs. The amount of fixed cost is a certain sum of money that would remain more or less constant at different output levels (provided, of course, that the level of operation does not change). Since the expenditure on fixed costs is more or less constant, therefore as the level of production increases, the per-unit fixed cost falls, and as the level of production decreases, the per-unit fixed cost increases.

It needs to be understood that fixed costs do not remain 'fixed' or un-changed over a period of time. It only signifies that such costs do not vary with production levels.

### **Cost Categorization (Direct & Indirect Cost):**

Cost can also be categorized by traceability. Direct costs are those costs readily traceable to the cost object, whereas indirect costs are less-readily traceable. Direct costs typically include the major components of any manufactured goods and the labour directly required to produce that good. Direct costs are often subdivided into direct material costs and direct labour costs. Direct costs are also referred to as prime costs.

Indirect costs include plant-wide costs such as those resulting from the use of fixed capital, but indirect costs may also include the costs of minor components such as solder or glue. While all costs are conceivably traceable to a cost object, the determination of whether to do so depends on the cost-effectiveness with which this can be done. Indirect costs of all kinds are sometimes referred to as overhead.

### **Cost Centres:**

Cost centres are divisions within an organization, against which cost is collected. For example, Blast Furnace, Coke Ovens, Steel Melting Shop, etc are cost centres in a Steel Plant. Big departments may be further broken down into sub-cost centres. Coke Oven may have the following sub-cost centres:

- **Oven pushing & Battery operation**
- **Coke handling**
- **Gas Cleaning Plant**
- **Sulphuric Acid Plant**

- **Ammonium Sulphate Plant**
- **Benzol Recovery Plant**
- **Benzol Rectification Plant**
- **Tar Distillation Plant**

All costs incurred in a cost centre are collected in order to calculate the product cost/ service cost.

### **Cost Accounting Standards:**

The Institute of Cost Accountants of India, recognizing the need for structured approach to the measurement of cost in manufacture or service sector and to provide guidance to the user organizations, government bodies, regulators, research agencies and academic institutions to achieve uniformity and consistency in classification, measurement and assignment of cost to product and services, has constituted Cost Accounting Standards Board (CASB) with the objective of formulating the Cost Accounting Standards.

Keeping in view latest legal and contemporary developments, the Cost Accounting Standards Board develops Cost Accounting Standards. Cost Accounting Standards (CAS) are a set of standards that are designed “to achieve uniformity and consistency in cost accounting practices.” To explain the requirements of Standards and provide the guidance with practical examples and illustrations on technical issues relating to Cost Accounting Standards issued by the Institute, CASB also issues Guidance Notes. Further, there may also be other technical issues relating to topics of importance for which the Cost Accounting Standards are not necessary but these technical issues need guidance to members and industry with respect to measurement, classification, assignment and presentation of cost in cost statements, the CASB issues Guidance Notes on such topics. The Institute/Board has so far issued 24 Cost Accounting Standards, Generally Accepted Cost Accounting Principles, 9 Guidance Notes on Cost Accounting Standards and two Guidance Notes on “Treatment of Costs Relating to Corporate Social Responsibility (CSR) Activities” and “Maintenance of Cost Accounting Records for Construction Industry Including Real Estate and Property Development Activity”.

The structure of Cost Accounting Standard consists of Introduction, Objectives of issuing standards, Scope of standard, Definitions and explanations of the terms used in the standard, Principles of Measurement, Assignment of Cost, Presentation and Disclosure.

While formulating the Cost Accounting Standards, the CASB takes into consideration the applicable laws, usage and business environment prevailing in India. CASB also gives due consideration to the Cost Accounting Standards, principles and practices being followed by the other countries in the world. If due to subsequent changes in the law, a particular standard or any part thereof becomes inconsistent with such a law, the provisions of the said law shall prevail.

**LIST OF COST ACCOUNTING STANDARDS (CAS) AND GUIDANCE NOTES ISSUED AS ON DATE**

<b>CAS No.</b>	<b>Title</b>	<b>Effective Date (For the period commencing from)</b>	<b>Guidance Note</b>
CAS 1 (Revised 2015)	Classification of Cost	1st April 2015	
<b>CAS 2 (Revised 2015)</b> CAS 2 (Revised 2012)	<b>Capacity Determination</b> Capacity Determination	<b>1st April 2016</b> 1st April 2012	<b>Guidance Note on Capacity Determination CAS-2 (Revised 2015)</b>
<b>CAS 3 (Revised 2015)</b> CAS 3 (Revised 2011)	<b>Production and Operation Overheads</b> Overheads	<b>1st April 2016</b> 1st April 2012	
CAS 4	Cost of Production for Captive Consumption	1st April 2010	Revised Guidance Note on Cost of Production for Captive Consumption (CAS-4)
CAS 5	Average (Equalized) Cost of Transportation	1st April 2010	
CAS 6	Material Cost	1st April 2010	Guidance Note on Material Cost (CAS-6)
CAS 7	Employee Cost	1st April 2010	Guidance Note on Employee Cost (CAS-7)
CAS 8	Cost of Utilities	1st April 2010	Guidance Note on Cost of Utilities (CAS-8)
CAS 9	Packing Material Cost	1st April 2010	Guidance Note on Packing Material Cost (CAS-9)
CAS 10	Direct Expenses	1st April 2010	Guidance Note on Direct Expenses (CAS-10)
CAS 11	Administrative Overheads	1st April 2010	Guidance Note on Administrative Overheads (CAS-11)
CAS 12	Repairs and Maintenance Cost	1st April 2010	Guidance Note on Repairs and Maintenance Cost (CAS-12)
CAS 13	Cost of Service Cost	1st April	

	Centre	2011	
CAS 14	Pollution Control Cost	1st April 2012	
CAS 15	Selling and Distribution Overheads	1st April 2013	
CAS 16	Depreciation and Amortisation	1st April 2014	
CAS 17	Interest and Financing Charges	1st April 2014	
CAS 18	Research and Development Costs	1st April 2014	
CAS 19	Joint Costs	1st April 2014	
CAS 20	Royalty and Technical Know-How Fee	1st April 2014	
CAS 21	Quality Control	1st April 2014	
CAS 22	Manufacturing Cost	1st April 2015	
<b>CAS 23</b>	<b>Overburden Removal Cost</b>	<b>1st April 2017</b>	
<b>CAS 24</b>	<b>Treatment of Revenue in Cost Statements</b>	<b>1st April 2017</b>	

### **Budget**

Budget refers to the list of all planned expenses and income of a future period (generally a financial year). The Budget exercise for the next financial year generally starts around January/ February of the previous year. The exercise begins with the marketing projection. In SAIL, the Central Marketing Organization (CMO) gives a **projection** about the likely demand for various products of SAIL, and the likely selling prices. Based on the demand projection, the Plants prepare the production plan. In order to achieve the production plan, the plants also work out the consumption of various raw materials and inputs (power, oxygen, etc). The Budget Section of Finance Department then compiles the expenditures and incomes (including expenditure on Stores & Spares, Contractual expenses, etc). The projects likely to be capitalized next year are also considered. Finally, the Budgeted Profit & Loss A/c and the Budgeted Cash Flow Statement are worked out. After various rounds of discussions, the figures are frozen, and the Budget is approved by the Board of Directors.

### **Standard Cost:**

Based on the Annual Production Plan (APP) and the Financial Budget, the Costing section of Finance prepares the Standard Cost for the next year (Budget year). The Standard Cost explodes the macro expenditure figures into detailed shop-wise expenses. The product-cost thus worked out are the Standard product costs for the products. The actual production cost during the budget year is compared with the Standard Cost, and the variances are analyzed.

**Cost Variance:**

The actual cost of each month/ period of the Budget Year would generally be different from the Planned (Budgeted) cost. The difference needs to be analyzed in order to know the reasons for variation. This exercise is known as Cost Variance Analysis.

The variance between the actual cost and Standard cost is analyzed under the following heads:

<b><i>Volume Variance</i></b>	Measures the impact of increase/ decrease in the per-unit Fixed Cost of a product due to difference between planned volume and actual volume of production.
<b><i>Price Variance</i></b>	Measures the impact of increase/ decrease in the per-unit cost of a product due to difference between the planned price and actual price of input materials.
<b><i>Usage Variance</i></b>	Measures the impact of increase/ decrease in the per-unit cost of a product due to difference between the planned usage and actual usage of input materials (for example what is the impact on cost due to change in coke rate from 480 Kg/THM (planned) to 490 Kg/THM (actual)).
<b><i>Fixed Expenditure Variance</i></b>	Measures the impact of increase/ decrease in the per-unit cost of a product due to difference between the planned and actual expenditure on Fixed Costs (salaries, depreciation, stores & spares, etc).

### 3.4 Financial Management

Financial Management is the management related to the **financial structure** of the company and therefore to the decisions of source and use of the financial resources, that is reflected in the size of the financial income and/or charges.

A company needs funds to finance its day-to-day operations (paying salary, buying raw materials, etc.) and also to finance its capital expenditure on projects. Financial Management deals with the arrangement of funds from various sources, and their management.

#### Sources of Funds:

There are three major sources of funds available to companies.

1. They make profit by selling a product for more than it costs to produce. This is the most basic source of funds for any company and hopefully the method that brings in the most money.
2. Like individuals, companies can borrow money. This can be done privately through bank loans, or it can be done publicly through a debt issue. The drawback of borrowing money is the interest that must be paid to the lender.
3. A company can generate money by selling part of itself in the form of shares to investors, which is known as equity funding. The benefit of this is that investors do not require interest payments like bondholders do. The drawback is that further profits are divided among all shareholders.

The relative merits and de-merits of each source are as follows:

#### Internal Accruals:

These are funds in the possession of the company created out of un-distributed profits of previous years.

The Profit & Loss A/c of a company shows the net profit earned by the company in a year. Net profit is calculated by subtracting a company's total expenses from total income, thus showing what the company has earned (or lost) in a given period of time (usually one year).

The Net Profit (after deduction of Income tax) plus all non-cash charges, i.e., charges that don't entail actual cash outflow but they are only notional charges like depreciation, writing off preliminary expenses etc, gives the **cash profit**.

The total un-distributed cash profit available as reserves with a company constitute Internal Accruals.

A company may use a part of its internal accruals to finance its working capital needs, and to fund the project costs. The advantage of using own funds is that it does not increase the borrowing levels, there is no expenditure towards interest, and the company is not under pressure for loan repayments. However, it needs to be understood that the cost of own funds is very high (as they reflect the

expectation of the shareholders), and also income tax benefit is not available on the utilization of such funds.

### **Borrowings:**

A company may borrow money from banks or financial institutions. A company can also borrow money from the market by issuing Debentures or Bonds. Obviously, borrowed money has a cost, i.e. the interest to be paid. There is also the worry of cash flows to repay the principal and interest. The lenders view a default on re-payment very seriously. However, borrowed money has two major advantages. Firstly, the interest cost is an allowable expenditure in Income Tax. That is, tax benefit is available, and therefore the net cost to the company is less than the amount of interest paid. Secondly, interest gives 'leverage' to the earnings available to shareholders. In a company having higher debt content, a 10% increase in profit will translate into more than 10% increase in EPS (earnings per share).

### **Issue of Shares:**

A company can raise money by issuing shares in the market. The share price of companies having a good track record usually trades in the stock markets at a higher price than its face value. Such companies can issue shares at a 'premium'. For example, a company has shares of Rs 10/- each (face-value). The shares trade in the stock market at Rs 40/- each. The company could easily issue shares at a premium of Rs 30/- per share. As explained earlier, though there is no compulsion of making payment to shareholders, the available profits get more thinly distributed among the increased number of shares, thereby reducing the earnings per share.

### **Debt-Equity ratio:**

This is the ratio that shows the proportion of 'own funds' and 'loan funds' being employed by a company. 'Own Funds' refer to the Net Worth of the company (i.e. the sum of equity shares plus all free reserves). A debt-equity ratio of 2:1 may be considered healthy in many industries. This means borrowings are double the net worth.

For example, if a company has a net worth of Rs 100 crores, and borrowings of Rs 150 crores, it would have a debt-equity ratio of 1:1.5.

### **Working Capital Management:**

Working Capital refers to the difference between current assets and current liabilities of a company. Current assets comprise of cash, bank balance, stock, debtors, etc., while current liabilities comprise of creditors and liabilities.

Working capital management is concerned with making sure that exactly the right amount of money and lines of credit are available to the business at all times. Cash is the life-blood of any business, no matter how large or small. If a business has no cash and no way of getting any cash, it will have to close down.

The aim of working capital management is to minimize the cash conversion cycle (purchase to pay, order to cash, etc), so as to minimize the amount of capital tied up in current assets.

To manage working capital, we need to manage the individual components of working capital.

### **Inventory Management**

It deals with minimizing the total cost of inventory. This consists of optimizing the size of inventory. Concepts such as 'Just-in-time inventory' are strategies of inventory management. A company should attempt to minimize the inventory size without facing a risk of stoppage of work because of non-availability of materials. 'A-B-C' classification of inventory is also a strategy in this direction.



## Cash Management

It refers to the management of receivables, optimize free cash balances, and manage liquidity. The 'order-to-cash' cycle and "purchase-to-pay" cycle are important parameters to watch. Cash flow statements and cash flow forecasts are used to monitor the cash position on a short-term basis.

## Receivable Management

It deals with the realization of cash from customers to whom goods have been sold on credit. The effort here is to reduce the credit period and hasten the collection of cash.

## Project Finance

The role of Finance department in the life cycle of a project begins with the investment proposal and ends with the de-capitalization of an asset that has completed its useful life.

### Project Viability:

An investment proposal is initiated by a department. An investment proposal may be for purchase of a machinery, or installation of a plant, or construction of a building, or for the acquisition of any capital asset. Like any business decision, the decision of whether or not to acquire the asset would depend on the benefits that the company would get by acquiring the asset. For an investment proposal to be viable, the asset must generate more cash over its useful life than what was required to purchase the asset.

There are three methods that are commonly used to assess the viability of an investment decision. These are **the Payback Method**, the **Net Present Value (NPV) Method**, and the **Internal Rate of Return (IRR) Method**.

### Payback Method:

In this method, we calculate the number of years it would take for the asset to return the original investment. For example, an asset costs Rs 20 crores to acquire. The asset is expected to give a saving of Rs 5 crores each year. Thus the payback period of this investment decision will be 4 years (Rs 20 crores / Rs 5 crores).

Payback method is simple to calculate and understand. It shows how quickly the company will get back its money. However, it suffers from a major drawback; that is, it ignores the 'time value of money'.

### What is the 'time value of money'?

It will be appreciated that Rs 100 earned today is worth more than Rs 100 earned after five years. Or, Rs 100 earned after five years is less valuable than Rs 100 earned today. This is because, Rs 100 earned today, and invested at a certain rate of interest, would amount to more than Rs 100 after five years. In fact, Rs 100 earned today and invested at an interest rate of 10% per annum (compounding) would amount to Rs 161 after five years. Or, Rs 100 earned after five years is equivalent to only Rs 62 today.

Payback method suffers from a major drawback in that it treats cash flows of all years as equal and *does not consider time value of money*.

Thus, it is required to '**discount**' the future cash flows in such a way as to arrive at their 'present value' today. Discounting of future cash flows can be done by applying the following formula:

$$PV = FI \times 1 / (1+R)^N$$

Where,

**PV = Present value of future cash flow**

**FI = cash inflow at a future date**

**R = Discounting rate**

**N = period**

The present value of an income of Rs 100 earned after 5 years, and discounted at 10% per annum is:

$$100 \times 1 / (1.1)^5 \\ = \text{Rs } 62.09$$

Under the Net Present Value (NPV) method of calculating project viability, the future cash inflows and outflows (over the life of the asset) are discounted to the present value. If the sum is positive, the project is viable; if the sum is negative, the project is unviable.

The NPV method, though an improvement over the payback method, is still short of full acceptability because it deals with absolute numbers. It does not give a clear decision regarding cases where the cash flows are different. For example, is a project having a cost of Rs 50 crores and an NPV of Rs 8 crores better than a project costing Rs 10 crores with an NPV of Rs 4 crores?

*The Internal rate of Return (IRR) method refers to the discounting rate at which NPV of a project is equal to zero. This is the **return** being earned by the project. The advantage here is that, since IRR is relative, it is possible to *compare the viability* of different projects having different costs and different cash inflows.*

### **Discounting rate:**

We have mentioned that future cash flows need to be discounted at a certain rate in order to arrive at the present value. How do we arrive at a discounting rate? It needs to be emphasized here that a correct discounting rate is essential for calculations, because it is easy to manipulate project viability by playing around with the discounting rates. For example, reducing the discounting rate can increase the viability of a project.

Discounting rate is the weighted average cost of capital employed in the project. For a project funded entirely out of bank borrowings, the discounting rate would be the after-tax rate of interest. For example, if a company takes a bank loan at 10% rate of interest, and the corporate tax rate is 30%, the after-tax cost to the company is 7% [10% x (100 – 30)%]. This would be the discounting factor.

In case of a company taking a mix of bank borrowings and own funds (internal accruals), the **weighted average cost of capital (WACC)** would be the discounting rate. To assign a cost to own funds is somewhat subjective, and there are certain mathematical models available for this purpose. The model commonly used is the Capital Asset Pricing Model (CAPM).

### **Discounting factor:**

As explained earlier, discounting of future cash flows is done by applying the following formula:

$$PV = FI \times 1 / (1+R)^N$$

Where,

**PV = Present value of future cash flow**

**FI = cash inflow at a future date**

**R = Discounting rate**

**N = period**

The discounting factors for three years calculated at a ***discounting rate of 10%*** are as follows:

Year	Discounting factor
0	1.000
1	0.909
2	0.826
3	0.751

**Asset acquisition:**

An asset may be acquired in various ways:

- by outright purchase
- by awarding a contract
- by own construction

Large projects are generally acquired by awarding contracts. Contracts may be awarded on turnkey basis or non-turnkey basis. In a turnkey contract, the contractor is given full responsibility for the execution of the job. A turnkey contract may be awarded to a single contractor, or a consortium of two or more contractors. Contracts may be Global or indigenous; it may be issued on open tender, limited tender or single tender basis.

**Capitalization of assets:**

Once an asset is commissioned, or put to use, it needs to be capitalized. Capitalization signified that an asset has been created. Till the time an asset is commissioned, it is kept under *Capital Work In Progress (CWIP)*. An asset is capitalized at the actual cost incurred in commissioning the asset, net of any credit available on Excise Duty, CVD, service tax, and VAT.

**Depreciation:**

An asset, once created and put to use will gradually lose value due to wear and tear and obsolescence. The gradual reduction in value of an asset over its useful life is known as depreciation. Schedule XIV of the Companies Act specifies the rate at which various assets are to be depreciated. The amount of depreciation is reduced from the asset value and charged off the Profit & Loss A/c as an expense. Depreciation stops when the asset has reached terminal value (i.e. 5% of the original cost).

An asset that has completed its useful life is removed from the asset register and disposed off. The profit or loss on disposal of asset (i.e. the selling price minus the depreciated value of the asset) is shown in the Profit & Loss A/c of that year. With this, the life cycle of an asset is completed.

### **3.5 Audit**

An audit is an examination of records for desired purpose. Out of various audits, the following important audits are conducted in the company.

#### **Statutory Audit**

The first auditors of a company shall be appointed by the Board of Directors within one month of the date of registration of the Company. Such auditors hold office until the conclusion of the first annual general meeting. Every company shall at each annual general meeting appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and shall within seven days of the appointment, give intimation thereof to every auditor so appointed. Only Chartered Accountants can be appointed as the auditors of a company. Under the Companies Act, the auditors of a government company shall be appointed or re-appointed by the Central Government on the advice of the Comptroller and Auditor General (C&AG) of India.

The auditor has a right of access at all times to the books and accounts and vouchers of the company and is entitled to enquire from the officers of the Company such information and explanations as the auditor may think necessary for the performance of his duties.

The auditor shall make a report to the members of the company on the accounts examined by him and on the balance sheet and profit and loss account and on every other document declared by this Act to be part of or annexed to the balance sheet or profit and loss account which are laid before the company in general meeting during his tenure of office. The auditors are required to state in their report whether the financial statements of the company present a true and fair view of state of affairs and working results. The balance sheet and profit & loss account should be drawn up in conformity with the requirements of companies Act and generally accepted accounting principles.

#### **Internal Audit**

Internal Auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a basis for service to the management. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. Towards this purpose, internal auditing furnishes them with analyses, appraisals, recommendations and information concerning the activities reviewed. The role of internal auditors is to provide service or advice to the management. The internal auditor is not responsible for accomplishing the various activities of the concern. His duty is merely to review them and report on them. The overall responsibility for running a business rests with the line managers. The need of internal audit arises primarily due to the fact that business organizations have grown enormously in size and operations. It is therefore necessary for the managements of any organization to have a team of experts which reviews the procedures and operations of various units and reports cases of non-compliance, inefficiency and lack of control, for taking necessary remedial action.

The internal auditor is a representative of management. The nature and scope of his operations are determined by the management and may, therefore, differ from one organization to another according to the needs of different management. The rights and duties of the statutory auditor, on the other hand, are not defined by the management. The statutory auditor is independent of the management.

Internal check is a method of organizing the accounts system of a business concern where the duties of different officials are arranged in such a way the work of one person is automatically checked by another and thus the possibility of fraud or error is minimized. The advantage of good internal check system is that the auditor can rely upon the accuracy of the accounts.

### **Government Audit**

*The Companies Act* gives the C&AG the power to direct the manner in which the Company's accounts shall be audited and to give the auditor "instructions in regard to any matter relating to the performance of his functions as such". The auditor of a Government Company is required not only to verify whether the financial statements of accounts are true and fair, but has also to look into the efficacy of systems and point out specific cases of inefficiency, under-utilization of capacity and wastages.

Under *the Companies Act*, the C&AG has the power to "*conduct a test or supplementary audit of company's accounts by such person or persons as he may authorize in this behalf*".

Under the Companies Act, the Company auditors shall submit a copy of his audit report to the C&AG who shall have the right to comment upon or supplement the audit report in such manner as he may think fit. Under section 619(5) of the Companies Act, the comments of C&AG have to be placed before the annual general meeting of the company together with the audit report.

The auditor of a Government Company has to conduct the audit according to the manner, instructions and directions issued to him in this behalf by the Comptroller & Auditor General of India and has also to examine the efficiency of the management e.g. whether manpower is fully utilized or not; whether there has been any wastage etc.

### **Cost Audit**

Cost audit is audit of cost records. Cost audit is the verification of cost accounts and a check on adherence to the cost accounting plan. Under the Companies Act, the Government has the powers to make it compulsory in case of specified classes of companies to maintain the cost records. Under *the Companies Act*, the Central Government may if it feels necessary, by an order direct that an audit of the cost records kept by a company shall be conducted by a cost accountant within the meaning of *the Cost and Works Accountants Act, 1959* in such a manner as may be specified.

Under the Companies Act, the cost auditors shall be appointed by the Board of Directors of the Company with the previous approval of the central Government. **The cost auditor is required to submit his report in triplicate to the Central Government within 120 days from the end of the financial year of the company. A copy of the report should be sent to the company also. The report should be in the form laid down in the Cost Audit (Report) Rules, 1968 and the subsequent amendments to the same.** The Company has to furnish to the central Government full information and explanation on every reservation or qualification contained in the cost audit report within 30 days from the date of receipt of such report.

### **3.6 Procedures and Manuals**

#### **Accounts Manual**

This document has been prepared at SAIL level and is applicable to all units wherein policies regarding each item of asset, liability, income & expenditure and its treatment in accounts have been laid down.

#### **Chart of Accounts**

This document has been prepared at SAIL level and is applicable to all units wherein each item of asset, liability, income & expenditure has been allotted unique account codes.

#### **Delegation of Power (DoP)**

This document outlines the procedural steps & powers delegated to different levels in the organization. It deals with powers relating to Purchases, Contracts, Projects, Finance, Administrative & Miscellaneous matters.

#### **Purchase & Contract Procedure of SAIL**

This document has been prepared by Corporate Material Management Group (CMMG) wherein procedures has been outlined regarding various issues concerning purchases & contracts viz. issue of indents, scrutiny of indents, modes of tendering etc. to bring in transparency in the methodology of working.

### **3.7 Commercial Laws**

## Indian Contract Act

This act deals with the law relating to contracts between parties. It is popularly known as Indian Contract Act, 1872. It clearly enunciates the law relating to promise, *promisee*, *promisor*, role of agents etc.

It extends to the whole of India except the State of Jammu and Kashmir.

Indian Contract Act really codifies the way we enter into a contract, execute a contract, and implement provisions of a contract and effects of breach of a contract. Basically, a person is free to contract on any terms he chooses. The Contract Act consists of limiting factors subject to which contract may be entered into, executed and breach enforced. It only provides a framework of rules and regulations which govern formation and performance of contract. The rights and duties of parties and terms of agreement are decided by the contracting parties themselves. The court of law acts to enforce agreement, in case of non-performance.

Section 1 of Contract Act provides that any usage or custom or trade or any incident of contract is not affected as long as it is not inconsistent with provisions of the Act. In other words, provision of Contract Act will prevail over any usage or custom or trade. However, any usage, custom or trade will be valid as long as it is not inconsistent with provisions of Contract Act.

It must be noted that contract need not be in writing, unless there is specific provision in law that the contract should be in writing. [e.g. \* contract for sale of immovable property must be in writing, stamped and registered. \* Contracts which need registration should be in writing \* Bill of Exchange or Promissory Note must be in writing. \* Trust should be created in writing \* Promise to pay a time barred loan should be in writing, as per Limitation Act \* Contract made without consideration on account of natural love and affection should be in writing]. A verbal contract is equally enforceable, if it can be proved.. A contract can be enforced or compensation/damages for breach of contract can be obtained through Civil Court

Some of the important expressions used in the act are as follows:

1. When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal.
2. When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted, becomes a promise.
3. The person making the proposal is called the "promisor", and the person accepting the proposal is called the "promisee".
4. When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called a consideration for the promise.
5. Every promise and every set of promises, forming the consideration for each other, is an agreement.



6. Promises which form the consideration or part of the consideration for each other are called reciprocal promises.
7. An agreement not enforceable by law is said to be void.
8. An agreement enforceable by law is a contract.
9. An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract.
10. A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.

## **Sale of Goods Act**

This Act defines the law relating to the sale of goods and also enunciates the rights, duties & liabilities of the purchaser as well as the seller. It is commonly known as the Sale of Goods Act, 1930. It extends to the whole of India except the State of Jammu and Kashmir.

The Sale of Goods Act is complimentary to Contract Act. Basic provisions of Contract Act apply to contract of Sale of Goods also. Basic requirements of contract i.e. offer and acceptance, legally enforceable agreement, mutual consent, parties competent to contract, free consent, lawful object, consideration etc. apply to contract of Sale of Goods also.

A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price. Thus, following are essentials of contract of sale :

- It is contract, i.e. all requirements of 'contract' must be fulfilled
- It is of 'goods' i.e. Transfer of property is required
- Contract is between buyer and seller
- Sale should be for 'price'
- Contract may be absolute or conditional.

Some of the important terms used in the act are as follows:

1. "buyer" means a person who buys or agrees to buy goods.
2. "delivery" means voluntary transfer of possession from one person to another.
3. goods are said to be in a "deliverable state" when they are in such state that the buyer would under the contract be bound to take delivery of them.
4. "fault" means wrongful act or default.
5. "future goods" means goods to be manufactured or produced or acquired by the seller after the making of the contract of sale.
6. "goods" means every kind of movable property other than actionable claims and money; and

includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale.

7. a person is said to be "insolvent" who has ceased to pay his debts in the ordinary course of business, or cannot pay his debts as they become due, whether he has committed an act of insolvency or not.
8. "price" means the money consideration for a sale of goods.
9. "quality of goods" includes their state or condition.
10. "seller" means a person who sells or agrees to sell goods.
11. "specific goods" means goods identified and agreed upon at the time a contract of sale is made.

### **Negotiable Instruments Act**

This Act defines the law relating to Promissory Notes, Bills of Exchange and Cheques. This Act may be called the Negotiable Instruments Act, 1881.

It extends to the whole of India.

The instrument is mainly an instrument of credit readily convertible into money and easily passable from one hand to another.

The Act does not affect any local usage relating to any instrument in an oriental language. However, the local usage can be excluded by any words in the body of the instrument, which indicate an intention that the legal relations of the parties will be governed by provisions of Negotiable Instruments Act and not by local usage. [section 1]. - - Thus, unless specifically excluded, local usage prevails, if the instrument is in regional language.

Section (1)(4)(a) of Information Technology Act provides that the Act will not apply to Bill of Exchange and Promissory Notes. Thus, a Bill of Exchange or Promissory Note cannot be made by electronic means. However, cheque is covered under of Information Technology Act and hence can be made and / or sent by electronic means.

CHANGES MADE BY AMENDMENT ACT, 2002 - (a) Definition of 'cheque' and related provisions in respect of cheque amended to facilitate electronic submission and/or electronic clearance of cheque. Corresponding changes were also made in Information Technology Act. (b) Bouncing of cheque - Provisions amended \* Provision for imprisonment upto 2 years against present one year \* Period for issuing notice to drawer increased from 15 days to 30 days \* Government Nominee Directors excluded from liability \* Court empowered to take cognizance of offence even if complaint filed beyond one month \* Summary trial procedure permitted for imposing punishment upto one year and fine even exceeding Rs 5,000 \* Summons can be issued by speed post or courier service \* Summons refused will be deemed to have been served \* Evidence of complainant through affidavit permitted \* Bank's slip or memo indicating dishonour of cheque will be *prima facie* evidence unless contrary proved.

Some of the important terms used in this Act are as follows:

1. "Banker" includes any person acting as a banker and any post office saving bank.

2. A “promissory note” is an instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.
3. A “bill of exchange” is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.
4. A “cheque” is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form.
5. The maker of a bill of exchange or cheque is called the “drawer”; the person thereby directed to pay is called the “drawee”.
6. After the drawee of a bill has signed his assent upon the bill, or, if there are more parts thereof than one, upon one of such parts, and delivered the same, or given notice of such signing to the holder or to some person on his behalf, he is called the “acceptor”.
7. The person named in the instrument, to whom or to whose order the money is by the instrument directed to be paid, is called the “payee”.
8. The “holder” of a promissory note, bill of exchange or cheque means any person entitled in his own name to the possession thereof and to receive or recover the amount due thereon from the parties thereto.
9. A promissory note, bill of exchange or cheque drawn or made in India and made payable in, or drawn upon any person resident in India shall be deemed to be an inland instrument.
10. Any such instrument not so drawn, made or made payable shall be deemed to be a foreign instrument.
11. A “negotiable instrument” means a promissory note, bill of exchange or cheque payable either to order or to bearer.

## **Partnership Act**

This Act defines the law relating to partnerships and is commonly known as the Indian Partnership Act, 1932. It extends to the whole of India except the State of Jammu and Kashmir. Some of the important aspects covered in the act are as follows:

- Formation of partnership
- General duties of partners
- Mutual rights & liabilities of partners
- Authority of partners as agents of the firm
- Introduction, retirement & expulsion of partners
- Dissolution of partnership including rights, duties & liabilities of partners

Some of the important terms used in the act are :

1. an "act of a firm" means any act or omission by all the partners, or by any partner or agent of the firm which gives rise to a right enforceable by or against the firm.
2. "business" includes every trade, occupation and profession.
3. "third party" used in relation to a firm or to a partner therein means any person who is not a partner in the firm.
4. "Partnership" is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.
5. Persons who have entered into partnership with one another are called individually "partners" and collectively "a firm", and the name under which their business is carried on is called the "firm-name".
6. The relation of partnership arises from contract and not from status; and, in particular, the members of a Hindu undivided family carrying on a family business as such, or a Burmese Buddhist husband and wife carrying on business as such are not partners in such business.

## **Indian Companies Act**

This is the basic law which governs the creation, continuation, the winding up of companies and also the relationships between the shareholders, the company, the public & the government. Coupled with other statutes dealing with corporate entities, this is an important piece of legislation. This act extends to the whole of India except Jammu & Kashmir.

Some of the important schedules to the act are as follows

1. Schedule VI
  - Part I of this schedule outlines that the Balance Sheet can be drawn in the 'Horizontal' or 'Vertical' form.
  - Part II of this schedule outlines the requirements of Profit & loss Account.
2. Schedule XIV
  - Herein the rates of depreciation are enunciated with respect to assets of the company. The rates specified herein are different from the rates given under the Income Tax Act.

## **Tax Laws**

### **Income Tax Act**

This Act is commonly known as the Income-tax Act, 1961. It extends to the whole of India.

Under this act income-tax shall be charged for any assessment year at any rate or rates, applicable for that year in respect of the total income of the previous year of every person. It is also provided that

where by virtue of any provision of this Act income-tax is to be charged in respect of the income of a period other than the previous year, income-tax shall be charged accordingly.

All income shall, for the purposes of charge of income-tax and computation of total income, be classified under the following heads of income :

1. Salaries.
2. Income from house property.
3. Profits and gains of business or profession.
4. Capital gains.
5. Income from other sources.

### **Customs Duty**

This Act has been incorporated to consolidate the law relating to customs. This act deals with both export & import of goods.

This Act is commonly known as the Customs Act, 1962.

It extends to the whole of India.

Goods are imported in India or exported from India through sea, air or land. Goods can come through post parcel or as baggage with passengers. Procedures naturally vary depending on mode of import or export.

Some of the important terms used in this act are:

1. "coastal goods" means goods, other than imported goods, transported in a vessel from one port in India to another
2. "customs area" means the area of a customs station and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities
3. "dutiable goods" means any goods which are chargeable to duty and on which duty has not been paid
4. "duty" means a duty of customs leviable under this Act
5. "examination", in relation to any goods, includes measurement and weighment thereof
6. "export", means taking out of India to a place outside India
7. "export goods" means any goods which are to be taken out of India to a place outside India
8. "goods" includes
  - a. vessels, aircrafts and vehicles

- b. stores
  - c. baggage
  - d. currency and negotiable instruments
  - e. any other kind of movable property
9. "import", means bringing into India from a place outside India
10. "imported goods" means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption

## **GST (GOODS AND SERVICES TAX)**

### **Background**

The indirect taxation regime in India has undergone many transformations over the past 5 to 6 decades. Introduction of MODVAT Scheme in 1986, fundability of credit between Excise and Service Tax (2004), rollout of VAT (2005 onwards) have over the years increased transparency in tax administration, reduced hassles to tax payers, and eliminated the cascading effect, thus benefitting the consumer. However, the federal structure of India has resulted in tax being administered by both Centre and State. Lack of facility to utilize credits across these two entities has resulted in partial cascading still being left in the system. Added to this, the burden of compliance has also increased due to involvement of multiple agencies. GST precisely addresses these concerns by driving uniformity across India through a single tax and ensuring an unrestricted flow of tax credit. Conceptually, GST is similar to VAT, meaning tax will be applied only on the value addition at each point in the supply chain.

### **Goods & Services Tax (GST) in India:**

August 3rd, 2016 will be recorded as a red letter day in the history of Indian taxation due to the near unanimous passage of 122<sup>nd</sup> Constitutional Bill in Rajya Sabha, paving the way for roll-out of GST (Goods and Services Tax) in India from 1st of April 2017. Goods and Service Tax Bill has significantly evolved over the past decade and is touted as the single largest tax reform in India since independence. It is estimated to boost GDP by 1.5 to 2%.

GST is one indirect tax for the whole nation, which has made India one unified common market. GST is a destination-based consumption tax and levied on every supply of goods or services till it reaches the ultimate consumer. GST is based on the principle of value added tax. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. GST law has emphasised on voluntary compliance and accounts-based reporting and monitoring system. There is no scope for multiple levy of tax on goods and services, such as, sales tax, entry tax, octroi, entertainment tax, luxury tax, additional duty of customs, central excise duty, etc.

Draft model GST law was first made public in June 2016, after which the Revised Draft Law was made public on 26th November 2016. Finally, GST has been rolled out in India w.e.f. 01.07.2017

### **Constitutional Rights to Levy Tax:**

India operates as a combination of a federal structure as well as a decentralised structure. Given the federal structure under which India operates, the Central Government also has the powers to lay down legislations to raise revenues. Similarly, every state has been granted the power to raise revenues for its administration. These powers are granted to the Central and State Governments by the Constitution of India, 1949 (the constitution). Article 246 of the constitution specifically lays down the powers granted to the Central and State Governments to make laws on matters specified in the Union, State and Concurrent lists of the Seventh Schedule to the Constitution. Thus, there are laws made by the Central Government on specified matters and there are laws made by the State governments on specified matters. These matters include various transactions / activities on which taxes can be levied and collected by the Central and State Governments to raise revenues for its administration.

Article 265 of the Constitution specifically provides that no tax shall be levied or collected except by authority of law. This means that the Government can impose taxes only under the authority of the Constitution. Accordingly, the transactions/ activities on which taxes can be levied are laid down in the Seventh Schedule to the Constitution by way of List I (the Union List), List II (the State List) and List III (the Concurrent List). Initially there was no specific entry in the Union List for levying service tax. Service tax was levied by the Central Government through the powers granted by the residuary entry in the Union list, i.e. any other matter not enumerated in List II or List III including any tax not mentioned in either of those List. However, subsequently, tax on services to be incorporated in the Union list w.e.f. January, 2004.

It can be seen from the above that taxes were levied at the Central Level as well as the State Level. Some of the Central Taxes levied by the Central Government including Income Tax (being a direct tax), Custom Duty, Excise Duty, etc. some of the State level taxes include VAT, Entry Tax.

As taxes were levied and administrated by the Central and State Governments separately, the Central and State taxes paid on the various transactions cannot be set-off against each other. For e.g. the Excise Duty paid on the purchase of particular product cannot be set-off against the VAT payable on the sale of the said product, as the Excise duty was levied by the Central Government and VAT was levied by the various State Governments. This leads to the situation of VAT being levied on the Excise component as well as thereby leading to a cascading impact of taxation.

### **The Constitution 122<sup>nd</sup> Amendment Bill, 2014**

The salient features of the Bill are as follows:

1. Conferring simultaneous power upon Parliament and the State Legislatures to make laws governing goods and services tax;
2. Subsuming of various Central indirect taxes and levies such as Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, and Special Additional Duty of Customs;

3. Subsuming of State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax, and Taxes on lottery, betting and gambling;
4. Dispensing with the concept of 'declared goods of special importance' under the Constitution;
5. Levy of Integrated Goods and Services Tax on inter-State transactions of goods and services;
6. GST is levied on all goods and services, except alcoholic liquor for human consumption. Petroleum and petroleum products shall be subject to the levy of GST on a later date notified on the recommendation of the Goods and Services Tax Council;
7. Compensation to the States for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of five years;
8. Creation of Goods and Services Tax Council to examine issues relating to goods and services tax and make recommendations to the Union and the States on parameters like rates, taxes, cesses and surcharges to be subsumed, exemption list and threshold limits, GST laws, etc. The Council shall function under the Chairmanship of the Union Finance Minister and will have all the State Governments as Members.

### **Benefits of GST:**

The benefits of GST are summarized as under:

#### **For Business and Industry:**

- Easy compliance: A robust and comprehensive IT system has been laid down in the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. are available to the taxpayers online, which made compliance easy and transparent.
- Uniformity of tax rates and structures: GST has ensured that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST has made doing business in the country tax neutral, irrespective of the choice of place of doing business.
- Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, has ensured that there is minimal cascading of taxes. This has reduced hidden costs of doing business.
- Improved competitiveness: Reduction in transaction costs of doing business has eventually led to an improved competitiveness for the trade and industry.
- Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) has reduced the cost of locally manufactured goods and services. This has increased the competitiveness of Indian goods and services in the international market and given boost to Indian exports. The uniformity in tax rates and procedures across the country has resulted in reducing the compliance cost.

#### **For Central and State Governments:**

- Simple and easy to administer: Multiple indirect taxes at the Central and State levels were replaced by GST. Backed with a robust end-to-end IT system, GST is simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.



- Better controls on leakage: GST has resulted in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that has incentivize tax compliance by traders.
- Higher revenue efficiency: GST has decrease the cost of collection of tax revenues of the Government, and has therefore, lead to higher revenue efficiency.

#### **For the Consumer:**

- Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes were levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country were laden with many hidden taxes. Under GST, there has only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
- Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities has come down, which has benefit consumers.

#### **Taxes have subsumed into GST:**

At the **Central** level, the following taxes have subsumed:

1. Central Excise Duty,
2. Additional Excise Duty,
3. Service Tax,
4. Additional Customs Duty commonly known as Countervailing Duty, and
5. Special Additional Duty of Customs.

At the **State** level, the following taxes have subsumed:

1. State Value Added Tax/Sales Tax,
2. Entertainment Tax (other than the tax levied by the local bodies),
3. Central Sales Tax (levied by the Centre and collected by the States),
4. Octroi and Entry tax,
5. Purchase Tax,
6. Luxury tax, and
7. Taxes on Lottery, Betting and Gambling.

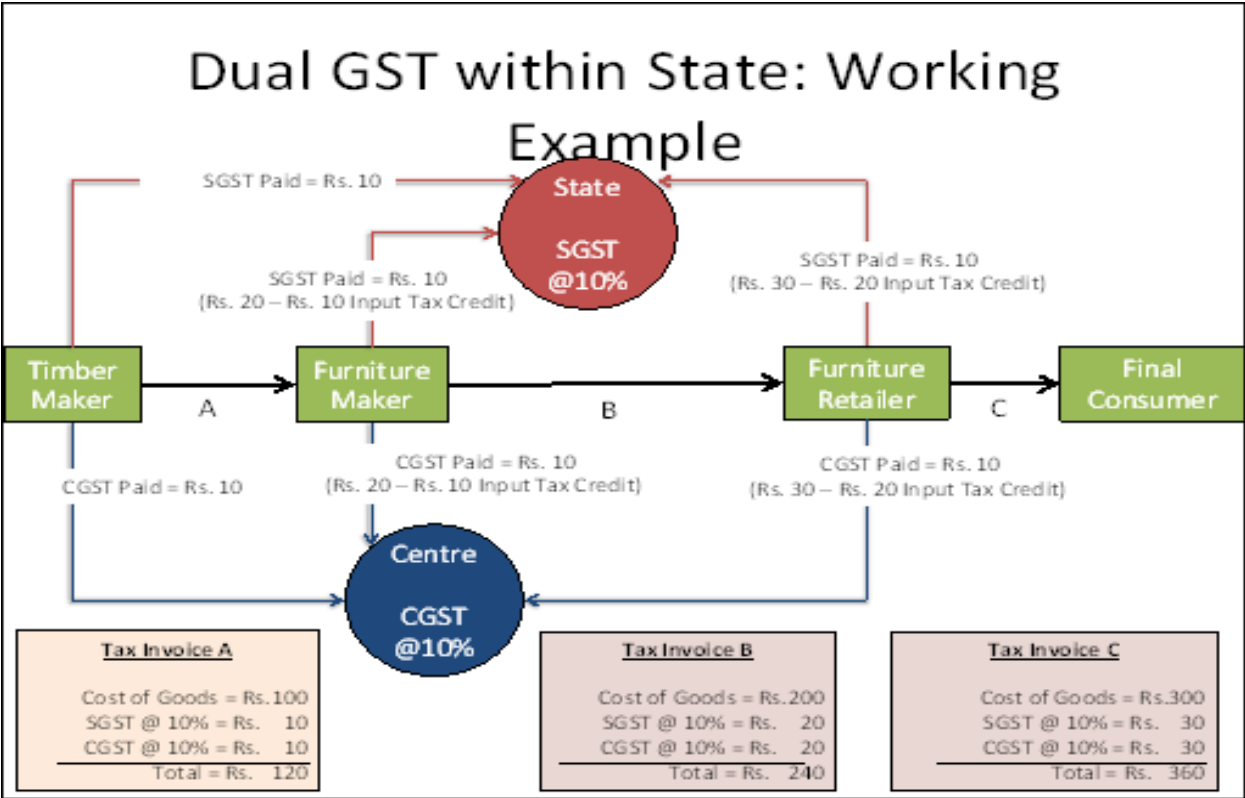
#### **GST administered in India:**

Keeping in mind the federal structure of India, there are two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States are simultaneously levy GST across the value chain. Tax is levied on every supply of goods and services. Centre is levy and collects Central Goods and Services Tax (CGST), and States is levy and collects the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST is available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs is allowed for paying the SGST on output. No cross utilization of credit is permitted.

**Transaction of Goods and Services Taxed under GST:**

The Central GST and the State GST are levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both are levied on the same price or value.

A diagrammatic representation of the working of the Dual GST within a State is shown below:



**Supply:**

The term 'supply' has wide connotation and covers both supply of goods and services. It covers all forms of supply and there are some transactions/ activities mentioned in the schedule of GST law,

which are deemed to be supply. Even supply without consideration is subjected to tax. Thus, inter-branch transactions or stock transfer of goods is subjected to GST.

### **Classification of Goods/Services:**

In the GST regime, the HSN classification has been adopted. Further, classification of goods assumed significance only for the purpose of determining the taxable / exemption status of a transaction or activity. Under GST law the distinction between goods and services has reduced to a great extent. This has been avoided classification disputes, which was exist in the VAT/ST regime.

### **Valuation of Goods & Services:**

Under GST regime valuation is determined based on transaction value, which is similar to the Customs Valuation Rules. Further, various methods of determining value under various situations has also been provided.

### **Exemption limit:**

Under GST regime taxable persons having turnover less than Rs. 20 Lakh is exempt from GST.

### **Cross utilization of Input Tax Credits between Goods and Services:**

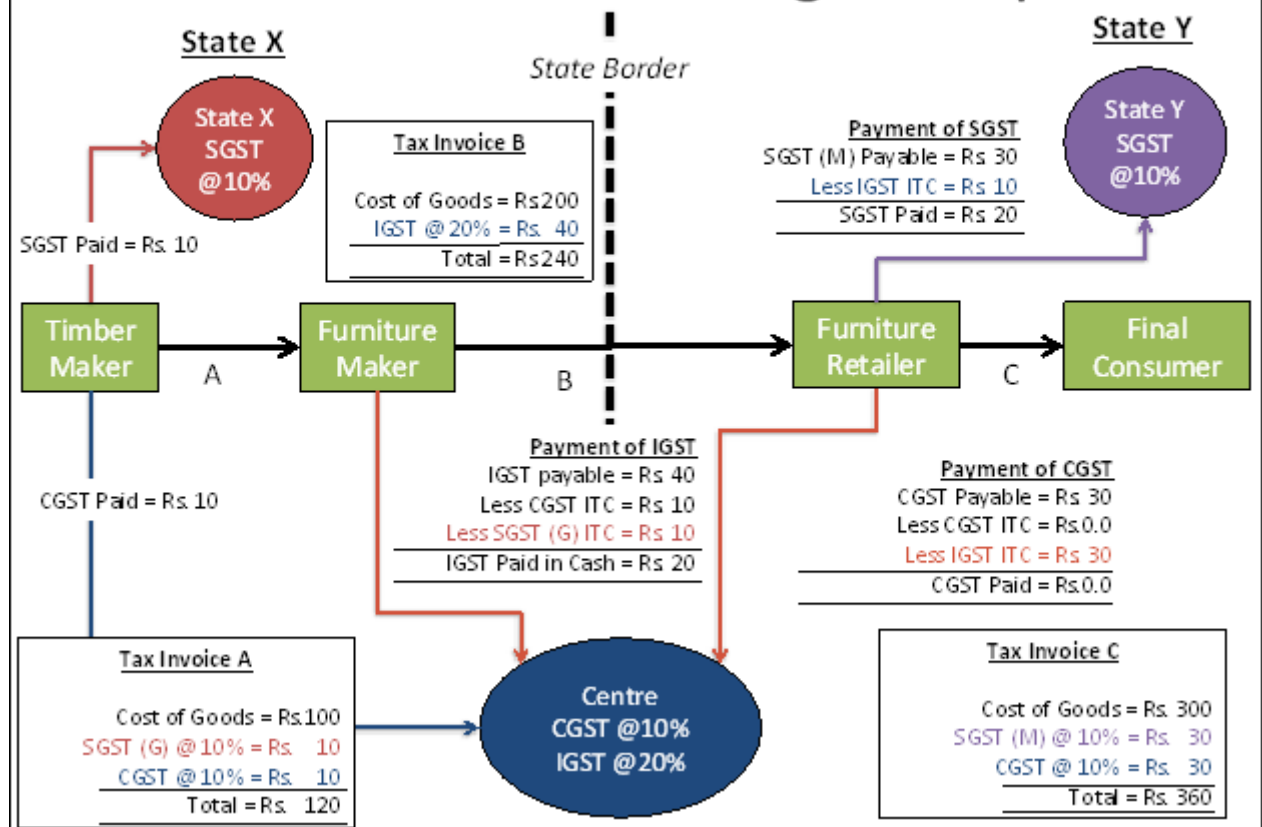
Cross utilization of credit of CGST between goods and services are allowed. Similarly, the facility of cross utilization of credit is available in case of SGST. However, the cross utilization of CGST and SGST are not allowed except in the case of Inter-State supply of goods and services under the IGST .

### **Inter-State Transactions of Goods and Services:**

In case of inter-State transactions, the Centre is levy and collects the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST is equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller is paying IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State is transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer is claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre is transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product is ordinarily accrued to the consuming State.

A diagrammatic representation of the working of the IGST for inter-State transactions is shown below:

# IGST Model: Working Example



## Imports Taxed under GST:

The Additional Duty of Excise or CVD and the Special Additional Duty or SAD were levied on imports have subsumed under GST. As per explanation to clause (1) of Article 269A of the Constitution, IGST is levied on all imports into the territory of India. The States where imported goods are consumed are now gain their share from this IGST paid on imported goods.

## IT uses for the implementation of GST:

For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.

GSTN is working on a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits,

assessments, appeals, etc. All States, accounting authorities, RBI and banks, have also prepared their IT infrastructure for the administration of GST.

There is no manual filing of returns under GST Law. All taxes shall be paid online. All mis-matched returns are auto-generated, and there is no need for manual interventions. Most returns are self-assessed.

### **Registration procedures:**

The major features of the registration procedures under GST are as follows:

1. **Existing dealers:** Existing VAT/Central Excise/Service Tax payers have automated granted registration under GST.
2. **New dealers:** Single application is to be filed online for registration under GST.
  - a) The registration number is PAN based and is serve the purpose for Centre and State.
  - b) Unified application to both tax authorities.
  - c) Each dealer is to be given unique ID GSTIN.
  - d) Deemed approval within three days.
  - e) Post registration verification in risk based cases only.

### **Returns filing procedures:**

The major features of the returns filing procedures under GST are as follows:

1. **Common return is** serving the purpose of both Centre and State Government.
2. There are nine forms provided for in the GST business processes for filing for returns. Most of the average tax payers are using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
3. **Small taxpayers:** Small taxpayers who have opted composition scheme are require to file return on quarterly basis.
4. Filing of returns shall be completely online. All taxes shall be paid online.

### **Tax Payment procedures:**

Tax due is payable on a monthly basis. The input tax credit available can be set off against the tax due on the taxable turnover. Since GST is wholly integrated to information technology monthly matching of input credits and payments is happen.

The major features of the payments procedures under GST are as follows:

1. Electronic payment process- no generation of paper at any stage
2. Single point interface for challan generation- GSTN
3. Payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the authorised bank only
4. Common challan form with auto-population features
5. Use of single challan and single payment instrument
6. Common set of authorized banks
7. Common Accounting Codes for accounting of tax paid.

**Demand of Tax:**

There are provisions to determine point of supply and time of supply apart from Inter-State and Intra-State supplies. In case of short payment or non-payment of tax or erroneous refund of tax, the department is entitled to conduct re-assessment proceedings.

### 3.8 Glossary of Financial Terms:

Accounts Payable	Amounts owed by the business for purchases made on credit. These amounts are paid by the business after a time lag that is measured by Days Payable Outstanding.
Accounts Receivable	Amounts due to the business from customers for merchandise or services purchased on credit. The business does not receive payment for these amounts immediately, and the delay before payment is measured by Days Sales Outstanding
Accrued Expenses	Expenses that the business has incurred for which it has not received, or will not receive, an invoice, and that have not yet been paid.
Accumulated Depreciation	The total amount of depreciation expense recorded to date for the company's fixed assets. On the balance sheet, this value is subtracted from the gross value of Property, Plant and Equipment to derive a net figure
Acquisition Cost	The amount actually paid to purchase an asset. This includes all costs associated with the purchase, such as installation, freight, and sales tax.
Asset	Anything that has future economic value. In addition to items such as cash and equipment, assets can include intangibles such as goodwill.
Balance Sheet	A financial statement that lists the assets, liabilities, and equity of a company at a certain point in time.
Book Value	The value of an asset for accounting purposes. For assets where depreciation is taken or reserves booked, this is often expressed as a net book value. The book value of a company is the excess of assets over liabilities, which is equivalent to total owner's equity.
Breakeven Analysis	An analysis tool that models how revenue, expenses, and profit vary with changes in sales volume. Breakeven analysis estimates the sales volume needed to cover fixed and variable expenses.
Breakeven Point	The sales level at which revenues equal expenses (fixed and variable).
Budgeting	The process of determining and recording the expected financial results of a future period, generally the next fiscal year. In some organizations budgeting is limited to financial items that are shown on the income statement, while in others the budgeting process produces the three major statements (Income Statement, Balance Sheet, and Cash Flow Statement). After the target time period begins, the budgeting process frequently includes tracking actual financial figures against the forecast as well. There is considerable overlap between the activities of budgeting and forecasting. Budgeting usually involves a more detailed account structure and a finer time scale than forecasting, which typically covers between three and seven years of higher-level projections.
Cash Flow Statement	A financial report that expresses a company's performance in terms of cash generated and used.

Chart of Accounts	In an accounting system, the list of accounts to which transactions are posted.
Contribution Margin	The difference between revenue and the associated variable costs. This is an important concept in breakeven analysis.
Cost of Sales/Services (COS)	All the costs associated with the goods or services that were sold during a specified accounting period, including materials, labor, and overhead.
Current Assets	Assets that are convertible to cash within one year in the normal course of business. This usually includes cash, accounts receivable, inventory, and prepaid expenses. See also non-current assets.
Current Liabilities	Obligations that will come due within a year from the current date. These usually include accounts payable, accrued expenses, and the portion of long-term obligations due within one year. See also non-current liabilities.
Current Ratio	Current assets divided by current liabilities. This ratio is a measure of a company's ability to meet its financial obligations in a timely manner.
Debt	A form of liability that represents money borrowed from banks or other institutions.
Debt to Equity Ratio	The ratio of total debt to owners' equity, used as a measure of leverage and ability to repay obligations.
Direct Costs	Expenses, such as labor, overhead, and materials, that vary in direct proportion to units produced or services rendered.
Direct Labor	Wages paid for activities directly related to production of units sold or services delivered, considered part of cost of sales. This does not include management and administrative salaries, which are treated as operating expenses or overhead. Also referred to simply as labor.
Earnings Before Interest and Taxes (EBIT)	Net income before income tax expense and interest expense. This is a popular measure for comparing the earning power of companies, because it eliminates the impact of capital structure and effective tax rates, two non-operating factors.
Earnings Per Share (EPS)	Net income divided by the number of outstanding shares of common stock and equivalents.
First In, First Out (FIFO)	A method of inventory valuation whereby the goods first purchased or manufactured are considered the first ones sold. During periods of inflation, the FIFO method shows inflated profits compared to the last in, first out (LIFO) method.
Fiscal Year	The 12-month period, not necessarily coinciding with the calendar year, chosen to constitute a single year for external financial reporting and taxes.



Fixed Costs	Expenses that are assumed not to vary with sales volume within the expected range of sales volumes, such as rent or administrative costs. This is an important concept in breakeven analysis and in distinguishing between gross margin and contribution margin. See also variable costs.
Goodwill	The accounting term for amounts paid for assets over and above their fair market value. Goodwill arises, for example, when a company purchases another business and pays a price higher than the value of the acquired assets alone. Goodwill theoretically represents the value of the business's name, reputation, and customer relations, which increase the true value of the business beyond the value of its assets alone.
Gross Margin	Net Sales less cost of sales (including both fixed and variable costs), often expressed as a percentage of sales. Also referred to as gross profit.
Gross Sales	The total of amounts received (sales for cash) and amounts expected (sales on credit) in return for products sold or services rendered during the given time period. Gross sales reflects sales at invoice values, before sales discounts and credit card fees.
Inventory	Goods purchased or manufactured by a business and held for production or sale. Inventory is often subdivided into raw materials, work in progress, and finished goods. See also Inventory Targets.
Inventory Targets	The numbers of months of inventory that the user requires to be in stock at a given point in time. For Raw Materials, this amount represents the number of months of future production. For Finished Goods, the amount represents the number of months of future sales.
Last In, First Out (LIFO)	A method of inventory valuation whereby the goods most recently purchased or manufactured are considered the first ones sold. In periods of rising prices, the LIFO method shows a lower profit than the first in, first out (FIFO) method.
Lease	A long-term contract granting use of real estate, equipment or other fixed assets in exchange for payment. All leases entered in the Property, Plant and Equipment Detail are considered capital leases; operating leases should be entered as expenses in the Expenses Detail. See also mortgage.
Leverage	The relationship between debt and equity. A company is considered highly leveraged if its levels of debt are high compared to its equity.
Liabilities	Obligations used to fund the operations of a business, including bank loans, accounts payable, and accrued expenses.
Line of Credit	The amount of short-term credit available to a business from banks.
Marketable Securities	Securities that can readily be converted into cash, including government securities, bankers' acceptances, and commercial paper.
Materials	The physical inputs to manufacturing treated as part of cost of sales. Also known as raw materials.

Mortgage	A long-term debt instrument for the purchase of property by which the borrower uses the property itself for collateral.
Net Book Value	The acquisition cost of an asset less any accumulated depreciation.
Operating Income	Sales revenue minus cost of sales and operating expenses. Similar to earnings before interest and taxes, operating income is examined when the earnings of the core business are analyzed. Also referred to as operating profit, operating earnings, and income from operations.
Operating Lease	A type of lease, normally involving equipment, classified as a rental not as a purchase over time. An operating lease must be shown as an expense in the Expenses Detail, unlike a capital lease, which is treated as a long-term debt.
Overhead	Expenses incurred in operating a business, such as rent, executive salaries, and insurance, that are not directly related to the manufacture of a product or delivery of a service. A portion of overhead can be attributed to cost of sales, usually on a percentage basis; the remainder is considered an operating expense.
Prepaid Expenses	Services, goods, and intangibles paid for prior to the period in which they provide benefit. Prepaid expenses are accounted for as assets until their benefit is realized.
Prime Rate	The interest rate that banks charge to their most creditworthy customers. The prime rate is an important reference number, because loans to companies are often tied to it on a percentage basis.
Prompt Payment Discounts	Discounts that a business gives to credit customers who pay within a specified period of time; also called sales discounts. On an income statement, this amount is subtracted from Gross Sales to yield Net Sales.
Property, Plant and Equipment (PP&E)	Assets used in the operations of a business that have a useful life greater than one year, including land, buildings, machinery, equipment, and furniture. Also known as fixed assets. See also depreciation.
Quick Ratio	Current assets, excluding inventory and prepaid expenses, divided by current liabilities. Also known as the acid test ratio. Like the current ratio, the quick ratio is used as a measure of a company's liquidity. It helps estimate a company's ability to meet its current obligations using assets that can easily be converted into cash. Although typical ratios vary from one industry and company size to another, financial authorities recommend that the Quick Ratio should be 1.0 or greater.
Return on Equity (ROE)	Net income divided by equity. This ratio is often used as a measure of the return on funds invested in a business.
Salvage Value	The scrap value of an asset. Acquisition cost minus salvage value yields the total amount that an asset is depreciated over its useful life.

Straight-Line Method	The simplest form of depreciation, in which an equal expense is recorded in each year of an asset's useful life. For example, if the asset has a purchase price of Rs.1,200,000, a useful life of four years and a salvage value of Rs.200,000, straight-line depreciation would record Rs.250,000 of depreciation each year.
Tangible Asset	An asset that represents a physical object such as land, furniture, and buildings. Under accounting rules, a tangible asset must have a useful life greater than one year, and must be used in business operations rather than being held for resale. The following types of assets are not considered to be tangible assets: items held for resale, which are considered to be inventory, cash and other liquid assets which are considered as current assets, and abstract assets such as goodwill, which are intangible assets. See also tangible equity.
Useful Life	An estimate of the period of time over which an asset will be of use to a company. Along with acquisition cost and salvage value, this measure is used to calculate the amount that the asset is depreciated each year.
Variable Costs	Expenditures that change in proportion to increases or decreases in sales or production volumes.
Variance	The difference between actual and targeted numbers for revenues, expenditures, or productivity. Variances are usually described as either favorable or unfavorable. See also standard costs.
Working Capital	The net amount of current assets and current liabilities. This is equivalent to a company's liquid assets.

## Chapter – 4

### Marketing Management

#### 4.1 Basic Concepts of Marketing

##### DEFINITION OF MARKETING:

As defined by American Marketing Association (2017), “*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*”.

In general terms, *marketing* refers to what an organization must do to create and exchange value with customers. In this sense, marketing has a major role to play in setting a firm's strategic direction. Successful marketing requires both a deep knowledge of customers, competitors, and collaborators and great skill in deploying an organization's capabilities so as to serve customers profitably.

Marketer decides which opportunities to pursue, which customers to target, what product and services to offer when and at what price, how to communicate with prospects and customers, what distribution systems to use, etc. These inter-related decisions when brought together into an integrated whole are called a company's marketing program. Executing the marketing program is how the organization attracts, retains and grows its customers.

The word Market (noun) refers to where buyers and sellers come together to do the business. The word Market (verb) is synonymous to ‘Sell’ which is but a part of what professional marketers actually

do. Marketers are at the intersection of the firm and the market. Thus marketers have the dual responsibility of representing the market (customers - *advocating*, competitors and trade) to the other members of the company and of representing the company to the market and beyond. Marketers, therefore, helps other members understand customers' needs and wants, and its implications on different managerial decisions within the company. In this process, marketers also make promises to customers about what the company proposes to offer – which other members of the company, then have to fulfill.

**How is marketing different from sales?**

## Difference between Selling and Marketing

### *Selling*

Selling starts with the seller. Selling is preoccupied all the time with the needs of the seller; seller is the centre of the business universe; activities start with sellers' existing products.

Emphasises on saleable surpluses available within the corporation; seeks to quickly convert 'products' into 'cash'; concerns itself with the tricks and techniques of getting the customers to part with their cash for the products available with the salesman.

Views business as a 'goods producing process'.

Overemphasises the 'exchange' aspect without caring for the 'value satisfactions' inherent in the exchange.

Seller's convenience dominates the formulation of the 'marketing mix'.

The firm makes the product first and then figures out how to sell it and make profit.

Emphasises on staying with the existing technology and reducing the cost of production.

Seller's motives dominate marketing communications.

Costs determine price.

Transportation, storage and other distribution functions are perceived as mere extensions of the production function.

Emphasis is on 'somehow selling'; there is no coordination among the different functions of the total marketing task.

Different departments of the business operate as separate watertight compartments.

In firms practising 'selling', production is the central function of the business.

'Selling' views the customer as the last link in the business.

### *Marketing*

Marketing starts with the buyer and focuses constantly on the needs of the buyer; buyer is the centre of the business universe; activities follow the buyer and his needs.

Emphasises on identification of a market opportunity; seeks to convert customer 'needs' into 'products'; emphasises on fulfilling the needs of the customers.

Views business as a 'customer satisfying process'.

Concerns itself primarily and truly with the 'value satisfactions' that should flow to the customer from the exchange.

Buyer determines the shape the 'marketing mix' should take.

What is to be offered as a 'product' is determined by the customer; the firm makes a 'total product offering' that would match and satisfy the identified needs of the customers; the 'product' is the consequence of the marketing effort; the marketing effort leads to products that the customers would actually want to buy in their own interest.

Emphasises on innovation in every sphere; on providing better value to the customer by adopting the most innovative technology.

Marketing communications is looked upon as the tool for communicating the benefits/satisfactions provided by the product.

Consumer determines price; price determines costs.

They are seen as vital services to be provided to the customer, keeping customer's convenience in focus.

Emphasis is on integrated marketing approach, an integrated strategy covering product, promotion, pricing and distribution.

All departments of the business operate in a highly integrated manner, the sole purpose being generation of consumer satisfaction.

In firms practising 'marketing', marketing is the central function of the business; the entire company or business is organised around the marketing function.

'Marketing' views the customer as the very purpose of the business; sees the business from the point of view of the customer; customer consciousness permeates the entire organisation, all departments and all people in the organisation, all the time.

In reality, organizations find that they have a marketing function inside Sales, and a sales function inside Marketing. When cooperation and coordination between two departments are low, each

function takes on tasks it believes the other should be doing but isn't. Any such lack of alignment between sales and marketing functions ends up hurting corporate performance. For example, poor coordination between the two teams—which only raises market-entry costs, lengthens sales cycles, and increases cost of sales. Ideally, these two functions should be perfectly aligned and integrated:

Aligned	<ul style="list-style-type: none"> <li>• Have clear but flexible boundaries: salespeople use marketing terminology; marketers participate in transactional sales.</li> <li>• Engage in joint planning and training.</li> </ul>
Integrated	<ul style="list-style-type: none"> <li>• Share systems, performance metrics, and rewards.</li> <li>• Behave as if they'll "rise or fall together."</li> </ul>

Salespeople serve as ambassadors for their company, providing what is often the only direct source of information the prospect has about the company. Information about the company can be a strong appeal during the sales demonstration, particularly when products are very similar. Thus, being fully acquainted with own product & business as well as that of customer's is necessary for a successful sales person. Well-informed salespeople also have adequate knowledge of the competition.

Four variables that a marketer can use in different combinations to create value for customers are: Product, Price (or pricing), Promotion (marketing communications), and Place (distribution). Together these variables are popularly known as **4Ps** or **marketing mix** and they describe the set of activities comprising a firm's marketing program. These variables are briefly described below.

### Product

A product is defined as a bundle of attributes (features, functions, benefits, and uses) capable of exchange or use, usually a mix of tangible and intangible forms.

Thus a product may be an idea, a physical entity (goods), or a service, or any combination of the three. It exists for the purpose of exchange in the satisfaction of individual and organizational objectives.

While the term "products and services" is occasionally used, product is a term that encompasses both goods and services.

### Price

Price is the formal ratio that indicates the quantity of money, goods, or services needed to acquire a given quantity of goods or services.

It is the amount a customer must pay to acquire a product.

### Place (or Distribution)

Distribution refers to the act of marketing and carrying products to customers / consumers. It is also used to describe the extent of market coverage for a given product.



In the 4 Ps, distribution is represented by place or placement.

## **Promotion**

According to the Association of National Advertisers (ANA), promotion marketing includes tactics that encourage short-term purchase, influence trial and quantity of purchase, and are very measurable in volume, share and profit.

Examples include coupons, sweepstakes, rebates, premiums, special packaging, cause-related marketing and licensing.

## **SCOPE OF MARKETING:**

Marketing is required to continuously gather and evaluate ideas for new products, bring about product improvements and services so that the customer receives additional value. In other words, the perceived value to the customer is more than the cost incurred by him, which eventually will lead to customer delight. Marketing is to satisfy – stated needs, real needs, unstated needs, delight needs and secret needs. For example:

Stated needs – Customer wants an inexpensive car.

Real need-- Customer wants a car whose operating cost, not its initial price, is low.

Unstated needs – Customer expects good service from the dealer.

Delight needs --Customer will like the dealer to include a branded music system free of cost

Secret needs -- Customer wants to be seen by friends as having got a better deal than others.

## **MARKETING OF STEEL PRODUCTS**

Industrial marketing or marketing in business market is the marketing of goods and services to commercial enterprises, government agencies, and nonprofit institutions for use in the goods and services that they in turn produce. By contrast, marketing in consumer market is marketing to individuals and families for their own consumption and to wholesalers and retailers engaged in distribution system. Thus the distinction between industrial and consumer marketing is drawn in terms of the intended customers, not in terms of products. In fact, many products go both to consumers and industrial customers e.g. computers, vehicles, furniture, stationery, etc.

Business markets are very different from consumer markets. In a consumer market, large numbers of buyers have similar wants, transactions are usually small in value, products can be mass-produced, consumers' perceptions determine products' value, and companies focus on managing brands. In addition, the selling process is brief, retailing strategies play a vital role, and sales efforts are focused on end users. A business market, by contrast, has fewer customers, and transactions tend to be larger. Customers often need a customized product or price, the usage of the product or service determines its value, and brands often mean very little to customers. Moreover, selling is a long and complex process, retailing isn't a factor in most cases, and the target of the sales pitch may not be the product's end user. In business markets, a given customer often uses a vendor's products in numerous different applications. Also, industrial commodities (think of cement, for instance, or Steel) aren't easily differentiated by their features. Customers are interested only in the money they can save by buying from one vendor instead of another.

Steel is sold both in B2B markets as well as in the B2C markets. The demand for steel in B2B is derived demand pulled through a chain as a result of demand for the final end product. Most industrial businesses consuming steel produce a limited number of final goods and changes in demand at the end of the value chain have serious repercussions on all the steel manufacturers. Derived demand is

also inelastic. Because of this reason the demand of steel is more volatile and the market follows a cyclic demand pattern with crests and troughs for prolonged periods of time.

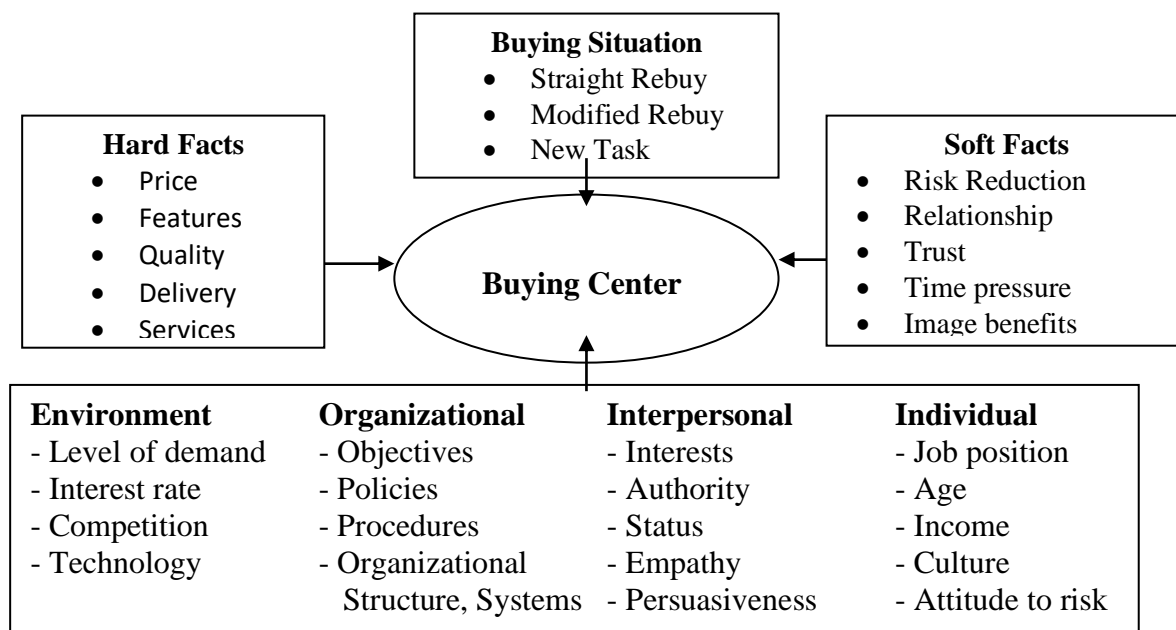
Also the organizational buying process is complex and each organization has different buying processes. B2B customers of steel can be classified into three groups: -

- Original Equipment Manufacturers: they make use of the steel in their final product.
- Projects : they use steel for building infrastructure.
- Middlemen:- they are composed of distributors and whole sellers who distribute steel from manufacturers to OEM's, projects and to other middlemen.

The buying process is complex and the purchase usually involves inputs from many different departments in the organization from different disciplines at many levels as per their expertise. The buying situation can be: -

- The straight re-buy – this is the most common form buying situation for regular and routine jobs which involves least risk and the sizes and quality have been in use for a long time.
- The modified re-buy – here the company aims to satisfy and existing need in a modified way may be to reduce costs or compulsory regulations.
- New Task – here the company is confronted with a new requirement for a product. For purchase of a grade of steel for the first time there are considerable risk and level of uncertainty. Branding can speed up this process, which is especially important when under time pressure.

The individuals engaged in the buying decision process are different from one another and react to situations according to their own belief system which can have a tremendous effect on the buying decision. The factors affecting the buying decision are as follows:-



Buyers in the B2B market are not impulsive; rather they are very knowledgeable about the products and its uses. Further, the goods in this market are normally bulky and expensive as compared to non-industrial goods. Technical expertise and specialized skills are required to use these products. Customers are quality and service conscious as their end product depends upon the quality of Industrial goods procured by them. On the basis of being either satisfied or dissatisfied, it is common for customers to distribute their positive or negative feedback about the product. This may be through reviews on website, social media networks or word of mouth. Companies should be very careful to create positive post-purchase communication, in order to engage customers and make the process as efficient as possible.



## THE OBJECTIVES OF MARKETING IN SAIL

- To add value for our customers and plant by way of adopting practices and systems, and developing capabilities which are world class.
- To market steel materials produced by Steel Plants in most efficient manner in terms of cost and service
- Developing export markets in target destinations for sustained exports
- To achieve excellence in quality across the value chain
- To generate profit for the company

## SAIL PRODUCTS AND THEIR END USES

- **Pig Iron:** Used in foundries and castings. Mostly disposed either by plant / CMO based on policy and availability from time to time.
- **Semi-finished:** Ingots, Blooms, Billets and Slabs are classified as semi-finished products, since these products can be further rolled into finished products.
- **Finished Products:** These can be classified further into :

<b>1. Long Products</b>	
Product	Applications
Bars & Rebars	Reinforced Concrete Construction (RCC) in buildings, bridges and other concrete structures RCC Construction exposed to coastal, marine or underground environment RCC construction in earthquake prone zone Underground mine and tunnel roof support Slope stabilization in hills and Soil nailing/ anchoring
Wire rods	Used for making nails, bolts, nuts, screws, rope wires, pre-stressed concrete wire, needle wires, general purpose wires, industrial wires, chain rivet wires, umbrella ribs, piano wire etc Arc welding electrodes, welding machine wires Cable armouring, wire mesh and other low carbon applications Coil springs for shock absorbers etc.
Beams	Industrial structures, utility buildings, multi-storey buildings, car parks Roads, bridges, composite constructions Material handling systems Trailer and truck bed framing Ports and harbours Off-shore drilling rigs
Channels	Common uses among others are stair stringers, wind girts, small joist or purlins, framing around openings, and pipe supports.
Angles	Used in transmission towers Used as braces to help reinforce structures Used as brackets to provide support Used to hold structures together, also large angles can form the frame itself Used as decorative trim on furniture edges and building interiors, including doorways, counters and floors.
Crane Rails	Used by crane in ports, warehouses and shipyards. Crane rails in CR-80/CR-100/CR-120 sections are used for tracks of different types of cranes.
Z-Type Sheet-piling Section	Leak proof retaining wall in construction of dams, bridge foundation , construction in ports

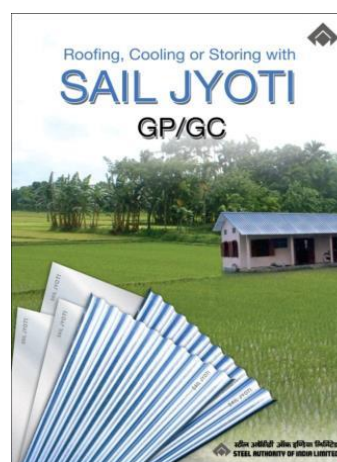
<b>2. Railway Products</b>	
Rails	Used as Railway track on Indian Railway Tracks for Metro, Electric Trains
Wheels, Axles & Wheel Sets	Used as wheels in Railway Used as axles in Railway
<b>3. Flat Products</b>	
Hot Rolled Coils and Sheets	Tube making Cold reducing segment General structural applications, manufacture of Prefabricated structures , fabrication of engineering structural, poles and flanging applications Manufacture of cycle rims, propeller shaft , fork and spokes for two wheelers, chains, hair clip, sprocket, clutch plate, hacksaw blade, Strapping for packaging etc. Manufacture of electrical equipment Domestic/Auto LPG Cylinders , Export quality LPG Cylinders wheel disc, wheel rim and other structural components of passenger car
Plates	Steel structures Ship building Storage tanks, ATM safe Boilers and Pressure vessels Oil and gas pipeline manufacturing Railway wagons, earth moving equipment Weather-proof steel plates for the construction of railcars
CR Sheets, CR Coils	Precision tubes, Coated sheets, packaging, containers Automobile industry to produce car body panels, Automobile Chassis parts, Rly Wagons Precision pipes, Tubes, Automobile Components/ Body White Goods, Cycle, Furniture, Drum & Barrels, Containers, Panels, Construction Coolers, etc.
Galavanised Plain Sheets / Coils (GP)	Agriculture- Grain Silos, Sprayers, Ghamellas, Pans, Feeding Troughs, Automobile- Cars, Busses, Truck Bodies, Undercarriage Work, Air & Oil Filters, Fuel & Oil Tanks, Exhaust Pipes, Railway Coaches Domestic- Trunks, ice Boxes, Household Machines, Tubs, Pails, Buckets, Storage Bins, Water Tanks, Washing Machines, Furniture & Fixtures- Desks, Lockers, Racks, Lightweight Chairs, Panelling, door frames, shutters, AC ducts, coolers, storage bins Industry- Ducting, Drums/Barrels, Thermal Cladding, Air-Conditioning Ducts, coolers, etc
Galavanised Corrugated Sheets / Coils (GC)	Roofing, Fencing (Construction) Industrial sheds
Electrically Resistant Welded (ERW) Pipes and Spirally Welded Pipes	Transportation of Water, Oil, Gas, Chemical, Petroleum
CRNO Electrical Sheets	Air/Oil cooled medium sized power and distribution transformers, medium sized continous duty, rotating electrical machinery Fractional horsepower motors and relays, small communication power transformers and reactors Medium sized continous duty high efficiency rotating electrical machinery
<b>4. Stainless Steels Products</b>	
Hot Rolled Stainless Steel	Air heaters, annealing boxes, boiler baffles, ducts, carburizing boxes, coal & ore handling systems, crystallizing pans, fire box sheets, furnace

Sheets & Coils	supports, conveyors, lining, damper, stacks, gas turbine parts, heat exchanger tubing supports and baffles, incinerators, industrial over liners, kiln liners, oil burner parts, pipes, rail coach / wagon components, recuperators, refinery equipment, tube hangers etc.
Cold Rolled Stainless Steel Sheets & Coils	Utensils & appliances Rail coach parts, Automotive exhaust systems Builders' hardware, plumbing fixtures, elevator door & interiors, escalator trim, furniture, hospital equipment, instrument or control panels, sinks, sterilizers, store fronts, tankers, etc. Chemicals & petrochemical equipment, electric appliance parts, dairy & food processing machinery, brewery equipment, Furnace parts, drums, dryers, paper mill equipment, small tanks, solar collector panels, welded tubing, pharmaceutical equipment
CR SS Sheets with mirror finish	Architectural parts, Reflectors
Other special finishes- Moon Rock, Chequered, Striped, Hammer Tone, Pearl Plus, Honeykom, Macromatt, Aqualine, Frondz, Mystique, Linen, Epiderma, Fabrique finishes are used in Architectural panels, flooring, interior decoration, transport industry etc.	
<b>5. Alloy Steels Products</b>	
Ingots, Blooms, Billets	Railways: Loco & Coach parts, Helical & Leaf Springs Automobiles: Engine, Transmission and Steering Components Power Plants: Boiler Accessories, Heat Exchangers, Turbine parts Oil Exploration & Petrochemical: Pipeline & Drilling Parts Machine Building & other Engg. / Defence Applications: Shafts, Gears, Cams, Fasteners, Pistons, Arms' components, Cathode Bars etc. Bearings: Races, Balls & Needles
Plates - Hard Field Manganese Plates & specialized Plates	Liners of Bunkers and Chutes Defense applications
High quality Rolled and Forged Alloy and Special Steels	Gear Box, Engineering shafts, racks, pinions etc. Railways - coaches, axels etc. Defense applications – barrels, shells etc.

### Our Branded Products



**SAIL-TMT :**  
Thermo-mechanically treated Rebars produced by the Bhilai and Durgapur Steel Plants



**SAIL Jyoti**  
Galvanised steels produced by the Bokaro and Rourkela Steel Plant

## 4.2 Demand and Market Share

Indian steel industry is poised to grow from the current level of 64 kg per capita to 160 kg per capita consumption by 2030-31, as envisaged by the National Steel Policy 2017. SAIL has planned an overall sale of Mild Steel during 2021-2022 at a level of 16 Million Tonne in the domestic market. The major thrust would be on sales to Projects, Construction Sector, Tube Sector, Railways which form our traditional customer base. In addition a special focus will be given to retail sales. With new products from the various plants, special efforts are also being made to reach out to new markets/segments.

The market share of SAIL in the domestic market increased to 12.3% during 2021-2022 against 11.9.7% the previous year.

India's growing urban infrastructure and manufacturing sectors indicate that demand is likely to remain robust in the years ahead. It is expected that at the current rate of GDP growth, the steel demand will grow threefold in next 15 years to reach a demand of 212 - 247 MT by 2030-31.

## 4.3 Marketing of Steel by CMO

Central Marketing Organization is a unit of SAIL primarily engaged in marketing products produced by the 5 integrated steel plants namely ISP, RSP, BSP, DSP and BSL and the 3 Special Steels Plants namely VISL, SSP and ASP. Backed by a strong ERP system, CMO's network of 37 Branch Sales Offices (BSO), 27 Customer Contact Offices (CCO), 25 departmental warehouses and 22 Consignment Agencies (CA), function in a synchronized manner to deliver quality steel to every nook and corner of the country.

There are 11 BSOs in Northern Region, 7 in Eastern Region, 11 in Western Region and 8 in Southern Region. There are 8 CAs in Northern Region, 6 in Eastern Region, 7 in Western Region and 1 in Southern Region.

Presently, the **BSO** locations are as under:

Northern Region	Agra, Allahabad, Chandigarh, Faridabad, Ghaziabad, Jalandhar, Jammu, Kanpur, Ludhiana, Mandigobindgargh, New Delhi
Eastern Region	Bhubneswar, Bokaro, Durgapur, Guwahati, Kolkata, Patna, Rourkela
Western Region	Ahmedabad, Bhilai, Indore, Jabalpur, Jaipur, Kota, Mumbai, Nagpur, Pune, Baroda, Gwalior
Southern Region	Bangalore, Coimbatore, Chennai, Hyderabad, Kochi, Trichy, Vijayawada, Vizag

The **CCOs** are located as follows:

Northern Region	Dehradun, Kandrori, Lucknow, Shimla, Srinagar
Eastern Region	Bettiah, Hajipur, Imphal, Ranchi, Saran, Jamshedpur, Dimapur, Agartala, Shillong, Itanagar, Aizawl, Siliguri, Bhagalpur, Darbanga, Purnia, Saharsa, Gaya, Munger
Western Region	Bhopal, Goa, Silvassa
Southern Region	Belgaum

The **Departmental Warehouses and the Consignment Agents** are located as below:

Region	Departmental Warehouses	Consignment Agents
Northern Region	New Delhi, Ghaziabad, Faridabad, Kanpur, Allahabad, Jalandhar, Jammu	Agra, Rishikesh, Chandigarh, Ludhiana, Simla, Srinagar, Leh, Mandi
Eastern Region	Kolkata, Durgapur, Rourkela, Bokaro	Bhubaneswar, Patna, Deoghar, Guwahati, Siliguri, Itanagar
Western Region	Mumbai, Bhilai, Ahmedabad, Kota,	Nagpur, Jabalpur, Indore, Goa,

	Gwalior, Pune	Jaipur, Baroda, Bhopal
Southern Region	Chennai, Coimbatore, Trichy, Hyderabad, Vizag, Bangalore, Kochi	Port Blair

#### 4.4 Marketing of Steel by Plants

The Steel Plants market defectives and arising (generated while producing iron and steel products) on their own directly from the plant.

#### **BRANCH FUNCTIONS**

Some of the major activities in the Branch Sales Offices include customer contact, order booking, co-ordination with SRM and Warehouses, collecting payments against orders, attending to customer complaints, demand forecast, market feedback, competitors, activities etc.

#### **SRM FUNCTIONS**

SRM Office is the interface between plant and CMO and SRM Offices are situated at all the plant locations.

- The monthly sales plan released by SRM office is forwarded to plant for production of materials.
- The SRM Office co-ordinates with plant and Regions for dispatches (both Direct and Warehouse) to the respective destinations / Consignees as per the plan
- Arranges meetings and plant visits for customers, plant officials and CMO officials
- Coordinates with Plants , T&S and ITD for timely dispatch of export materials
- Reports and Returns in respect of production and Dispatch

#### 4.5 Segments of Steel Marketing

Segmenting is the art of identifying distinctive customer groups that exhibit homogeneous needs. The point of segmentation is to be able to tailor the marketing efforts to address the unique needs of various segments. Marketing professionals use the segment-focus approach to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

Few companies are big enough to supply the needs of an entire market; most must breakdown the total demand into segments and choose those that the company is best equipped to handle. Four basic factors that affect market segmentation are (1) clear identification of the segment, (2) measurability of its effective size, (3) its accessibility through promotional efforts, and (4) its appropriateness to the policies and resources of the company. The four basic market segmentation-strategies are based on (a) behavioral (b) demographic, (c) psychographic, and (d) geographical differences.

The main segments identified by CMO depending on end use are: Automotive, Construction, Energy, Engineering, Export, Fabrication, Infrastructure, Packaging, Resale and Transportation. These segments have been further broken down in to 31 sub-segments like agriculture, air-conditioning, auto ancillary/body, auto OEM, bearing industry, boilers & pressure vessels, bright bars, coated products, cold forming, cold reduction, containers, cycle, defense, electrical equipment, electrode manufacturer, export, fasteners, forging, foundries, general fabrication, etc.

The customers are identified to fall into one or more segments and the customer master data in the computer system is linked with specific segments. The enquiries, off take of these customers are analyzed and marketing efforts are strategized accordingly.

#### 4.6 Retail Marketing

“Retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-consumer sales activities of the producer, whether through his own stores by house to house canvassing or by mail order business.” (*American Marketing Association*). Companies also undertake selling to target consumers through authorized channel partners. In this process, retailers promote awareness and interest of their product in an effort to generate preference and purchase action from their consumers.

The Steel Demand is expected to grow substantially in the next few years, in the Rural and Semi Urban areas, leading to increase in steel consumption. Government has pronounced its intention towards rural development and has initiated a number of schemes for rural housing, roads, irrigation, water supply and rural infrastructural development. This would mean that a significant proportion of Steel sales would emanate from the rural, semi urban and hitherto untapped areas, providing opportunity to increase market share.

SAIL appreciates the importance of this segment and has made a focused approach to cater to this segment through its wide network of Dealers. With a view to widen the reach of its products, SAIL has established its dealer network extensively to cover almost all the districts in the country.

During 2017-18 SAIL introduced a 2-Tier Distributor Scheme with a view to meet small requirements of rural consumers at Block, Tehsil and Taluka level. As on 31.03.2021 SAIL’s dealer network consists of 3178- dealers (including 2702 dealers under distributors) covering 537 districts of the country. During the year 2020-21 SAIL supplied around 5.62 lakh tonnes of steel products to its dealers. The primary objective of the 2-Tier Dealership Scheme is to meet the steel demands of the small rural consumers at block, tehsils and taluka levels. As per Distributor Policy, dealers are required to stock TMT Bars, required by common man for house building and sell to small/retail customers at MRRP fixed by SAIL. Appointment of dealers and rural dealers in various districts / blocks / talukas has helped in making steel items of mass consumption available near the consuming points at competitive prices.

The principal objective of the SAIL Distributor Scheme are :

- To establish a wide distribution network for identified branded products of SAIL and to increase its reach.
- To promote, popularize and showcase identified branded SAIL products.

Retail Sales Data for the Last three years ('000 T)

Product	2018-19	2019-20	2020-21
TMT	547	554	461
GP/GC	153	115	101
Total	699	670	562

Apart from servicing the smallest requirement of the customer, SAIL has tried to differentiate its products so as to combat the commodity nature of steel. SAIL has branded some of its products. Currently, TMT bar is being marketed as “SAIL SeQR TMT” and Galvanised products (GP/GC sheets/coils.) are marketed as “SAIL JYOTI”.

In order to promote steel, SAIL at its Branch level undertakes Mason, Architect, and Dealer Meets periodically at different locations. SAIL Dealers are presently being given an incentive for various other promotional activities like putting up hoardings, wall paintings, newspaper /magazine advertisement, advertisement on bus panels, auto branding, bus Q shelter branding and distribution of promotional items like key rings, T-shirts, caps, stickers etc. and to set up stalls in rural fairs.

### **EFFICIENT BRAND MANAGEMENT**

Consumers often don’t buy products, they buy *the images associated with products*. Brands have differentiating features that distinguish them from competitors and add value for consumers. A company’s management of a brand is typically the determining factor in the ultimate success or failure of the brand. The power of the brand and its ultimate value to the firm resides with customers.

Through the selection of a positioning strategy, marketers can influence the knowledge structures consumers have for a brand. Positioning a brand involves choice of a target market, a competitive arena, and the sets of features and associations in which a brand is going to be similar to and different from its rivals.

Efficient Brand Management is undertaken to position our product and services in the mind of the customer so that he perceives value in it and therefore prefers to buy from SAIL than from our competitors. A brand value is perceived not only in terms of the product features but also through distribution channel, support services, brand promotion and the company (i.e SAIL in our case). Our most popular brands are **SAIL SeQR** for TMT, **SAIL JYOTI** for Galvanized sheets/coil, **SAIL NEX** for Parallel Flange Sections in Structural. The brands have the name embossed in each piece of the product and has unique brand promises / brand differentiator. In order to increase brand awareness following activities are undertaken:

- Advertisement by way of wall paintings and hoardings at strategic location like traffic kiosks, metro and railway stations, airports, highways, places of tourist attraction, branches and warehouses, dealer/distributor locations.
- Display boards at dealer shop/godowns, SAIL branch office/warehouse
- Advertisement in auto back, bus back, mini-van, truck/trailers
- Advertisement in TV media, FM channels, Print media, Cinema halls
- Dealer shop painting
- Distribution of brochures / pamphlets from our outlets
- Advertisement on Point of purchase items like caps, masks, cup, mouse pad, pen stand etc for distribution to end customers from our outlets
- Arranging dealer / distributor/customer meet for promotion of our brands
- Arranging architect/engineers/contractors/masons meet for promotion of our brands

### **VALUE ADDITION AT CMO**

For providing value addition to the customer, customized products (Long and Flat products) are offered to them which can be used immediately. This consists of setting up de-coiling, cutting, slitting facilities at strategic locations.

**For Flat Products** - Service Centres have been set up at Bokaro, Faridabad, Chennai and Jamshedpur for cutting and slitting of Coils and sheets to provide customized flat products to the customers.

**For Long Products** – In view of plant limitations to cut TMT Bars in the size 8 to 12 mm, which are being supplied in coil form from plants, De-coiling, Straightening, Cutting and Bending facilities are made available within the warehouses. De-coiling units have been set up in 26 Warehouses across the country, out of which 20 units are at Departmental Warehouses and balance 6 is located at CA Warehouses at Siliguri, Ludhiana, Chandigarh, Nagpur, Jabalpur and Bhopal.

### **Conversion Activities** –

To augment the sale of finished products, offer a complete package to the customers and in the process add value to re-rollables, conversion activities are carried out by which semis are given to a re-roller to roll finished products for us. This is done in two ways:

- **Wet-Leasing:** Wet-Leasing is an arrangement by which the entire infrastructure of the rolling unit is used on lease basis by CMO for manufacturing finished products using semis of the SAIL plants.
- **Conversion Agents:** Conversion Agents are also appointed by CMO to manufacture finished products from semis from SAIL plants. However, unlike in the case of Wet-Leasing, the infrastructure of the rolling unit is not exclusively dedicated to SAIL.

Conversion contracts with the concerned re-rolling mills are generally for a period of three years. These agencies mainly roll out TMT, light, medium and heavy structural and other miscellaneous rolling.

#### 4.7 Enterprise Resource Planning (ERP)

Enterprise Resource Planning (ERP) – Previously SAIL units and plants used to work on individual software platforms. For integration of activities of all the units of SAIL to create synergy, ERP implementation had been undertaken. ERP is a software platform which integrates operations right from enquiry to procurement to delivery to after sales support and analysis. This software has been implemented at the plants and CMO. The business activities are divided module wise in ERP. The modules implemented in CMO are customer relationship management (CRM), enterprise core component (ECC), finance and controlling (FICO), business intelligence (BI), advance planning and optimization (APO) and materials management (MM).

#### 4.8 Demand Forecasting

The marketing activities start from drawing the Annual Business Plan followed by Annual Sales Plan and finally the Monthly Sales Plan, which is broken down upto the branch level.

##### Annual Demand Forecast

It is done during October every year. It projects the product wise and segment wise requirement of the entire country, for the next financial year. This projection is obtained from all the branches and compiled and moderated by the MRG (Market Research Group) department. Thereafter, the moderated plan is further examined at several levels. Annual Production Plan for plants is finalized based on plant capability and demand forecasted.

Annual Demand Forecast is based on the following data:

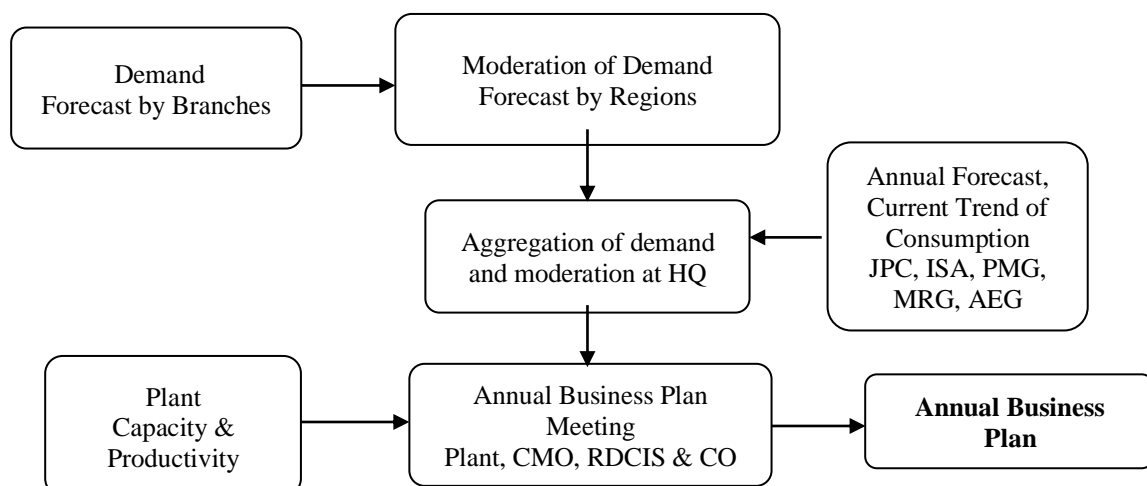
- Previous off takes of the customers
- Overall competitor's activities.
- Projected GDP (Gross Domestic Product) growth figures
- Likely upcoming projects / new customers to come up at various locations.

APO module of ERP can collate previous data from the system and do a demand forecasting through time series analysis.

##### Monthly Demand Forecast

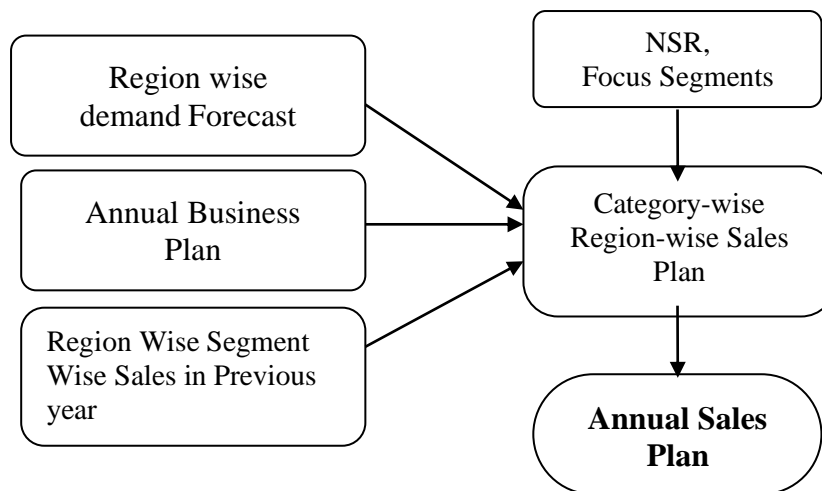
It is done at branches by 18th of every month. The forecast is done at the branch level based on monthly pattern of sales, likely off take of customers after taking into account the requirement of new upcoming projects, activities of our competitors within the jurisdiction of the branch. The branch-wise demand is compiled and moderated at the regional level. Availability of product from the plant for the next month are obtained at the Head Quarters and after matching the customer's expected off take / requirement for next month obtained from the branches, the rolling schedule and product mix is optimized for production in consultation with the plant.

#### DEVELOPMENT OF ANNUAL BUSINESS PLAN





## DEVELOPMENT OF ANNUAL SALES PLAN



### 4.9 The Sales Process

Selling is a communication<sup>1</sup> process in which information is transmitted and persuasive messages applied. The sales process can be broken down into pre sales, sales and post sales activities. The pre-sales process varies as per the buying situation.

- **New buy** - the main aim is to follow up on leads, obtain required information on the lead and then do a feasibility study for supply to the prospect depending on product range and policy. If found suitable negotiations are started for converting the prospect to a customer.
- **Straight rebuy** – The aim here is to capture the customer's requirement and plan for the products.
- **Modified rebuy** – This process is similar to new buy except in this case we have a customer rather than a prospect.

All the above processes are captured in the customer relationship module (CRM) of ERP system.

The sales activity involves discovering a customer's needs, matching the appropriate products with these needs, communicating benefits through informing, reminding, and/or persuading, and developing customer intimacy / relationships. The product delivery process commences on receipt of a purchase order from the customer. Sales can be from the warehouses or on direct dispatch basis from the plant. The first step is to capture the customer PO in ECC system of ERP. If the mode of sale is from the stockyard a quotation is given to the customer against the PO. A sales order (SO) is issued against the quotation when financial arrangement is made by the customer. For direct dispatch orders are released to the plant for dispatch of the materials against permanent financial arrangement (PFA).

Post sales activities consist of settling the customer account with discount or rebate processing or handling customer complaints if any. For future business the customer has to be kept engaged through customer visits.

#### **Some of the broad principles involving Handling of Customer enquiries are:**

1. Requisitions from customers for materials readily available / or incoming are offered to the customer as per applicable price as per Marketing tools and in line with the Marketing circulars, released from time to time. If materials are not readily available, orders are booked on the plant depending on the feasibility of production.

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1. <sup>1</sup> A **product** is broadly defined as information, services, ideas, and issues.

2. Marketing Tools is a means by which, the prices are administered either in the form of rebates or quantity linked schemes or fixed prices (can be ex-yard or ex-works) or age linked or any other parameter / combination, as per prevailing market prices and stocks being carried. It is an instrument by which the applicable selling prices are computed. Normally, Marketing Tools are circulated on the 1<sup>st</sup> of every month and are kept firm for a calendar month. Exceptions are however there, depending on market dynamics.
3. Marketing Circulars are marketing policy guidelines, issued by Commercial Division, within the framework of which the entire CMO function. They are issued on calendar year basis in running serial no.- the first number from January of any year.
4. Pricing Circulars are issued time to time, by respective Pricing Managers for LP and FP separately, whenever there is a correction in base prices, dimension extras, quality extras, freight, stockyard margin or excise duty. Any of these components have a direct bearing on the prices. They are also issued in running serial number, the first number from January of any year.

While offering materials to the customers, preference is normally given to:

- i. Priority sector like Government, Defence, Railways
- ii. Customers who have signed MOU with us
- iii. Project Customers
- iv. Customers with whom we have tied up on annual or quarterly basis, as per the policy in vogue.
- v. Actual Consumers / special quality customer
- vi. Sales to trade

Wherever, fixed price are to be quoted, / or sales against a tender bid, necessary approvals are taken before quoting.

If materials are not available with a particular branch, possibility of getting the same stock transferred from a neighbouring branch is explored

If available in neighbouring branch, offer the material after building up STTR expenses. In case, the customer does not mind lifting from neighbouring branch, intimate the concerned BM to offer the material directly, at applicable price for that branch.

If not available, regret the customer.

If surplus materials are available at a particular location, circulate the list of surplus stocks among all branches in the region and also put the list of such materials on Free Sale through FSNB. Requisitions against FSNB, can be offered to any customer, subject to availability on first cum first served basis.

Materials can also be put on on-line auctions / tender sales, as per the policy, spelt out from time to time. In such cases, offer to H1 bidder can be given after approval is accorded by the competent authority.

The customers' enquiries have to be also reviewed from time to time so that materials not available at some point of time (i.e. at the time of receiving the enquiry) may be available at a later point of time. The possibility of servicing the customer by offering converted materials, or by arranging stock transfer or directly from plant has to be explored from time to time.

#### **Order Booking and Material Dispatch:**

This is based on:

1. Requirements of customers collected during customer contacts by our officials, or materialized through enquiries.
2. Annual Booking Policies issued by Commercial Division like MOU, quarterly tie-up, dealership and other booking schemes
3. Product Managers at Head Quarters distribute the product availability from plants to the four regions depending on forecast, material availability at stockyards and market situation at various places.
4. Regions, in turn, distribute the same to the various branches.
5. Orders are fed in ERP ECC module by the branches, size wise, quality wise, in line with the allocation. Entries can be on account of warehouse dispatches or direct dispatches, depending on the bookings given by the customer. Direct dispatches can be through road or rail. In case of order released through direct by road, release order also has to be faxed to SRM, giving full details of financial coverage (which has to be 100 % of the order value), size, quality and quantity of the materials to be dispatched. Also the authority letter of the authorized representative, who will be collecting the materials, on behalf of the customer, is also to be faxed, after attesting the same by the branch. In case of direct dispatches by rail, financial arrangement to be provided as per the company's guidelines, at the time of booking of order.
6. Orders entered are automatically approved at both regional level and HQ level if fed as per allocation. If any quantity is over and above the allocation, then additional allocation is to be sought.
7. Approved orders flows directly to the plant as movement plans for dispatch of the materials.
8. SRM office coordinates with the Plant for dispatches (both direct and warehouse) based on MPs available with them and also the physical availability of materials after production.
9. Materials, from plants, are mostly dispatched to respective consignees (to warehouses or direct mode, as applicable), in rakes (group of wagons meant for one or two destinations) depending on wagon availability. Materials are also dispatched by road, from plants, if the order is fed in the OMS against road dispatch. Bulk of the materials from plants are sent by rail (> 90 % )

RBM (Regional Business Managers) (LP / FP) at regions also coordinate and monitor dispatches from the plants, in consultation with the SRMs.

### **MODE OF SALES**

Broadly, mode of sales can be of two types: 1. Sales through Warehouse; 2. Direct Despatch

#### **Sales through Warehouse:**

If customer does not exist in the ERP system new customer code is created by master data management (MDM) team of ERP. Offer Letters (OL) are issued as per the purchase order and materials received in the appropriate product code. Care has to be taken to ensure that the price charged in the OL is as per the price spelt out in the Marketing tool. Normally, offers are valid for 7 days including the date of OL. OL should also indicate the correct code for tax, segment, sales type and sales identifier. Sales order (SO) against the offer, within the validity period can be made at the branch and financial arrangements can be made thereafter, through any of the following 3 modes:

#### **By cheque –**

For customers having cheque facility, payments up to the cheque limit can be accepted by filling the cheque acceptance memo and MR is generated.

For customers not having cheque facility, payment can be accepted by DD or Pay order, payable to SAIL. Alternatively, if cheque is accepted, the SO is issued only after the cheque is cleared.

#### **By credit -**

Request letter is taken from customer, to issue the SO against BG or LC. Care has to be taken to ensure that the BG or LC validity has not expired. Credit proposal is made, within the limit available, and CAM is generated in the system, after which the SO is prepared.

#### **By ECS/ MRCA –**

Letter from customer is taken regarding fund transfer and checked by finance from the bank (for ECS) or the respective branches (for MRCA) and accordingly, after confirmation, the amount is transferred to the OL.

SO flow to the WH only after financial arrangements through any of the above modes are made. The customer or his authorized representative takes the Sales Order to the warehouse to collect the materials. For door delivery cases, the Sales order is sent to the Warehouse for effecting delivery.

#### **Direct sales from the Plant (Road or rail dispatches)**

Intimation letters are issued to the customers, immediately on receipt of documents at the branch, on account of direct dispatch by Rail, irrespective of the fact whether the wagon has arrived or not. Customers have to make financial arrangements, within the free time given in the intimation letters, failing which, penal interest, as applicable, is chargeable. After making the financial arrangements, the documents are handed over to the customers, who make arrangements for clearing the consignments from the respective Railway Public Sidings. In case documents are not received by the branch and wagons are placed at the Railway Public Siding, Indemnity Bonds are issued by the branch after collecting the payments from the customer. The customer then arranges for clearing the consignments from the Railway Public Siding based on the Indemnity Bond.

In case of direct dispatch by road, the customer makes arrangements to clear the consignments from the plants, after the branch gives clearance to the concerned SRMs about the payment particulars, made by the customer, as already elaborated earlier.

### **LOGISTICS**

Physical distribution of materials is called logistics. Customers want right material, at the right time, at the right location and at the right price. This is achieved by:

- Enhancing storage and distribution capabilities (for domestic sales) – through our network of warehouses, CA and district dealers.
- Network expansion for export (for international sales) - At strategic locations both offshore and on shore. Presently, Transport and Shipping is operating through port facilities at Kolkata, Haldia, Paradip and Vizag.
- Efficient Contract Management – By managing different contracts like Handling Contracts, Consignment Agency (CA) Contracts, Road Transportation Contracts, Decoiling Contracts etc, so that customer gets improved service.

### **DISPATCH OF DOCUMENTS TO BRANCHES AND FORWARDING TO WAREHOUSES**

Following the physical dispatch of materials to Warehouses / CAs, plants simultaneously dispatch the related documents to the respective branches. The following documents are received from the plants:

1. RRs (Railway Receipts)
2. CA (Consignment Advice)
3. TC (Test Certificate)

Railway Receipts: If the RR pertains to direct dispatches, the same is forwarded to Finance for issue of intimation letters to the customers. If the RR pertains to warehouse dispatches, they are segregated plant wise, entered in a register and forwarded to Warehouse.

Consignment Advice and Test Certificate: CA and TC from plants are downloaded in the computer at the branch/warehouse and after placement of the wagons in the stockyard the wagons are linked and materials are available at the stockyard for dispatch to the customers.

Materials received on account of other branches are stock transferred to those branches through a stock transfer order by the concerned BSO.

### **AFTER SALES SERVICE**

This includes:

1. Branch Finance Functions: a) Arranging refunds in time against executed and closed Delivery Orders (regular) ; b) Processing of credit notes with respect to Marketing tools (once a month)
2. Branch/ Application Engineering Functions: a) Attending and settling Quality complaints (whenever there is a Quality complaint) b) Feedback received from customers communicated to plants for improvements, corrective / preventive action (as and when the need arises).

### **4.10 Warehouse Functions**

Materials are received either at Departmental Warehouses, Consignment Handling Agency warehouses ( Where the Warehouse Land is owned by SAIL and all operations incl security, staff function and unloading, stacking ,delivery are carried out by the appointed Handling Agency ) or at the Consignment Agency warehouses ( Where the land is owned by the Consignment Agent and all operations incl security, staff functions, Cranes, equipments and unloading, stacking,delivery are carried out by the appointed CA ). Departmental warehouses have Handling Contractors. However, in case of CA (Consignment Agency) warehouses, all the activities are done by the CA, under the supervision of SAIL personnel.

The major functions of warehouses can be categorized under:-

1. Receipt of materials
2. Delivery of materials
3. Other activities

### **Receipt of Material**

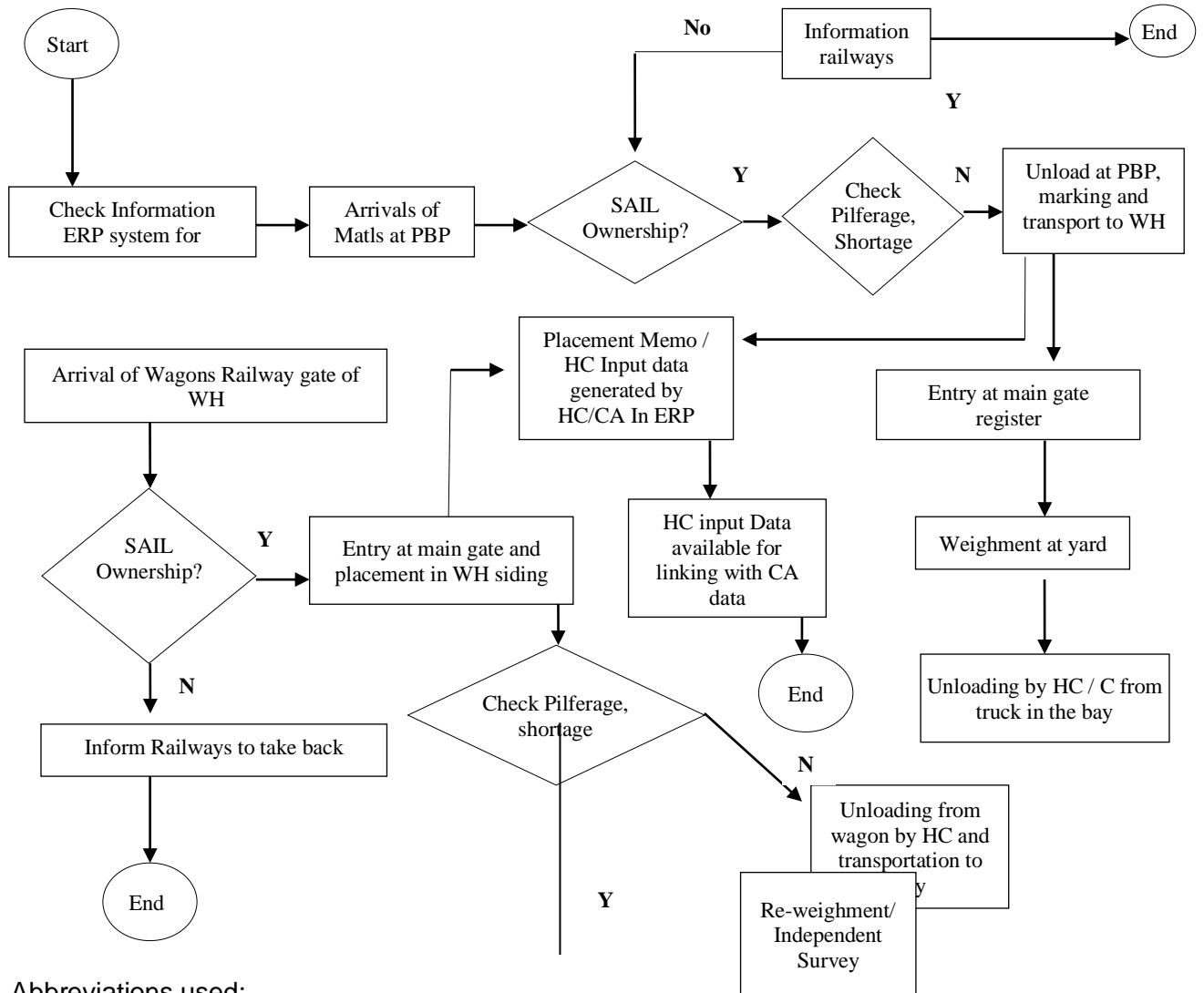
1. This includes the following sequence of activities:
2. The receipts can be through Rail or by Road. Bulk of the receipts is by rail. Arrival of wagons can be at Public Booking Point (if there is no private SAIL siding, as in case of Consignment agencies) Ahmedabad CA is having own siding or can be at SAIL private siding (mostly as in case of departmental warehouses).
3. Segregation of documents received from branch, plant wise and filing CA separately. Post ERP implementation, the CA data directly flows from the manufacturing plants to the CMO server, where it is accessible to WH for viewing and linking of wagons.
4. Handing over of RR s to HC for handing over to Railways.
5. Placement of wagons in the warehouse after entry in railway gate
6. If wagons do not belong to SAIL, inform railways accordingly.
7. If wagons, belong to SAIL, prepare Placement Report by the Handling Contractor (HC/CA). As per ERP system, the HC / CA has to generate the HC Input Data (PTR) in the system on arrival of the wagons in the WH.
8. Inspection of materials (before unloading), by SAIL/HC personnel for suspected shortage, pilferage, tampering etc.
9. If found OK, unload the wagons.
10. If not found OK, request Railway for re-weighment. If railways do not accept our claim, call independent surveyor for re-weighment. If shortage detected, claim lodged on Railways.

11. After unloading, if the wagon contents are OK, mark the wagon number and date of arrival on the materials. In case of placement at PBP ( Public Booking Point), unload the wagons if found OK, and dispatch the materials by road by CA ( Consignment Agent) or HC (Handling Contractor ) to warehouse or CA premises after necessary entries at the main gate.
12. Link the wagons in the system at warehouse, based on the CA (Consignment Advice) entered in the system at branch.
13. Simultaneously, in ERP system, the HC Input data is linked with the CA soft copy (available in the system) for generating the Inbound Delivery (WAR Report). Thereafter, based on the Bay number where the materials are stacked, TO (Transfer Order) is generated in system and finally the materials are taken in system stock, whereby the incoming Excise Duty details and the creation of GRN is done simultaneously in the system.
14. PTR is generated through ERP system by the HC / CA. Transportation of materials to the stacking bay and final marking and painting on the stacked materials and stack as per stacking plan in the designated bay.  
Care has to be taken in stacking –
  - i. All the materials to be stacked with the following marking Material, size, quality, wagon Number, Date of arrival and quantity in orderly manner in designated bays as per stacking plan
  - ii. Materials to be stored properly so that they are not damaged.
  - iii. Materials must be stacked in easily deliverable condition.
  - iv. The above objectives are to be achieved with minimum cost of handling.
  - v. Material must be stacked to ensure that it is not pilfered and it is secured.
15. Submission of FTR (Final Tally Report) by the Contactor after stacking, marking and painting within 72 hrs. from the date of receipt of materials at WHs.
16. Filling of FTR details by HC / CA with bay numbers of stacked materials.
17. Filling of stacking details in the ERP system based on the FTR given by HC / CA and generation of TO (as detailed above) in system.
18. The HC / CA has to certify the different operations performed during receipt (unloading, transportation and stacking), in the ERP system.
19. Maintenance of RR registers in prescribed format, plant wise. In ERP system, the RR details are all available in the CA information that flows from the various manufacturing plants.
20. Wherever, wagons have not been received beyond 3 months, full wagon claims are lodged with Railways (RCT).
21. In case of arrival of wagons in the absence of documents, the same will be called as unlinked wagons. If documents arrive subsequently, then link the wagons. If the documents do not arrive over a period of time, it will lie as unlinked and we have to trace the ownership of the material. If it pertains to some other branch, then ISDM (Inter Stock Diversion Memo) is generated and linked in the system.
22. Road receipts can generally be materials from conversion agents, De-coiling agents, STTR from other branches by road, receipt by road from plants, service centre, Customer's premises under Quality Complaint. Other procedures are same as that of rail receipts, except that the consignments are weighed for gross and tare.
23. In case, a customer refuses to accept materials booked by him under direct dispatch by rail, from plant, then the same has to be brought back to the warehouse, from the Public Booking Point, by road to the warehouse.(ISDM)
24. In case of receipts by road, against QC (Quality Complaint) an authorization from the branch is required to accept the materials. This is done on the basis of the customer's lodging of complaint (as per Part I of the QC format) and the inspection / reclassification (as per Part II of the QC format). QC materials are to be kept separately in a separate bay with proper identity, so that they do not get mixed up with prime materials.

25. Based on the entries made by the HC / CA in system (as per sl. No. 17 above), the same is approved by the WHM (after verification) in system for Processing of receipt bills of HC / CA.

The flow chart for Receipt Process is given below:

**Receipts By Rail**



Abbreviations used:

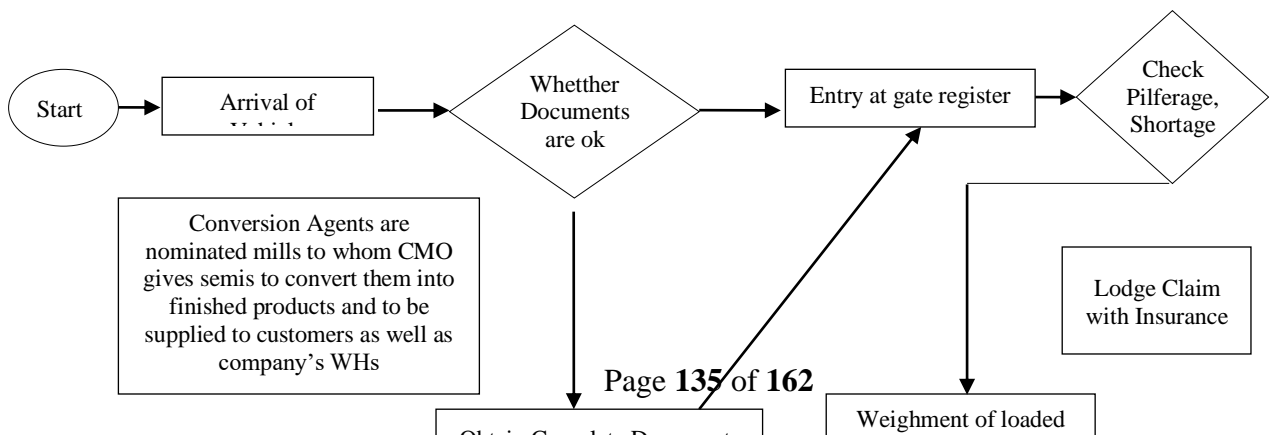
PBP - Public Booking Point HC - Handling Contractor

Point

Y - Yes

N - No

**Receipts by Road from Plants, other Yards/ Conversion Agents/ Decoiling Agents outside the Warehouse/ Service Centers/ Return Material**



Decoiling agents are located within the WHs as well as outside WH. TMT coils are delivered to them for decoiling, straightening, cutting, ending and bundling. These TMT bars are then delivered to customers or to SAIL WHS.

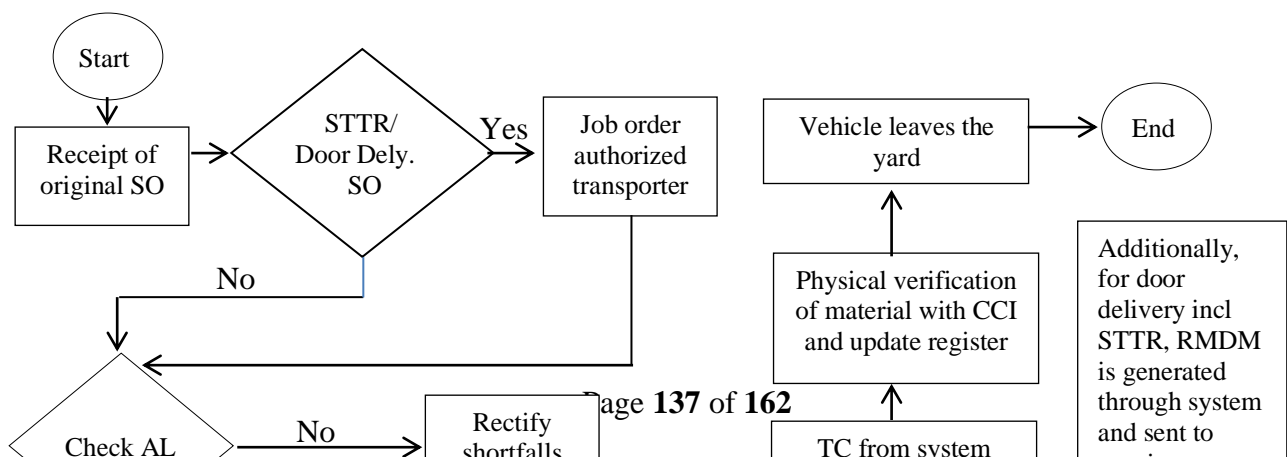
## **DELIVERY OF MATERIAL**

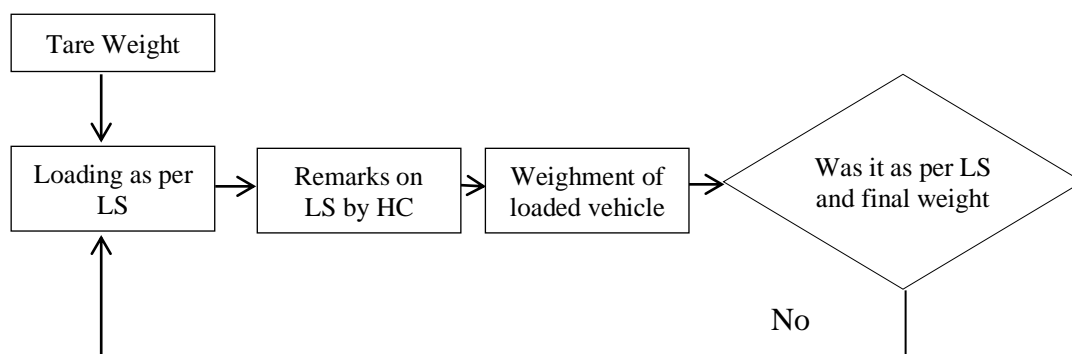
1. Receipt of SO (Sales Order) from customer along with authority letter.
2. If this SO is a Door Delivery SO , then first of all Job Order is generated in system assigning the SO to the designated transporter (finalized thro' online portal based tendering cycle) for lifting the material and the transporter is intimated through a system generated SMS.
3. If the SO is a non-Door Delivery type, where the customer arranges for the lifting of material,
4. Generation of Loading Slip against Sales Order. In ERP system, Loading Slip comprises of three documents, the Outbound delivery, the Transfer Order and the Shipment document.
5. Subsequent to generation of Loading slip, entry of trucks / trailers from main gate take place, after entry in gate registers by security.
6. At the start of the day, zero error of weighbridge is to be checked and print out filed. (All operations pertaining to the weighbridges are done by the weighbridge operator).
7. First the incoming vehicles for taking delivery take Tare weight (Empty weight) at weighbridge.
8. Thereafter the vehicle goes to the respective bays (as per Loading slip details) for loading of materials in the truck / trailer, as per Loading Slip, by HC.



9. After loading the materials, the vehicles come for Gross weight (Loaded Weight) at weighbridge.
10. Print out of the weighment card is taken indicating Gross, Tare and net weight by weighbridge operator and handing over the same (along with the Loading slips) to the staff generating the CCI wherever the W Bridges are not integrated with the system. In case of multi punch vehicles, the gross of the first weighment is recorded as the tare of the 2nd weighment and so on. For such vehicles, the weighment cards and the relevant loading slips are handed for CCI preparation after completion of tare, gross of all punches
11. After confirmation and print out of weighment card, the PGI (Post Goods Issue) is completed in the Shipment document.
12. Then the Excise Invoice is generated separately (a new functionality in ERP system) prior to the generation of the CCI or Commercial Invoice.
13. Generation of CCI (Challan cum Invoice) or Commercial Challan then follows in the ERP system. After generation of CCI following things are checked for accuracy of the documents:
  - a. Correct Outbound Delivery number is typed for creating Excise Invoice and CCI.
  - b. Checking of correct weight as per weighment card.
  - c. Check the vehicle number of weighment card , Loading slip and CCI.
  - d. Check whether the Loading slip is signed by the HC's representative.
  - e. In case of door deliveries, whether forwarding charges are incorporated correctly.
  - f. Whether number of pieces / bundles are mentioned correctly.
  - g. If material loading from decoiling unit, whether the CCI is prepared with the appropriate options like Decoiling, bending and bundling.
14. If the above aspects are found OK, the CCI is signed and released by the concerned employee. (CCI generation and release are done by 2 separate staffs so that there is a double check before release of the consignments).
15. Subsequent to generation of CCI, the TC is printed online from the ERP system.
16. Handing over of CCI along with TC to the authorized representative of the customer
17. Cancelled CCIs, if any, are filed separately and reasons for cancellations are mentioned, along with the new CCI number. These can be deleted from the system with approval of Head of Finance in CMO/HQ.
18. Excess deliveries to be avoided. Register to be maintained in prescribed format so that wherever unavoidable marginal excess deliveries have taken place, cheque is taken for the same from the transporter. Wherever, cheques are not readily available, the same is to be followed up with the customer and the branch for ensuring payments against the debit balances.
19. Loaded vehicle goes out after entries at the main gate register by security
20. Forwarding of executed SO to branch office for closure in the system
21. Based on the CCI generated in system , the delivery operation performed by the HC / CA is approved by the WHM in system for Processing of delivery bills of HC / CA.

**DELIVERY OF MATERIAL**





Abbreviations used:

SO - Sales Order ;	LS - Loading Slip	STTR - Stock Transfer
HC -Handling Contractor	AL - Authority Letter	WL - Wagon Ledger
AL - Authority Letter	CCI -Challan cum Invoice	CCI -Challan cum Invoice

**Other Activities:**

Warehouses deliver the materials to customer premises. i.e Door Delivery. All Warehouses have enlisted Transporters and whenever order for door delivery is obtained and passed on by Sales team, Transportation contract is finalized from among the enlisted Transporters to the desired destinations. The Transportation Contracts may be one time or for a period depending on the quantity involved/ time for supply and type of door delivery orders. The materials are door delivered to the Customers, acknowledgement of receipt of materials from customers are obtained. This is being done with close co-ordination with Sales Team. More and more Customers predominantly institutional and project customers prefer door delivery.

Presently there are 13 warehouses ( ER – Kol-Dankuni, Durgapur and Bokaro : NR – Delhi, Ghaziabad, Faridabad and Kanpur; WR – Mumbai and Ahmedabad : SR- Chennai, Hyderabad, Bangalore and Vizag ) are certified ISO 14001.

Safety Drill, Fire Drill are part of the regular activities being undertaken on the importance of Safety. Medical check-up for all employees including Contract Labour are done periodically for fitness of all employees.

In departmental Warehouses, there are other contracts being finalized by Warehouses for smooth and efficient operations, i.e. Security Contract from the agencies sponsored by Directorate General of Re- settlement (DGR), Contract for maintenance of Electrical Installations i.e DG set, Tower Lights, HT panels available in the Warehouses, Contract for maintenance of Railway Siding wherever internal

Railway siding are available, Contract for Surface maintenance, Contract for maintenance of Weighbridge, Bush Cutting, Contract for Scrap collection and Disposal.

Warehouse Managers are overseeing the Conversion Activities in co- ordination with Sales team. The semis/raw materials are supplied to conversion agents and converted materials are being delivered to the customers by the conversion agents under supervision of Warehouse Managers.

Activities in Warehouses include periodical inspection and Fitness of Cranes, Slings, equipments, Weighbridge painting and maintenance, upkeep of customer lounge and warehouses, monitoring Railway Claims, periodical stock verification and accounting, adhering to contract labour regulations and green initiatives/planting of trees.

Warehouses play a vital role on the price stability for the product, timely supply to customers, supply to small customers (who need less quantity) and customer satisfaction.

#### **4.11 Transport and Shipping (T&S)**

The Transport and Shipping Division provides logistics service in procurement of raw material import and execution of the export orders. It consists of:

- Headquarters at Kolkata
- T&S Regional Offices: One at Kolkata (Eastern Region) which takes care of the port activities at Haldia and Kolkata and the other Regional Office at Vizag (Southern Region) looks after Vizag, Gangavaram, Paradip and Dhamra.
- Branch T&S Offices (BTSO) at Kolkata and Haldia and Vishakhapatnam and Paradip

#### **The major activities in T&S involve:**

1. Receipt of imported coking coal, coke, lime stone and plant machinery, their storage, handling, customs clearance and transportation to steel plants by rail/road.
2. Export of steel products and negotiation of document thereof (receipt, storage, handling & shipment)
3. Coastal movement as and when required
4. Chartering of vessels for import (FOB), export (CIF), coastal vessels and settlements of despatch/ demurrage

#### **Import**

Import of Coal and limestone in bulk involves Chartering of vessels ( ~200 vessels / annum), handling and dispatch of the same to the plant locations and clearance and handling of Over-Dimensional Cargo (ODC). These raw materials are transported to BSP through Vizag/ Gangadharam Ports while they are transported to all other plants through Paradip, Dhamra and Haldia Ports. Import of plant machinery is done in containers and is transported to BSP from Vizag/ Gangadharam Ports and to all the other plants through Kolkata Port.

Import of Coking Coal forms one of the major activity of T&S. During the last three years the amount of Coking Coal import has been as follows:

Year	QuantityAmount (MMT)
2018-19	14.4
2019-20	14.8
2020-21	14.3

Import of coking coal is done as availability of indigenous coking coal is not sufficient to meet the requirements of Steel Plants. Further, the quality of domestic coking coal is inferior and accordingly coking coal of superior quality has to be imported. This imported coking coal is blended with indigenous coking coal for charging into Coke Ovens. In addition to this CDI / PCI coal and coke are also imported at times for charging directly into Blast Furnaces.

Coking Coal is imported from different source (Countries) and the contract for procurement is finalized by the Coal Import Group (CIG) of SAIL Corporate Office. The CIG coordinates with the suppliers

regarding availability and supply of Coking Coal as per the contract. The T&S department finalizes the shipping arrangement of two types that is through Voyage Charter on-spot basis or through Contract of Affreightment (COA) for a period and quantity. On arrival of ships, the respective BTSOs undertake operations relating to discharge of cargo from ships and dispatch of the same to the various steel plants as per schedule given by the Operations Directorate of SAIL.

### **Arrangement for Coal imports**

Coal Contracts are finalized by CIG (Coal Import Group) at New Delhi, and the logistics is arranged by T&S.

The salient features are:

1. Chartering of vessel for bringing imported dry bulk like coal and limestone from abroad, wherever necessary as per contract. All fixtures are by the Chartering wing of T&S.
2. Arrangement of Insurance for all bulk shipments wherever necessary
3. Customs & Port Formalities, Payment of Customs Duty (if any) and Port Charges.
4. Customs Duty - It is payable for saving protecting domestic producer and it contributes to the state exchequer.
5. Customs and Port Clearance
6. Handling of Imported coal at Vizag, Gangavaram, Haldia, Paradip and Dhamra ports and related coordination with concerned authorities and documentation
7. Arranging dispatches of imported coking coal by wagons to steel plants
8. Attending to complaints in consultation with plant and their redressal
9. Settlement of dues with the vessel owners
10. Settlement of dues with suppliers of coal

### **Handling and clearing of plant Imports other than Coal**

The salient features are:

1. Booking of the containers by Plant and the involvement of freight forwarders in this trade.
2. Clearing of Import Consignments including clearance and handling of Over-Dimensional Cargo (ODC) at Kolkata, Vizag and Haldia through sea and at Kolkata through air .
3. Coordination with concerned agencies and related documentation
4. Arranging dispatch of the imported items to the respective steel plants

### **Arrangement for Exports**

For export of Iron and Steel, T&S department fixes the vessel / container and arranges receipt / handling and shipment of goods. Export through sea rout is carried out through Vizag, Haldia, Chennai. Land export to Nepal/ Bangladesh is carried out directly from the plant or from stockyards of Kanpur, Bokaro , Bhilai and Dankuni.

The salient features of exports by sea are:

1. Orders are booked by the ITD ( International Trade Division ) at New Delhi
2. Coordination with SRM / plant for timely dispatch to the ports
3. Receipt, shortage of material at the export yard.
4. Arranging Third party inspection wherever required as per contract at the ports

5. Nomination of vessel by buyer(FOB)/Chartering of vessel(CFR) for exporting the materials wherever required as per contract
6. Preparation of Stowage plan and loading sequence.
7. Physical loading of material within allowable time in the vessel by the contractor
8. Coordination with the concerned agencies and related documentation
9. Realization of export proceeds from the bank
10. Settlement of dispatch / demurrage with the buyer and the vessel owner as per requirement
11. Disposal of Export surplus material on payment of duty by Plant.
12. Claim and Realization of Export benefits (there are certain export benefits/ incentives allowed for exporters – Export promotion measures by the Ministry of Commerce).
13. Salient features of exports by land are:
14. Orders are booked by the ITD (International Trade Division) at New Delhi
15. Related documentation at customs point (by BTSO Kolkata)
16. Realization of export proceeds from the bank
17. Claim and Realization of Export benefits (BTSO, Kolkata).

#### **Contract Management at respective BTSOs**

Export Warehouses are maintained at – Vizag & Haldia

Various contracts like Handling Contract, Road transportation Contract, Surface Maintenance Contract, Customs handling agent contracts etc are entered into at the all the Branch Offices.

#### **Other activities in T&S**

Co-ordination with external agencies viz., Port Trust, Customs, Airport Authority, D G Shipping, Railways, Chamber of Commerce, RBI/ Other authorised Bank for Foreign Exchange Transaction, RPF also form a major activity.

#### **4.12 International Trade Division**

Order booking for export of steels & pig-iron are done by International Trade Division (ITD) based in New Delhi through customer contact / visit. Logistic support for execution of these export orders are undertaken by Transport & Shipping department.

#### **Strategies for export**

##### **1) Thrust on Export for Finished Products as below:**

- **PM Plates (Mainly from New Plate Mill (NPM) of RSP):** Increase market share in Europe with CE marked Plates in full range from 8 mm to 100 mm in Mild Steel / High Tensile /Ship building grade etc. from NPM of RSP & widen market base and target Middle East market for API Grade plates. PM Plates from Old mill of RSP are not planned for export due to inherent Quality issues.
- **Exports of PM Plates from Bhilai Steel Plant** have reduced mainly due to quality issue of flatness and waviness. Modest plan of 40000 tons has been made which will be facilitated by provision of Third party Inspection at plant.
- **HR Coils:** The potential for exports of HR Coils to Nepal which is a relatively high NSR market is being fully realized in size-grade mix matching with our current production capability. During 2020-21 we also tapped Vietnam market exporting about 53000 Tons and the Chinese market when it provided an opportunity during H1 of FY21, exporting over 74000 tons to the market. These overseas markets along with Europe and Middle-east will be targeted especially with availability of HR Coils with low Si (Si below<0.03 %) from new HSM of RSP.

- **HR Sheets/HSMP** exports to Bangladesh, Sri Lanka and Nepal market being planned to increase our market share in Indian exports basket. Regular exports are already being effected to Bangladesh market.
- **CR Coils and Galvanised Products:** CR Coil export volume is gradually being increased in Nepal market with the available range and grades. In addition to Saudi Arabia which has become a regular market for SAIL, new orders to UAE were executed during 2020-21. In addition to Middle-east, the European market will be targeted during 2021-22.  
We have booked a trial order from Nepal for GP Coil from the new line in CRM 3 which is under execution. On successful execution, Nepal and other markets will be explored for exports of Galvanized products.
- **WRC from ISP: In Nepal market WRC in SAE 1006/1008 grade in thickness 5.5/6/8mm is being exported at relatively high NSR as compared to overseas market.** We have also executed orders successfully to Kenya and Bangladesh markets during 2020-21. Further, there is potential to export special grade material in High Carbon and Alloy grades to markets like Nepal, Bangladesh and South East Asia. These markets shall be targeted for exports once the production of higher grades WRC is stabilized in the mill.
- **Parallel Flange Beams: Requirement of Structurals is market specific in terms of Specifications, Profiles, Range, Certification and Distribution channel. With CE Certificate and full range of NPB in place at ISP,** target market for our product IPEs as per DNV during 2021-22 would be Europe, Africa and neighboring markets like Nepal, Bangladesh and Sri Lanka. Due to entry restrictions, some of these markets would require only Boron added steel.
- **Focus of Rebars exports will be Govt. of India LOC based projects.** Apart from the range from 8 mm to 40mm in straight lengths, smaller bundle weight (max 2T), fixed length of 12 meters and negative tolerance on diameter are the key for enhancing NSR in the international market.

## 2) Tactical Exports of Semis :

- After meeting requirement of own steels plants, SPU's and Conversion Arrangements in India, some surplus Semis will be targeted for exports to avoid competition in India with Own Finished Products.
- Exports will continue for higher size Semis like BCB 200X280 from ISP and BCB 240X350 from DSP, where the company has surplus availability

## 3) To increase Exports of finished products with the help of New Facilities:

- CRM3, BSL for developed markets like Europe
- Low Si HR Coils (Max 0.03%) – new HSP, RSP
- CE marked Plates in full range from 8mm to 100mm in Mild Steel/High Tensile/Ship Building grade etc. from NPM of RSP
- API grade PM Plates after stabilization in the domestic market

## 4) Maintain market leadership :

- In **Nepal market**, which is high NSR market by maintaining exports of Billets, WRC, HRC / CRC and also by maximizing exports of PM Plates (NPM - RSP), Structural (New and Old Mills) and then gradually enhance market presence in neighboring markets like Bangladesh, Myanmar and Sri Lanka etc.

- The gains made in **Bangladesh** to be strengthened by enhancing exports of HSMP, PMP and also book orders for CRC and HRC as per feasibility. Similarly, export potential in **Sri Lanka** market to be exploited for all products by leveraging freight advantage. Sri Lanka market requires HR Sheets /HSMP in thickness range 2 - 16mm in width 1219mm and length 2438mm.
- De-risk concentration of exports in neighbouring markets by improving and consolidating exports to **Overseas market** which will also enlarge global reach for SAIL products

**Order booking takes place for:**

- Export Order booking by soliciting firm Enquiries / Bids from Customers with past off take.
- Export Order booking from Customers through routine Enquiries
- Export Order booking by participating in International Tenders

Before booking export orders, the following are reviewed:

- Whether it is within the product range of the SAIL plants
- Availability
- Product Specification and Size Mix
- Quantity
- Quality
- Technical Delivery Condition
- Price
- Shipment Schedule
- Credit terms
- Terms & conditions of shipment, etc.
- Present Order Booking Status
- Mode & Schedule of Payment from the customer
- Other Commercial Conditions including LD Clause, if any
- Government Regulations etc

**Issue of LOA / LOI**

LOA stand for Length Overall and is a parameter which decides the ship and the port of call. LOI stands for Letter Of Intent and is issued to the Customer after concurrence of the proposal by Finance and approval by the Competent Authority, and completion of contractual formalities.

**Export Contracts**

They are done to formalize the export order. This is done by:-

Preparation of Export Contract and amendment: In case Contract is required to be amended, and the same is done with mutual agreement. An amendment to the Contract is prepared and signed by SAIL and the customer/his authorized Representative and numbered serially. One signed copy shall be received back from the customer.

**Issue Work Order –**

Advice to supplier plant to produce and dispatch cargo against the export order.

**Other functions of ITD**

- Coordination with SRM and Plant for production and dispatch in time
- Coordination with T & S for timely loading of export order
- Attending to Quality complaints and their redressal in consultation with plants

**4.13 GLOSSARY of Important Abbreviations**

- ABP : Annual Business Plan

- AL : Authorization Letter
- AMC : Annual Maintenance Contract
- ASP : Alloy Steel Plant
- BM : Branch Manager
- BSL : Bokaro Steel Plant
- BSO : Branch Sales Office
- BSP : Bhilai Steel Plant
- BTSO : Branch Transport and Shipping Office
- CA : Consignment Agency, Consignment Agent , Consignment Advice
- CC0 : Customer Contact Office
- CCI : Challan cum Invoice
- CIG : Coal Import Group
- CMO : Central Marketing Organization
- CRC / CRS : Cold Rolled Coils / Cold Rolled Sheets
- CRNO : Cold Rolled Non Oriented Sheets
- CSI : Customer Satisfaction Index
- DD / EDD : Deep Drawing / Extra Deep Drawing
- DO : Delivery Order
- DOP : Delegation of Power
- DSP : Durgapur Steel Plant
- ECS : Electronic Clearance System
- ERP : Enterprise Resource Planning
- ETP : Electrolytic Tin Plates
- FTR : Final Tally Report
- FSNB : Free Sale Notice Board
- GDP : Gross Domestic Product
- GP / GC : Galvanized Plain / Galvanized Corrugated
- GR : Goods Receipt
- HC : Handling Contractor
- HOD : Head of Department
- HQ : Head Quarter
- HRC : Hot Rolled Coils
- HRD : Human Resource Development
- HRDC : Human Resource Development Centre
- HRS : Hot Rolled Sheets
- HSMP : Hot Strip Mill Plates
- IBSTM : Inter Branch Stock Transfer Memo
- ISDM : Inter Stock Diversion Memo
- ISO : International Standards Of Organization
- ISP : IISCO Steel Plant
- ITD : International Trade Division
- KAM : Key Account Manager
- LC : Letter of Credit:
- LMR : Local Management Review
- LOA : Length Overall
- LOI : Letter Of Intent
- LS : Loading Slip
- MP : Movement Plan
- MRG : Market Research Group
- MRCA : Money Receipt Cum Advice
- MT : Million Ton
- NSR : Net Sales Realization
- OL : Offer Letter
- OMS : Order Management System
- PBP : Public Booking Point
- PMP : Plate Mill Plates
- PQD : Product Quality Dimension



- PTR : Preliminary Tally Report
- RBM : Regional Business Manager
- RG23 D register : A register to be maintained as per excise rules
- RINL : Rashtriya Ispat Nigam Limited
- RR : Railway Receipt
- RSP : Rourkela Steel Plant
- SAIL JYOTI: Brand Name for GC Sheets
- SAIL TMT : Brand Name for TMT Bars
- Secondary Producers : Producers other than Main Producers
- SPF : Service Performance Feedback
- SRM : Sales Resident Manager
- SSP : Salem Steel Plant
- Structurals : Angles , Channels , Beams
- T&S : Transport and Shipping
- TC : Test Certificate
- TDC : Technical Delivery Condition
- TMT : Thermo Mechanically Treated
- TQP : Total Quality Planning
- VISL : Visvesvaraya Iron & Steel Plant
- WH : Warehouse
- WHM : Warehouse Manager
- W.O : Work Order
- WRC : Wire Rod coils

## Chapter – 5

### General Management Topics

#### 5.1 The Right To Information Act, 2005- Salient features

##### **Objective**

The basic object of the Right to Information Act is to empower the citizens, to promote transparency and accountability in the working of the Government, to contain corruption, and to enhance people's participation in democratic process thereby making our democracy work for the people in a real sense. It goes without saying that an informed citizen is better equipped to keep necessary vigil on the instruments of governance and make the government more accountable to the governed. The Act is a big step towards making the citizens informed about the activities of the Government.

RTI Act 2005 empowers every citizen to ask any questions from the Government/Public Authority or seek any information, take copies of any government documents, inspect any government documents, inspect any Government works, take samples of materials of any Government work.

Any person can seek information from any department of the central or state government, from panchayati raj institutions, and from any other organization or institution (including NGOs) that is established, constituted, owned, controlled or substantially financed, directly or indirectly, by the state or central government

##### **Appointment of Public Information Officer(PIO) / Asstt Public Information Officer(APIO)**

In each Government Organization/ Department, at least one officer has to be designated as a Public Information Officer (PIO). They are responsible to give information to a person who seeks information under the RTI Act. He / she accepts the request forms and provides information sought by the people.

In addition, Assistant Public Information Officers (APIOs) are also appointed to assist the PIO. These are the officers at sub-divisional level to whom a person can give his RTI application or appeal. These officers send the application or appeal to the Public Information Officer of the public authority or the concerned appellate authority. An Assistant Public Information Officer is not responsible to supply the information.

##### **Procedure**

Any person seeking information should file an application in writing or through electronic means in English or Hindi (or in the official language of the area) along with prescribed application fee to the PIO/APIO.

Where a request cannot be made in writing, the PIO is supposed to render all reasonable assistance to the person making the request orally to reduce the same in writing. Where the applicant is deaf, blind, or otherwise impaired, the public authority is supposed to provide assistance to enable access to the information, including providing such assistance as may be appropriate for the inspection. Besides the applicant's contact details, the applicant is not required to either give any reasons for requesting the information or any other personal details.

##### **Application fee**

A reasonable application fee will be charged for each application and supply of information. Central Government has prescribed Rs 10/- as application fee, whereas in other states the fee amount may vary. However, no fee is chargeable from persons below the poverty line, or if the information is provided after the prescribed period.

Fee is charged for obtaining a copy of the documents. The Central Government has prescribed fees of Rs.2/- for each page created and copied. A citizen has a right to inspect the records of a public authority. For inspection of records, the public authority shall charge no fee for the first hour.

But a fee of rupees five (Rs.5/-) for each subsequent hour (or fraction thereof) shall be charged. If the Information is not provided in the stipulated time limit then the information is required to be provided for free.

The Act does not require the public authorities to retain records for indefinite period. The records need be retained as per the record retention schedule applicable to the concerned public authority.

### **Responsibilities of PIO**

PIO has to ensure that the information pertaining to his organization is provide within 30 days from the date of receipt of application for such information. It is possible that in a public authority with more than one Public Information Officer, an application is received by the Public Information Officer other than the concerned Public Information Officer. In such a case, the Public Information Officer receiving the application should transfer it to the concerned Public Information Officer immediately, preferably the same day. Time period of five days for transfer of the application applies only when the application is transferred from one public authority to another public authority and not for transfer from one Public Information Officer to another in the same public authority.

If the PIO feels that the sought information does not pertain to his department then it shall be his / her responsibility to forward the application to the related/relevant department within 5 days and also inform the applicant about the same. In such instance, the stipulated time limit for provision of information would be 35 days.

### **Exemptions for providing information**

The PIO can deny information in some cases/matters. The PIO should check whether the information sought or a part thereof is exempt from disclosure under Section 8 or Section 9 of the Act. Request in respect of the part of the application which is so exempt may be rejected and rest of the information should be provided immediately or after receipt of additional fees, as the case may be.

### **The following is exempt from disclosure [Sec.8]**

- Information, disclosure of which would prejudicially affect the sovereignty and integrity of India, security, strategic, scientific or economic interests of the State, relation with foreign State or lead to incitement of an offence
- Information which has been expressly forbidden to be published by any court of law or tribunal or the disclosure of which may constitute contempt of court;
- Information, the disclosure of which would cause a breach of privilege of Parliament or the State Legislature;
- Information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information;
- Information available to a person in his fiduciary relationship, unless the competent authority is satisfied that \*the larger public interest warrants the disclosure of such information;
- Information received in confidence from foreign Government;
- Information, the disclosure of which would endanger the life or physical safety of any person or identify the source of information or assistance given in confidence for law enforcement or security purposes;
- Information which would impede the process of investigation or apprehension or prosecution of offenders;
- Cabinet papers including records of deliberations of the Council of Ministers, Secretaries and other officers
- Information, which relates to personal information the disclosure of which has no relationship to any public activity or interest, or which would cause unwarranted invasion of the privacy of the individual (but it is also provided that the information which cannot be denied to the Parliament or a State Legislature shall not be denied by this exemption).

However, if the sought information is in public interest then the exemptions enumerated in Section 8 of the RTI Act, 2005 can also be disclosed. Also if any information that cannot be denied to Parliament or Legislative Assembly cannot be denied to a common citizen.

### **The following is exempt from disclosure [Sec.9]**

Grounds for rejection to access in certain cases.—Without prejudice to the provisions of section 8, a Central Public Information Officer or State Public Information Officer, as the case may be may reject a request for information where such a request for providing access would involve an infringement of copyright subsisting in a person other than the State.

### **Provisions regarding appeal :**

Every organization (Public Authority) has to designate an officer superior in rank to the PIO to act as First Appellate Authority. In case a person fails to get a response from the PIO within the prescribed period or is aggrieved by the response received, then he/she can file an appeal within 30 days to the First Appellate Authority.

If the appellant is not satisfied with the information/ reply/ response to the 1st appeal then he / she can file second appeal against the decision within ninety days from the date on which the decision should have been made or was actually received, with the Central Information Commission or the State Information Commission, provided that the Central Information Commission or the State Information Commission, as the case may be, may admit the appeal after the expiry of the period of ninety days if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal in time.

In case a PIO without any reasonable cause fails to receive an application for information or does not furnish information within the prescribed period or unreasonably troubles the applicant or malafidely denies a request for information or knowingly gives incorrect, incomplete or misleading information, or asks for high fees for furnishing the information the applicant can file a direct complaint to the Central or the State Information Commission.

### **Penalties**

If a PIO fails to furnish the information asked for under the Act or fails to communicate the rejection order, within the time specified, the PIO will be liable to pay a penalty of Rs 250 per day for each day of delay, subject to a maximum of Rs 25,000. The information commission can also recommend disciplinary action against the concerned PIO, under the service rules applicable to him/ her.

## **5.2 Corporate Social Responsibility**

Corporate Social Responsibility (CSR) of SAIL defines the statutory obligations and the Company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner, whereby organizations serve the interests of society by taking responsibility for the impact of their activities.

SAIL has been structuring and implementing socio-economic initiatives right from its inception in 1973, much before 'CSR' became a buzzword. These efforts have seen the obscure villages, where SAIL plants are located, turn into large industrial centres today.

SAIL carries out CSR projects mainly in periphery of steel townships and mines, i.e. in 8 states and their 19 districts (approx.); in the thrust areas falling in line with the Schedule-VII of the Companies Act-2013, namely, Promotion of Education and Health, Women Empowerment, Sustainable Income Generation through Self Help Groups, Assistance to Divyangs (People with Special Abilities), Access

to Water and Sanitation facilities, Village development, Environment sustenance, Sports coaching, promotion of traditional Art and Culture, etc.

### **SAIL CSR Objectives**

- To create value for the stakeholders and society that are fundamentally linked to SAIL's core business strategies and operations through its services.
- Enhance value creation and foster goodwill for the community in which it operates by enhancing the quality of life of people in the direct impact zone.
- Support the community by assisting the underprivileged people and communities
- Carry out developmental initiatives in order to meet the calls of the present without compromising the ability of future.
- Support local populace by building the image of SAIL as patron of Arts and Sports and Culture.
- To operate in a socially, environmentally and economically responsible manner to succeed by seeking social license.

SAIL CSR initiatives are undertaken in conformity to the CSR provisions (Section 135) of Companies Act, 2013, its Schedule-VII, CSR Rules, 2014 and Companies (CSR Policy) Amendment Rules, 2021 and Government Circulars/Orders/Clarifications issued from time to time. To carry out the CSR Activities, well laid systems and procedures have been formulated. The Plants/Units are authorized to incur expenditure within the budget allocation approved by the SAIL Board. They have in place High Power Committees to oversee & monitor the projects as well as their implementation. They also have multifunctional working level committees to scrutinize and recommend various projects.

### **Compliance of CSR Provisions of Companies Act, 2013 in SAIL**

- Every company having net worth of Rs.500 cr. or more, or turnover of Rs.1000 cr. or more or a net profit of Rs.5 cr. or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, including an independent director.
- Accordingly, a Board level CSR Committee comprising of 2 Functional Directors and 3 Independent Directors, headed by an Independent Director, is in place.
- The comprehensive CSR Policy(revised in 2020-21 as per provisions of the Cos. (CSR Policy) Amendment Rules, 2021) and duly approved by the SAIL Board, encompasses geographical coverage, broad areas of CSR projects/schemes to be undertaken in conformity with Schedule-VII of the Companies Act, 2013, resourcing, planning, execution & implementation methodology, monitoring mechanism and reporting.
- CSR Policy and annual reporting on CSR projects and budget expenditure is published in the Company's Annual Report, all available on SAIL Portal.

### **Expenditure on CSR activities**

- Section 135 of the Companies Act, 2013, effective from 1/4/2014, mandates the CSR expenditure to be at least 2% of the Average Net Profits (ANP) of immediately preceding 3 fiscals.
- **As per Companies (CSR Policy) Amendment Rules, 2021, effective from FY 2020-21:**
  - i. the expenditure incurred in excess of mandatory CSR expenditure, i.e. at least 2% of the Average Net Profits of immediately preceding 3 financial years, shall be set off/carried forward as 'credit' against the budget requirement of immediately succeeding 3 financial years, for which Board would pass a resolution.
  - ii. CSR funds remaining Unspent pursuant to "Ongoing Project" (multi-year project not exceeding 03 years excluding the year of start) would be transferred to "Unspent CSR

Account” a special Bank account to be opened for that Fiscal in that behalf within 30 days of the ending-fiscal (within April of next FY), and such amount shall be spent by the company in pursuance of its obligation towards CSR within a period of 3 Fiscals from the date of such transfer, failing which, the company shall transfer the same to a Schedule VII Fund within 30 days of completion of the 3<sup>rd</sup> Financial Year, i.e. (in April).

- iii. Any surplus arising out of CSR projects would not form part of the business profits of the company. This surplus would be :
  - (i) ploughed back into the same project or
  - (ii) be transferred to the “Unspent CSR Account” and spent in pursuance of CSR Policy and Annual Action Plan of the Company or
  - (iii) transferred to a Fund specified in Schedule-VII, within 6 months of the expiry of a fiscal, i.e. upto September.

➤ SAIL believes in making a meaningful difference to the lives of people. The major CSR initiatives undertaken by SAIL are as follows :

- a) SAIL CSR initiatives on CoVID-19:** The Coronavirus (CoVID-19) pandemic created an unprecedented crisis globally. SAIL activated a scaled response towards management of CoVID-19 at its Plants, Units, Mines and Townships.

SAIL has supplied over One Lakh Metric Tonnes of Liquid Medical Oxygen (LMO) to different States. SAIL Plants have setup separate Jumbo CoVID Care facilities totaling to 1100 beds equipped with Oxygen supply, Ventilators, ICU beds, as well as 600 bedded Quarantine Facilities and developed CoVID-19 Testing facilities like RAT, RTPCR, TRU-NAT. Touch-free hand-sanitizers, water dispensers have been installed, spraying disinfectants, using digital thermal recorders at prominent locations, ensuring continuous water supply in all the peripheral villages. SAIL Hospitals are manned by approx 900 doctors and 1500 para-medical staff.

In order to support the vulnerable sections of society, daily-wagers and their families, who are left with dwindled resources during the pandemic, the SAIL Plants and Units, through district authorities, distributed dry ration packets (comprising of Rice, Dal, Salt, Condiments, wheat atta, soap, etc.), Milk packets, Milk powder, Khichdi, routine medicines, sanitary napkins for women, etc. CSR departments of Plants are also facilitating stitching of Face Masks, Gamachhas, Aprons, Gloves, etc. through SHGs, and their distribution.

- b) SAIL Employees Rendering Volunteerism & Initiatives for Community Engagement [SERVICE]** was launched by Shri Dharmendra Pradhan, Hon Minister of Steel & Petroleum on 17/1/2020 to provide a platform to the SAIL employees to contribute to the basic concerns of the community, provide opportunities for employee engagement and implore the senior executives to encourage socially responsible behaviour within the core business of SAIL. SAIL’s investment in community, involvement through its own employees, provides the impetus for building long-term loyalty, enhance legitimacy with the wider public, build trust and brand equity that, in turn, reinforces other strategic objectives of SAIL. Over 29,000 volunteers have registered on the SERVICE portal.

- c) Swachha Vidhyalaya Abhiyaan:** SAIL has actively participated in the "Swachh Bharat Abhiyan" initiated by the Hon'ble Prime Minister of India and constructed 672 toilets in schools falling within the periphery of its Plants & Mines.

- d) Model Steel Villages:** In order to bridge the gap between rural and urban areas and to facilitate comprehensive development of both physical and social infrastructure, 79 villages have been developed as “Model Steel Villages” across the country (in 8 states). These facilities are maintained regularly.

- e) **Development of communities in SARANDA Forest , Jharkhand:** In an effort to bring the marginalized masses of the Saranda forest to the mainstream of development, SAIL is running 5 Ambulances and established an Integrated Development Centre (IDC), Digha with 27 facility centers viz. Bank, Panchayat Office, Ration shop, Aanganwadi, etc. in Saranda. SAIL distributed 7000 each of bicycles, transistors and solar lanterns among the local populace. Children from tribal areas are getting free Education, Accommodation, Meals and Uniforms, textbooks, etc. at Saranda Suvan Chhatravas, setup and being run by SAIL.
- f) **Healthcare:** SAIL's extensive & dedicated Healthcare Infrastructure and 24 exclusive Health centers provide healthcare and medicines to lakhs of people living in the vicinity of its plants and units. Surgeries like Cataract and lens implant, cleft lip and palate disorder, polio-leg correction, club-foot, etc. are conducted. Treatment of hearing impaired, anemia and identification & counseling of Sick cell & Thalassemia patients, women with gynecological disorders, Leprosy & Tuberculosis patients is provided free of cost.

Regular Health Camps and Mobile Medical Units (MMUs) deliver quality healthcare at the doorsteps of needy people in the periphery of Plants, Units and Mines.

- g) **Education:** To develop the society through education, SAIL is supporting over 77 schools imparting modern education to about 40,000 children and is assisting over 600 Govt. schools in Bhilai and Rourkela with about 62,000 students by providing Mid-day meals and dry ration kits in association with Akshya Patra Foundation. 20 Special Schools (Kalyan & Mukul Vidyalayas) are benefitting over 4478 BPL category students at integrated steel plant locations with facilities like free education, mid-day meals, uniform including shoes, text books, stationary items, school bag, water bottles, etc. in some cases are running under CSR.

- Tribal children are getting free Education, Accommodation, Meals & Uniforms, textbooks, etc. at Saranda Suvan Chhatravas, Kiriburu; RTC Residential Public School, Manoharpur; Gyanodaya Chhatravas, BSP School Rajhara, Bhilai; Kalinga Institute of Social Sciences, Bhubaneswar; Gyanjyoti Yojna, Bokaro.
- School students are awarded annual scholarships in plant peripheries.
- **Gyan Jyoti Yojana:** Bokaro Steel Plant is providing education and holistic development for the children of Birhor tribe, which is at the verge of extinction. 15 Birhor children were adopted and provided free Education along with boarding, lodging, nourishing and wholesome food, clothing, free medical treatment, sports and cultural opportunities in a conducive atmosphere. They are the first Matriculates and 12<sup>th</sup> pass from their community. Inspired from their achievements, another batch of 15 new Birhor children has been adopted. For Skill Development and better employability, 9 Matriculate Birhor Boys adopted under Gyan Jyoti Yojana have been sponsored for ITI training in "Welder trade" alongwith stipend, accommodation and fooding facility at Bokaro Pvt ITI.

- h) **Women Empowerment & Sustainable Income Generation:** Vocational and specialised skill development training targeted towards sustainable income generation is provided to youths & women in areas such as Nursing, Physiotherapy, LMV Driving, Computers, Mobile repairing, Welder, Fitter & Electrician Training Improved agriculture, Mushroom cultivation, Goatery, Poultry, Fishery, Piggery, Achar/ Pappad/Agarbatl/Candle making, Screen printing, Handicrafts, Sericulture, Yarn Weaving, Tailoring, Sewing & embroidery, Gloves, Spices, Towels, Gunny-bags, Low-cost-Sanitary Napkins, Sweet Box, Soap, Smokeless chullah making etc.
- These activities are organized at Bhilai IspatKaushalKutir&Swayamsiddha at Bhilai, PG College of Nursing, Bhilai, Kishori at Rourkela, Skill Development and Self Employment Training Institute (SDSETI) at Durgapur, Garment Technician Training at Salem, JHARCRAFT centre at Bokaro and Self employmentcentre "KIRAN" at Kiriburu Ore Mines

&Meghahathaburu, Aashaye Handloom Center at Gua, 'MahilaMangalSabha' at Burnpur, etc.

- SAIL is also instrumental in marketing of the products manufactured at such centers.

Rural youths are sponsored for ITI training at ITIs Bolani, Bargaon, Baliapur, Bokaro Pvt ITI and Rourkela etc. The ITIs at Bolani&Bursua have been adopted for upgradation and operation by SAIL. At Bokaro Pvt. ITI rural youths are being trained in streams, viz. Electrician, Welder & Fitter.

- i) Infrastructure Development in Rural Areas:** Over 79.03 Lakh people across 450 villages have been connected to mainstream by SAIL since its inception by constructing and repairing of roads. Over 8176 water sources have been installed during last four years thereby enabling easy access to drinking water to over 50 lakh people living in far-flung areas.
- j) Environment Conservation :** To promote renewable sources of energy, Solar street lights have been installed in rural areas, Solar Lanterns and smokeless chullahs have been distributed among the rural people of Saranda and other locations. Maintenance of parks, botanical gardens, water bodies and plantation of over 5 Lakh trees at various locations has been undertaken.

SAIL has supported setting up and operation of 100 KW Capacity Solar Power Plant at Jari, Gumlain Jharkhand.

- k) Support to Differently Abled & Senior Citizens:** Differently abled children/people are being supported through provision of equipments like- tricycle, motorized vehicles, calipers, hearing aids, artificial limbs, etc. SAIL supports various schemes and centers at SAIL Plants under CSR like "SnehSampada", "Prayas" and "Muskaan" at Bhilai, "Schools for blind, deaf & mentally challenged children" and Home and Hope" at Rourkela, "AshalataViklang Kendra" at Bokaro, various programs like "Handicapped Oriented Education Program" (Hope) and "Durgapur Handicapped Happy Home" at Durgapur, "Cheshire Home" at Burnpur. Old age homes are being supported at different Plant townships like "Siyansadan" at Bhilai, AcharyaDham and Badshah at Durgapur etc.

SAIL has adopted, developed and is maintaining a Lepers Colony at Kajora through Durgapur Steel Plant wherein all the social and infrastructure facilities have been maintained.

- l) Sports, Art & Culture and Heritage Conservation:** SAIL is regularly organizing inter-village sports tournaments, extending support to tribal and major national sports events & tournaments. Also, supporting and coaching aspiring sportsmen and women through its residential sports academies.

Cultural events like Chhattisgarh Lok Kala Mahotsav, GraminLokotsav are organised every year. Conservation and maintenance of National heritage sites such as 5 monuments in the Lodhi Gardens at Delhi, "Ved-vyas" of Mahabharat fame historical site in Rourkela, etc. are supported by SAIL.

- m) Disaster relief:** SAIL, as a responsible corporate citizen, supported the rehabilitation initiatives for the people affected by National & Natural Calamities, the recent being Covid, flood ravaged Jammu & Kashmir, Phyllin cyclone in Odisha, Flash Floods in Uttarakhand, etc.

### 5.3 Employee Communication

In our day-do-day activities as well as in the enterprises or organizations, communication occupies the most important place. If analyzed carefully, every one of us will find that we are busy for more than 70% of our time in communication. Our efforts for development for communication skills of

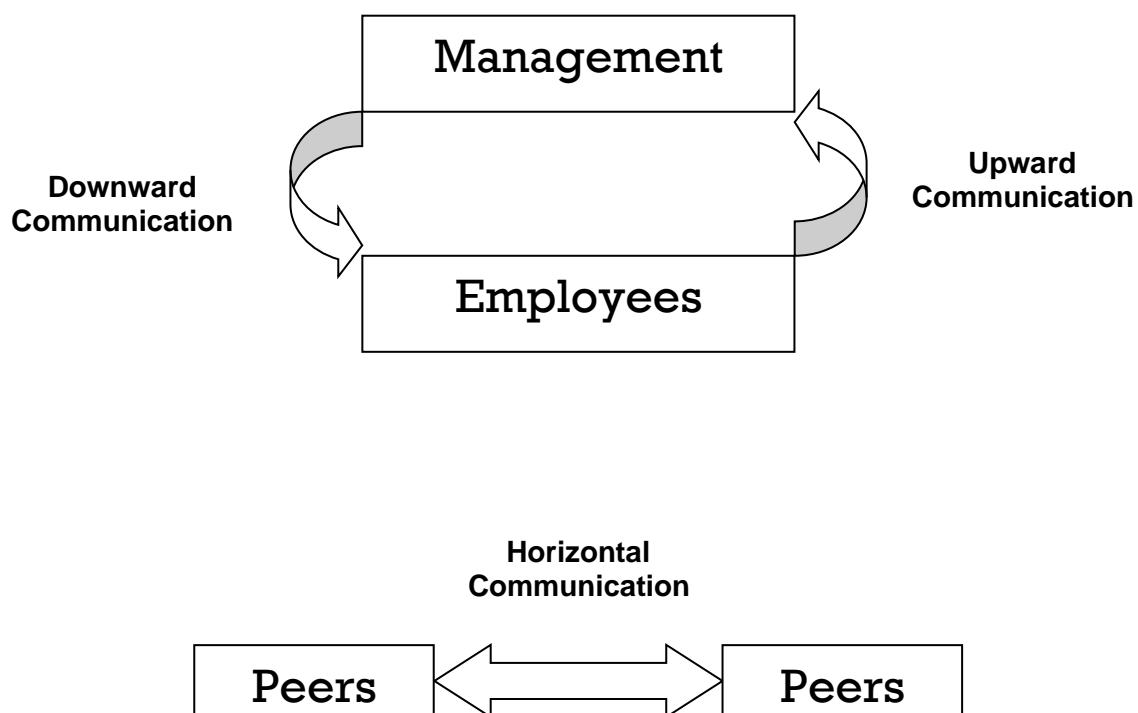


supervisors and managers need to be extended to the areas of employees and trade union also. In informal and formal ways how far people are able to express their views, besides understanding others' point of view.

Communication may be defined as the art of transmitting ideas and information to others with a view to making one-self clearly understood. It aims at establishing contacts and developing and maintaining appropriate relationship between and among the people in the different level of community or an organization. It important because

- i. It is a physical and social need.
- ii. It helps to prepare people for change and proper understanding.
- iii. It is essential to discourage mis-information, wrong information, rumor, suspicion etc.
- iv. It helps in developing democratic atmosphere and it also checks frustration.
- v. It ensures exchange and pooling of ideas.
- vi. It is essential to get feedback about reaction of feelings of people.
- vii. It is the key to building healthy and effective relationship.
- viii. It helps increase job satisfaction, safety, productivity and profit
- ix. It also helps in reduction of absenteeism, grievances and turnover

Communication is a three way process. It flows in three directions-upward, downward and horizontal.



#### **Downward communication:**

Downward communication flows from the management to the employees at lower level. With effective downward communication employees become aware about Companies vision and goals. With knowledge about organization's strategy, products and various schemes being run for their benefit, the employees become better motivated and more efficient. Management can clear various apprehensions of the employees by making their viewpoint clear on the controversial issues. It is a known fact that employers who communicate effectively have more productive employees.

## **Upward Communication**

By upward communication employees provide feedback to the management about its various actions. Successful managers listen closely to the opinion, problems and suggestions of their employees. It also helps in reduction of employees' grievances.

## **Horizontal Communication**

Horizontal communication between peers (employees working at more or less same level) and department to department is important in enhancing cooperation, coordination and generation of ideas for solving the day to day problems.

It is very important to have effective communication flow in the organization as it the communication only through which the organization achieves its goals. Good communication system pre-supposes formal and informal flow of ideas and information, in all these directions.

Communication may be Written, Spoken, or Visual. The first two are usually resorted to in a day working of an organization or industry and third one is generally used for education training or publicity.

## **Barriers of Communication**

Generally, the barriers are:

- (a) Wrong choice of medium or person and / or bias
- (b) Inability to transmit or receive information properly
- (c) Inadequate delegation and authority in communicating with people
- (d) Psychological barrier – fear, suspicion and jealousy
- (e) Evaluative tendency

**Wrong choice of medium:** Generally verbal communication is used when the message is short. If a long message containing various facts and figures is communicated orally, there is every chance that it will get distorted. Therefore it is very important to choose the proper medium for communication as per the requirement of the message.

**Inability to Transmit or Receive Information:** Inability to transmit on the part of the sender and then to receive on the part of the receiver, both ways it acts as a serious barrier.

**Inadequate Delegation and Authority:** In the process of delegation, such as

- (i) the assignment of duties by an executive to his immediate subordinates
- (ii) granting of authority to them to use resources and to take necessary actions and
- (iii) the creation of responsibility – the communication may get distorted because of inadequacy and authority.

**Fear, Suspicion and Jealousy:** It has been observed that the communicator (subordinates to superior) who suffers from other fear or complex or is skeptical or jealous or has lack of trust has a tendency to conceal many vital information. It may be due to the fear of boss, the fear of being punished or tried.

**Evaluative Tendency:** The tendency to evaluate, pass judgment and approve based on own frames of reference acts as barrier. In such cases, the communication is available only when it is consistent with the attitude and views of concerned persons. The typical reaction is either to reject or approve.

The following are some of the methods to overcome the barriers and ensure free of flow of communication in an organization :

- a) A proper atmosphere has to be created for flow of communication.
- b) Proper attitude towards communication has to be developed.

- c) Communication has to be presented in a manner and language, which targeted person can easily understand.
- d) There has to be proper delegation of authority so that subordinates can handle minor problems themselves and need not go for upward direction every time.
- e) People always desire to know the 'why' of everything and work better when they know the reasons.
- f) Periodical inter-departmental meetings help in better understanding
- i) Suggestion scheme facilitates upward communication.

### The Seven C's of Effective Communication

	Completeness	Provide all necessary information Answer all questions asked
ii.	Conciseness	Include only relevant material Avoid unnecessary repetitions
iii.	Consideration	Show audience benefit or interest in the receiver Emphasize positive pleasant facts
iv.	Concreteness	Use specific facts and figures
v.	Clarity	Choose precise, clear and familiar words Construct effective sentences and paragraphs
vi.	Courtesy	Be sincerely, tactful, thoughtful and appreciative Use expressions that show respect
Vii.	Correctness	Check accuracy of figures, facts and words Use the right level of language

### Listening

Listening forms a important tool for a manager who seeks excellence in performance –

- (a) Learn to tolerate silence – A good listener is not disturbed, embarrassed, or fearful of silence. A thoughtful silence is better than meaningless chatter.
- (b) Look and listen hard – A good listener maintains comfortable eye contact with the speaker, sit or stand alternatively to become a positive power for the speaker.
- (c) Know your power as listener – A poor listener can destroy the speaker's desire to talk or self-confidence in communication ability.
- (d) Ask questions – to clarify your understanding the message.
- (e) Reflect feelings – phrase emotional responses that will assure the speaker about understanding the message.
- (f) Positive body language – Body language should suggests that you are interested in the communication
- (g) Know your emotional biases and try to correct them – person should be aware of their biases and make an extra effort to correct them
- (h) Avoid judging – a good listener will create a warm non-judgmental atmosphere that encourages communicator to expand fully.

### Employees' Suggestion Schemes

Suggestion schemes in an organisation provide an opportunity to the employees to offer constructive thinking, gain recognition for individual ingenuity and chance to participate in the development of the organization. These schemes generally invite suggestion on the following subjects.

- a) Reduction of cost, waste, spillage, maintenance, hazards and possibilities of accidents
- b) Increase of utility, quality, yield or output of products.
- c) Conservation of materials, energy, power, time on process
- d) Improvement of the product or its design.
- e) Rationalisation of work, materials, or methods.
- f) Simplification of practices, procedures and processes.
- g) Improvement in advertising and sale of products or new sources of revenue.
- h) Improvement in civic problems traffic, hygiene and cleanliness.

The following aspects are generally outside the scope of suggestion schemes:

- a) Matters concerning organization structure
- b) Matters within the sphere of Industrial Relations and collective bargaining
- c) Replacement of facilities such as machines tools and other machinery and equipments
- d) Items to which the management has already given consideration and on which action is pending, postponed or abandoned.
- e) Company's policy matters
- f) Any other matter decided by the management.

SAIL gives awards for suggestions in a combination of any of the following:

- (a) Cash award.
- (b) Token Gift.
- (a) Letter of appreciation from a senior officer.
- (b) Certificate of Merit / Appreciation

The deserving cases are nominated for various awards including the coveted "Prime Ministers' Shram Awards".

Some of the benefits accruing to the organization are as follows:

- i. Development of complete coherent problem solving methodology.
- ii. Increased production / productivity
- iii. Enhanced motivation
- iv. Improved quality
- i. Better employer - employee relationship

## 5.4 Essential Computer Skills

### Introduction

#### Definition of Computer

Computer is an electronic device that

- Operates under control of instructions stored in its own memory unit,
- Accepts data,
- Processes data arithmetically and logically,
- Produces output of processing and stores results

#### Understanding Hardware and Software

- Computer equipments including input devices, CPU, memory, output devices, auxiliary storage is known as Computer Hardware. Hardware is what we can see and touch. It is a set of physical components
- Computer Software is a set of programs containing a detailed set of instructions that tells computer exactly what to do

### Parts of Computer and Functions

#### a) Central Processing Unit (CPU)

- The computer CPU executes instructions given in a program
- The instructions fall into major types of input/ output instruction, arithmetic instruction, logic instruction, branch instruction and character manipulation instruction

#### b) Main Memory

- Read Only Memory (ROM) is a storage where data is permanently written during fabrication, whose contents can be read but cannot be altered.
- Random Access Memory (RAM) is a storage where data can be repeatedly written and read. Hence RAM is a volatile memory which means that the memory contents are erased when computer is switched off
- Main memory is required to store programs and the data processed by the programs. RAM is used as main memory in computers

#### c) Secondary Storage

- Computers load the program instructions from hard disk to main memory (RAM) and then execute these instructions. Since RAM is volatile, the results of processing and data needs to be stored in permanent secondary storage media like hard disk.
- Hard disks are smooth metal plates coated on both sides with thin film of magnetic material. A set of such plates is fixed to a spindle one below the other to form a disk pack, which gets rotated. Magnetic heads do read / write operation on circular tracks.
- Compact Disk Read Only Memory (CD-ROM ) is a disc of special plastic with a thin layer of aluminium applied to the surface.
- Digital Video Disk (DVD) is a medium where a number of disks are bound together to offer several layers of data.
- Pen Drives are flash memory data storage devices integrated with a USB (universal serial bus) connector. They are typically small, lightweight, removable and rewritable.

d) Input Devices

- Input devices are used to feed data into computer. Examples of input devices are Keyboard, mouse, bar code reader, microphone for sound recording etc. Devices like hard disk, floppy disk, CD-ROM, pen-drive, touch-screen monitor are used for input when they contain data. With advanced wireless networking, it is possible to have a wireless handheld terminal with limited functionality for use in locations like slab yard

e) Output Devices

- Output devices give data output from computer. Examples of output devices are monitor, printer, speaker etc. Monitor for computer can be a CRT (Cathode Ray Tube) or TFT (Thin Film Transistor technology). Devices like hard disk, floppy disk, CD-RW, pen-drive, touch-screen monitor are used for output when data is to be stored in them or displayed on them. Other output devices are various types of printers like Dot matrix, laser jet, Ink jet and line printers.
- Any device that we connect to our PC needs to communicate and for this a software known as driver software is necessary to be installed in the PC.

**Office Automation Software**

**a) MS WORD**

- A file created by WORD program is known as a document and contains .doc/.docx file extension. Word program is typically used to write note-sheet, Inter-Office-Memo etc.
- Command File New opens a new document, whereas File Open opens an existing document. Document needs to be saved to retain the modifications
- It is possible to give margins, insert table, align text, give text font, text colour, fill with colours, draw shapes, insert picture, draw lines, give paragraph spacing, bullet / numbering, do spelling check
- Command File Print helps us to print the document in a printer
- Command File Exit makes us close and exit from Word program

**b) MS EXCEL**

- A file created by EXCEL program is known as a Workbook and contains .xls/.xlsx file extension. One Workbook can have a number of Worksheets. EXCEL program is typically used to make analysis of data, do calculations using formula, create graph etc
- Command File New opens a new Workbook, whereas File Open opens an existing Workbook. Workbook needs to be saved to retain the modifications
- Data in each Worksheet is filled in cells which have row (1,2,3 etc) and column (A,B,C,D etc ) addressing ( A23, V56 etc ). Each cell can take data like numerical, character, function or formula. The results of formula get calculated automatically on change of data
- It is possible to draw graphs like X-Y, bar-graph, line-graph, pie-chart etc, sort data, do matrix operation, do query on data
- Command File Print helps us to print the data / graph in a printer
- Command File Exit makes us close and exit from EXCEL program

**c) MS POWER POINT**

- A file created by POWERPOINT program is known as a presentation and contains .ppt/.pptx file extension. PowerPoint program is typically used to prepare slide presentation

- Command File New opens a new presentation, whereas File Open opens an existing presentation. Presentation needs to be saved to retain the modifications
- It is possible to choose layout, background for slide, insert or duplicate slide, insert picture from file, setup slide-show with animation and auto or manual slide transition
- PowerPoint has features to include notes as part of presentation to help the presenter
- Command File Exit makes us close and exit from PowerPoint program

### **Database Concepts**

#### a) Data and Information

- Number, character, images that can be accessed by humans and computer, capable of getting stored and processed by computer is known as data. Data is in raw form without having meaning in itself. For example 12345, 10000.0, 1000.0 are various forms of raw data.
- Data when undergoes processing becomes meaningful information. Information is data that has been given meaning by way of relational connection. For example Personal-No= 12345, basic-pay = Rs. 10,000.0, DA = Rs. 1,000.0 is information

#### b) Structured Storage of Data in Rows and Columns

- A computer database is a structured collection of records of data that is stored in a computer system. Database describes the objects and the relationships among them. A database relies upon software to organize the storage of the data and to enable us to extract desired information. The data is stored in such a way that they are independent of the programs that use them. Each group of data items is generally stored in a database table which has fields

### **Intranet and World-Wide-Web**

- An Intranet is a company-specific network that uses software programs based on the Internet TCP/IP protocol and the web browser. Intranet is the application of Internet technologies within an organization private LAN and web servers. Example of intranet is the internal mail system. Intranet increases internal communication, reduces paper distribution cost and works on open protocols
- Internet is "network of networks" that consists of millions of smaller domestic, academic, business, and government networks, which together carry various information and services, such as electronic mail, online chat, file transfer and web pages.
- The World Wide Web (www) is defined as the universe of network-accessible information, accumulation of human knowledge, consisting of all the resources on the Internet

#### Day-to-day applications using web like e-mail, web-browser etc

- e-mail: Electronic mail or e-mail is a store and forward method of composing, sending, storing, and receiving messages over electronic communication systems like intranet or internet. E-mail sometimes leads to unwanted messages ("spam"). E-mail contains address of the sender and the address of the receiver. We can use internet e-mail systems like yahoomail.com, rediff.com, gmail.com etc without extra expense. Our SAIL/ plant-based e-mail systems also allow us to send to / receive mails from anyone in the world
- A web browser is a software application that enables a user to display and interact with text, images, videos, music and other information located on a Web page at a website on the World Wide Web or a local area network.
- A web based search engine is an information retrieval software system designed to help find information stored in a computer system on World Wide Web. Example is www.google.co.in, www.yahoo.com etc
- A website is a location on the World Wide Web, that contains a home page which is the first document users see when they enter the site and multiple links. The site is invoked by giving

the location address on the browser software. Each site is owned and managed by an individual or an organization

### Examples of a few Important Websites

Examples of popular websites are

- SAIL : [www.sail.co.in](http://www.sail.co.in)
- Indian Railway information: [www.indianrail.gov.in](http://www.indianrail.gov.in)
- Internet railway booking: [www.irctc.co.in](http://www.irctc.co.in)
- The Hindu newspaper [www.thehindu.com](http://www.thehindu.com)
- Searching for specific information [www.google.co.in](http://www.google.co.in)
- Railway eTicketing System [www.irctc.co.in](http://www.irctc.co.in)

### Advantages of Computers

- The main advantages of a computer are its speed, accuracy, doing variety of tasks, doing repetitive jobs and automatic program execution
- In today's world everything we do has a computer element embedded. If we have the basic computer knowledge and training in computer, we can be upto date in the existing environment
- Using the computer, one can do in-depth analysis of data and take decision about the future course of action, in matter of seconds. We can plug the shortcomings in advance with appropriate measures.
- Electronic mail and web-browsing have spread rapidly to cover the whole globe. Now, a few keys on the computer would bring instant connectivity with our business partners.
- Computers provide highly accurate answers and calculations. Hence, computerized financial estimate and balance sheet are dependable irrespective of the persons who presented it.
- Computers help in Elimination of repetitive tasks and result in higher productivity and benefit to our Organisation.

### **Do's and Don'ts**

#### Computer Standard Operating Procedures

##### **Do's**

- Input power supply with proper earthing is very essential. It is recommended to check and correct the voltage especially neutral wire to ground voltage (should be less than 5 volt) periodically
- When switching ON computer, first start the UPS (Uninterruptible Power Supply), then monitor and then the Computer. While switching OFF switch OFF CPU, monitor and then UPS.
- Save all work and Shutdown the PC in case of main power failure and the UPS is supplying power to PC.
  - UPS (Uninterruptible Power Supply) takes raw AC input power and gives output of steady 230 V AC power supply. There is a battery in UPS which sustains power to PC for about 20 minutes after power fail. This time is sufficient for us to save our work and do normal shutdown. It is also possible to connect UPS port to a PC port and automatically shutdown computer in case of power failure using a special program



- Use the Start Button on the Windows Taskbar to shutdown your computer. It is also necessary to first save any files you were working with and close all running applications. This is called a clean shutdown.
- Connect and power on all peripherals (Printer, Monitor, Scanner and Modem) before powering on the computer.
- Keep keyboard, screen, printer and other peripherals clean. Use plastic covers to protect computers and peripherals when not in use. Keep media like floppy, CD, DVD in dust-free cover.
- Logoff the computer when you have finished or are leaving for an extended period of time.
- Always report any abnormality to concerned agency and keep log.
- Use an Antivirus program and update it frequently.
- Backup your data like email, office documents in a pen-drive or CD regularly.
- Use hard-to-guess password and do not keep password information in local hard disk.

### **Don'ts**

- Don't Switch external devices on and off several times hoping that this may be a cure.
- Don't Eat or drink near the keyboard and mouse.
- Don't download or install any software without prior approval.
- Don't open emails or email attachments from senders you do not recognize.
- Don't move PC peripherals in power-on condition
- Don't switch off UPS while PC is working

