



## A Salem Steel plant an Overview

**Dr.M.Prakash.M.Com.,M.Phil.,PhD**

Head/Supervisor  
&

**Mr.M.Manickam**

M.Phil Research Scholar

Department of Commerce, PEE GEE College of Arts And Science, Periyanahalli, Dharmapuri

### ABSTRACT

The Paper an Salem Steel Authority of India Ltd. Finance is very important for any business. Finance is a life blood for any organization. The main objective of the study is to overview of the Salem Steel Plant. The research is based on the following methodology. Analytical research design is the research design adopted in this study. Secondary data was obtained from various records of the Salem Steel Plant. The collected data is analyzed by using Statement of changes in Working Capital, Common Size Statement. The study helps to identify the financial position of the company. Optimum utilization of working capital can be planned so as to result in sound financial position of the company.

**Keywords: Finance, Salem Steel Plant, and Working Capital. The First Steel Plant World Wide**

The first attempt to establish iron and steel works in India has just been started by a rich firm in Bombay, supported by other wealthy individuals and by the government of India. The capital is fixed at \$7.725,000. And the output of the works will be about 200,000 tons and the royalties to government for the first thirty years will be one and three quarter cents per ton and for the second thirty ten cents per ton. After careful calculation by competent accountant the gross profits of the proposed works will be for the first year \$805,000. The future income of the plant is based on the imports or iron steel into India for 1903 s, for the classes intended to be produced by the company, which was 615,000 tons, and for the past twelve years 409,000 tons annually. The imports are in excess of the estimated output of the proposed plant, which at first will be 120,000 tons of pig iron, and the conversion of 85,000 tons thereof into 72000 tons of finished steel.

### SAIL – Steel Authority of India limited

SAIL – Steel Authority of India limited, Is one of “Navaratna” Companies in the business of Steel. SAIL ranks premium position among the steel producers of the world and it has the capacity to produce India’s most precious raw material – 13 million tons of crude steel and saleable steel capacity 10.7 million tones.

Whether it is power, water irrigation, railways, petroleum, housing, defense of industry the country’s net economic capacity depends on steel. SAIL produces over 34% of India’s steel requirement. Apart from steel, a number of by-product that are critical inputs in making vital sectors of economy are produced by SAIL ‘JRA & SONA the brand of fertilizers produced by SAIL have contributed their mite to usher in the green revolution.

### Unique, Features

The company has the distinction of being India's largest producer of iron Ore owing the second largest mines network provides SAIL a competitive edge in term of captive availability of iron ore and flux. Sail is R & D center for iron and steel at Ranch equipped with large diagnostic facilities is considered the largest in Asia.

### Business Development

The company is presently implement a growth plan, which aims at increasing steel production to the level of 22mt by 2010, an increase of nearly 60 percentage compared to existing levels.



## Major Units

### Rourkela Steel Plant

To Rourkela goes credit of having been the first steel plant in the public sector to come into production. The first coke oven battery was lighted on December 3, 1959 and first blast furnace was commission on February 3, 1959. The first heat of LD oxygen blow steel was made on December 27, 1959. The Hot Strip Mill was commission on February 28, 1961.

Rourkela Steel plant has the unique distinction of being the trend setter with regards to the technology of iron and steel on the country. It was here that LD oxygen steel making was adopted at a time when even leading steel producers of the world has not opted for it.

A singular feature of Rourkela is fertilizer plan, which was specially conceived to utilize the nitrogen available from the air separation units of oxygen plant and hydrogen to be separated from the air separation units of oxygen plant and hydrogen to be separated from the coke oven gas. It was the risk integrated steel plant in India designed to produce only flat products.

With the recent modernization activities the plant's production capacity has been enhanced to 1.9 MT of Crude Steel.

### Bhilai Steel Plant

The plant began its operation on January 31, 1959 when coke oven battery No.1 was commissioned. The first blast furnace was inaugurated on February 4, 1959 and production of steel started October 12, 1959 with the commissioning of open hearth furnace No.1 the million tones plant was completed in 1961. Ballad has the unique distinction of level of production of one million tone of ingot steel during 1962-63. The expansion of the plant to 2.5 million tones of ingot steel was taken up during the sixties.

A significant feature was installation of 500 tones capacity open – heart furnaces in September 1987. The last unit of the expansion was a high speed multistoried wire rod mill, commissioned in September 1987.

The plant has already been expanded to a capacity of 4.0 million tones of Ingot steel. The new stream has the BOF process of steel making, continuous casting and a 3600mm wide plate mill, which is one of the biggest of its kind in Asia. Bhilai Steel Plant won the Prime Minister's trophy for "The Best Integrated Steel Plant" in the country thrice in four years since inception of the award.

### Durgapur Steel Plant

Erected in west Bengal in the late fifties, the plant started with a capacity of one million tones of ingot steel per annum. Production of iron began on December 29, 1959 and the first steel ingot was made on April 24, 1960. it was subsequently expanded to 1.6 million tones capacity in sixties. The plant is major producer of railway materials like wheels and axles, first plants and sleepers, it also produces and medium section, merchant section and scalp. The production of Durgapur Steel plant has further been expanded to 1.876Mt Crude Steel.

### Bokaro Steel Plant

Bokara Steel Limited (BSL) was formed on Janu29, 1964 to carry out the project. The project took off with the signing of an agreement with the government of USSR on January 25, 1963. The construction started on April 6, 1963. The first blast furnace on October 3, 1972 and the first converter was commission on January 3, 1974. The Indian engineering and equipment suppliers played a major role in setting up of this plant. The plant was envisaged with an initial capacity of 1.7 million tones of Ingot steel. The expansion of the plant to 4.0 million tones ha already been and cold rolled sheets, colls and slit colls in many specification and sizes.

### LISCO Steel Plant

IISCO is the oldest integrated steel plant in India, next the TISCO. The plant was taken over by the Government of India on July 14, 1972 and it was a fully owned subsidiary of SAIL. Now it merged



with SAIL with effect from 16<sup>th</sup> February 2006 and renamed IISCO Steel Plant (ISP). The plant has a capacity of producing 0.4 million tones acid Bessemer converter and basic open health furnaces.

It has range wide range of products including structural, special section, rails, bars, hot rolled and galvanized sheets. Spun iron pipes are produced in its units at Kulti.

### **Alloy Steel Plant**

Alloy Steel plant was installed at Durgapur 1,00,000 tones of ingot steel in 1960, with Japanese assistance. This is the largest alloy steel producing unit in the country. The plant was subsequently expanded to under the stage-II programme to augment the crude steel capacity to 2,46,000 tones per year. The plant has on slabcum twin bloom continuous casting machine, the only of its kind in India.

### **Salem Steel Plant**

A steel plant in Salem was a long cherished dream. Government of India decided in May 15, 1972 to set up an integrated special steels plant at Salem in the State of Tamil Nadu for the production of sheets are strips of electrical stainless and other special and steels on the basic of sound techno – economic considerations.

The construction of the plant was inaugurated in June 13, 1972 by the late Shri Mohan Kumaramangalam, the Minister for Steel & Mines. Thus a dream of having a steel plant in Salem had started taking a shape in the foot –hills of Kanjamalai. The company “Salem Steel Limited” was registered on October 25, 1972. It was a government of India undertaking and subsidiary of Steel Authority of India Limited (SAIL).

Shir V. Subramaniam was the Managing Director of the Salem Limited. During 1981 the plant was designed to roll out 32,000 tones of cold rolled stainless steel strips and wide sheets per annum.

In the **First Phase**, situated in Tamil Nadu, the plant bring to India the latest sophistication in cold rolling technology

In the **second phase** during 1991 the production capacity was increased to 70,000 tones per annum by installing the second Sendizimir Mill. Stainless steel from Salem finds application in many industries Nuclear, petroleum, Chemicals, Fertilizer, Food processing, pharmaceuticals, dairy, households appliances and Cutely. The plant is actively pursuing development activities to use of stainless steel in new areas such as Coinage, railway coaches, Building, Furniture, and Automobiles etc. In addition to the Cold Rolling Mills, Blanking Line was commissioned during the year 1993 with a capacity of producing 3600 tones coin blanks per annum and the provision is here to make utility blanks,

### **Product –Mix**

Salem Steel Plant specializes on the production of wide cold rolled stainless steel and coils. During the first stage, the plant had a capacity of producing 32,000 tones of stainless steel sheets and coils with thickness ranging from 0.3mm to 6.00 mm and widths varying from 600mm to 1250mm. for sheet the length varies from 500mm to 4000mm. for slit coils, the minimum width can be as low 50mm.

In addition to the common 2D and 2B finishes, a wide range of surface finishes, mirror and hair – line finishes are produced in a variety of grades, conforming to international standards.

### **Process**

Salem Steel Plant employs the latest technology in cold rolling and incorporates the modern equipment, supplied by the leading machinery manufacturers all over world.

The raw materials for Salem Steel Plant is hot rolled stainless steel coils, called hot bands. These are processed in Coil Bulled – UP line (CBL). Coils form CBL are softened and decaled in Annealing and picking Lines (APL). From here they are sent for cold rolling in the Sendzimir Mill (Z-Mill) to the desired final thickness. The cold rolled coils are again softened and decaled to obtain the optimum finish and mechanical properties.



These are passed through the Skin pass Mill (SPM) to give a bright finish and necessary flatness. The coils are ultimately either slit or sheared into finished products in the form of slit / divided coils or cut-lengths. The special surface finishes are obtained in sheet in steel Grinding and in the coil from in the strip Grinding Line (SGL).

### **Equipments suppliers and other agencies of CRM**

The Salem Steel Plant bears contribution by way of equipment from 13 major foreign suppliers in eight countries, twelve public sector undertakings and several private sector industries in India. In valued, only 38 percent of the equipment have been paid in foreign exchange, with 20 percent supplied by public sector undertaking in Indian and 42 percent supplied by Indian private sector. The erection of the equipment is totally Indian, the Hindustan Steel Works Construction Limited providing civil and structural requirements and TamilNadu Water Supply Drainage (TWAD) Boards providing water supply and sewage facilities. One of the biggest liquefied Petroleum Gas Storage sewage facilities In the country as at Salem Steel Plant, put up Indian Agencies.

The production know-how for cold rolling stainless steel and finishing was obtained from M/s Ugine of France.

The Banking Line, supplied by M/s Schuler, germany, uses the state of the arts technology to produce high quality stainless steel banks for coins and utility purpose. It consists of a 160 Tones capacity press with scope for 60 to 630 strokes per minute. The line has facility for debarring degreasing, rimming, annealing and picking, counting and packing facility. The press supplies 25 paisa, 50 paisa and re 1 coil blanks to the government of Indian Mint.

### **Export Performance Of SSP**

The product of SSP plant especially stainless steel occupies a pride of place in international market. And is exported to more than 37 countries worldwide such as Spain, Uk, Japan Germany Switzerland.

Denmark Portugal, morocco, Netherlands, Rumania, turkey Kuwait Thailand Singapore Australia and Bangladesh. Quality occupies the summit of SSP priorities .the product is well accepted in the national and international markets for it's too much quality .The en Classification of exports

As per the export and import policy of the government of India, there are two types of export Viz., physical exports and deemed export.

### **Awards and Accolades**

➤ 1<sup>st</sup> rank to SAIL for largest & most profitable steel company (public sector at construction world NICMAR awards 2007.

➤ International quality summit awards 2007 in the gold category to ssp from business initiative directions(BID) for excellence & business prestige at the quality summit in new York ,usa.

### **Highlights 2007-2008**

- ❖ Best ever turnover at RS.45,555 crore ,up by 16%.
- ❖ Best ever profit before Tax at RS11,469 crore, up by 22%.
- ❖ Best ever profit after tax at Rs .7,537 crore, up by 22%.
- ❖ Highest ever dividend of 37% up by 19%.
- ❖ Highest ever Hot Metal, crude steel production crossing 15million tones, 14million tones and 13million tones respectively.
- ❖ Highest ever sales of 12.3 million tones up by 14%.
- ❖ Lowest ever energy consumption at 6.95 G.Cal/ TCS achieved.
- ❖ Marketing dealer's network expended to all districts of the company.





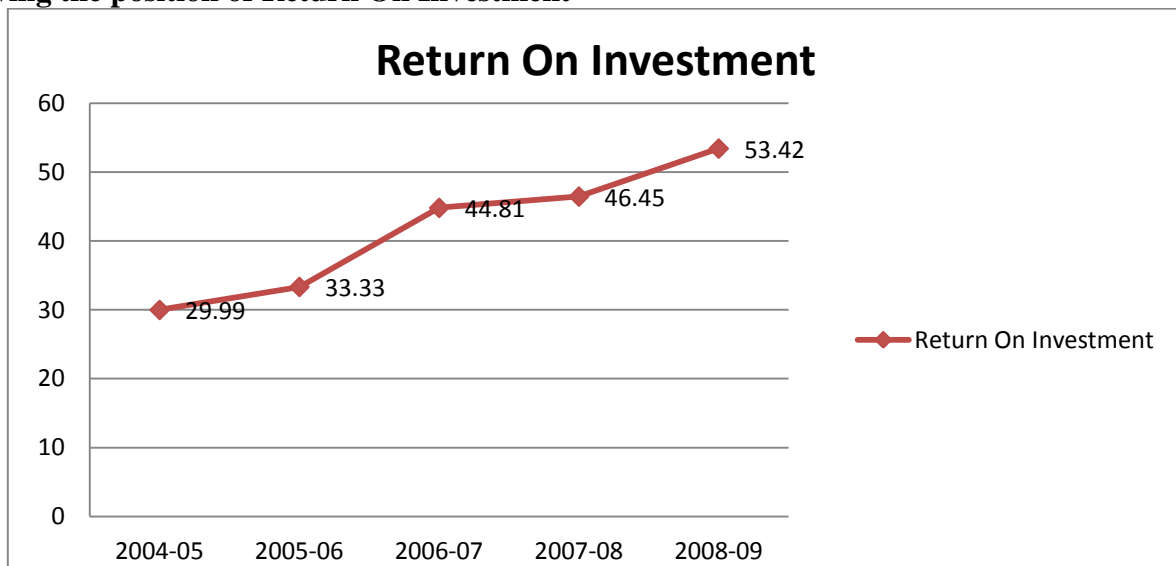
**Table-1**  
Showing the position of Return on Investment Rs in cores

Year	Operating profit	Capital employed	Return on investment
2004 – 2005	5135	15405.96	29.99
2005 – 2006	5706	17117.73	33.33
2006 – 2007	9423	21027.35	44.81
2007 – 2008	11469	24690.18	46.45
2008 – 2009	13189	28393.70	53.42

**Source:** Annual Report from Salem Steel Plant.

The above table shows the returns on investment is 29.99 in the year of 2004-2005, and increased to 33.33 in the year of 2005-2006, increased to 44.81 in the year of 2006-2007, again increase to 46.45 in the year of 2007-2008, and increased to 53.42 in the year 2008-2009.

**Chart-1**  
Showing the position of Return On Investment



**Table-2**  
Showing the position of Debtors Collection Period Rs in cores

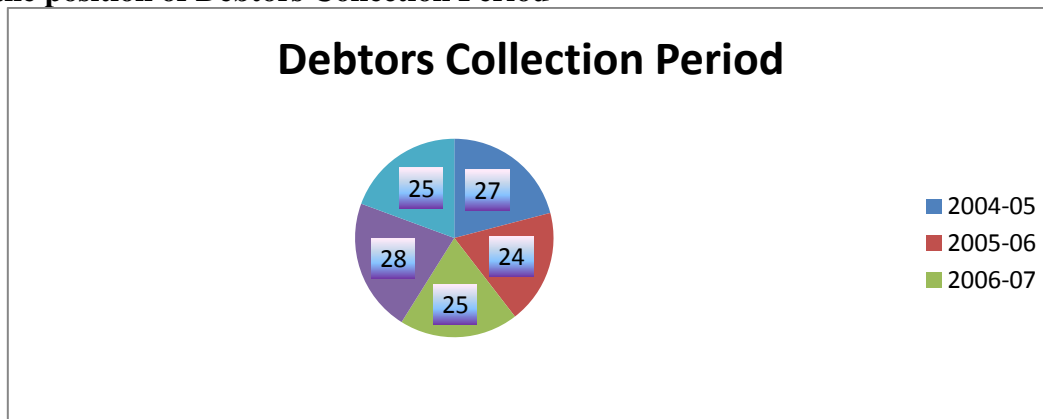
Year	Days	Debtors Turnover Ratio	Debtors Collection Period
2004 – 2005	365	13.324	27 Days
2005 – 2006	365	14.805	24 Days
2006 – 2007	365	14.655	25 Days
2007 – 2008	365	12.961	28 Days
2008 – 2009	365	14.905	25 ays

**Source:** Annual Report from Salem Steel Plant

The above table shows the debtor's collection period is 27 days at the year of 2004-2005, decreased to 24 days in the year of 2005-2006, 25 days in the year of 2006-2007, 28 days in the year of 2007-2008, and decreased to 25 days in the year of 2008-2009. The overall average debtor's collection period is. The debtor outstanding is under control.



**Chart-2**  
Showing the position of Debtors Collection Period



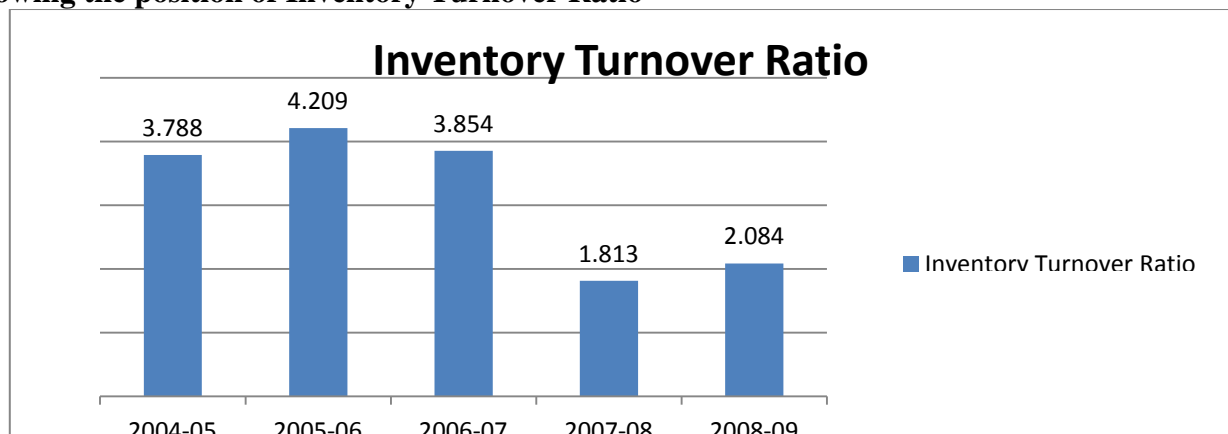
**Table-3**  
Showing the position of Inventory Turnover Ratio Rs in cores

Year	Cost of Goods	Average Stock	Inventory Turnover Ratio
2004 – 2005	10074.89	2393.24	3.788
2005 – 2006	11194.32	2659.16	4.209
2006 – 2007	12985.76	3369.39	3.854
2007 – 2008	13529.14	7458.94	1.813
2008 – 2009	15558.51	8577.78	2.084

**Source:** Annual Report from Salem Steel Plant

The above table shows that the inventory turnover ratio is 3.788 in the year 2004-2005, 4.209 in the year of 2005-2006, 3.854 in the year of 2006-2007, 1.813 in the year of 2007-2008 and increased to 2.084 in the year of 2008-2009.

**Chart-3**  
Showing the position of Inventory Turnover Ratio





**Table-4**

**Showing the position of Debtors Turnover Ratio Rs in cores**

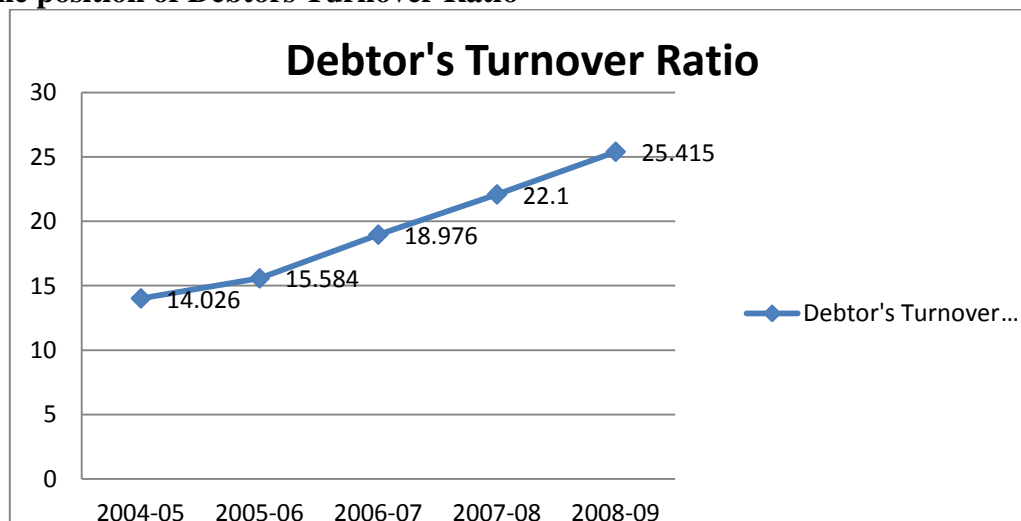
Year	Sales	Debtors	Debtors Turnover Ratio
2004 – 2005	25074	1693.56	14.026
2005 – 2006	27860	1881.73	15.584
2006 – 2007	33923	2314.75	18.976
2007 – 2008	39508	3048.12	22.100
2008 – 2009	45434	3505.34	25.415

**Source:** Annual Report From Salem Steel Plant

The above table shows that the debtor's turnover ratio is 14.26 in the year 2004-2005, 15.584 in the year of 2005-2006, 18.976 in the year of 2006-2007, 22.100 in the year of 2007-2008 and increased to 21.415 in the year 2008-2009. The overall average debtor's turnover is times for during the study period. Salem Steel Plant is maintaining good level in debtor's turnover.

**Chart-4**

**Showing the position of Debtors Turnover Ratio**



**Table-5**

**Showing the position of Creditors Turnover Ratio Rs in cores**

Year	Credit Purchase	Accounts Payable	Creditors Turnover Ratio
2004 – 2005	11093.07	2290.56	4.065
2005 – 2006	12325.63	2545.07	4.508
2006 – 2007	13274.91	2427.36	4.854
2007 – 2008	13960.16	2981.55	5.104
2008 – 2009	16054.18	3428.78	5.870

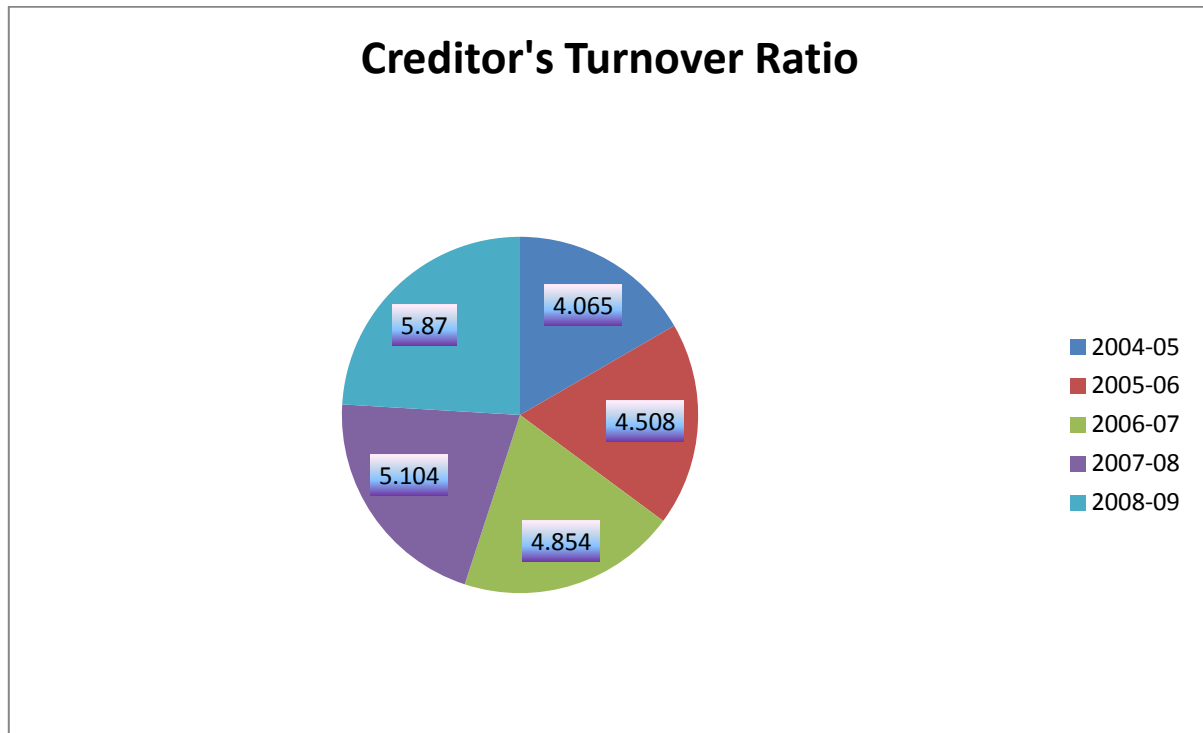
**Source:** Annual Report From Salem Steel Plant

The above table shows that the credit turn over ratio is 4.65 in the year of 2004-2005, 4.508 in the year of 2005-2006, 4.854 in the year of 2006-2007, 5.104 in the year of 2007-2008 and increased to 5.870 in the year of 2008-2009. The creditor turnover has reduced from 4.065 in 2004 to 4.508 in 2005 due to reduced credit purchase.



**Chart-5**

Showing the position of Creditors Turnover Ratio



**Conclusion**

The study was conducted based on the analysis of financial performance in steel authority of India Ltd, Salem. Tools used such as ratio analysis, comparative working capital, and comparative balance sheet have been used to find out the companies efficiency in performing all its functions. The analysis reveals that the short term solvency position is not good, but the long term solvency positions satisfactory. So, the firm has a healthy condition of finance for long term. The cash balances have a positive sign in all the five years but it has decrease over the years. Show, short term financial position of the company can be rated as satisfactory.

**Reference**

- Principles and practices of cost Accounting, Third Edition, Published by prentice hall of India private limited, New Delhi 2005.
- Inventory management commonwealth publishers, In association with Indian institutue at Business management.
- Advanced Cost Accounting. First edtion 2001. Himalaya publishing house, Bangalore.
- Material Management. Himalaya publishing house, Delhi,
- Kothari C.R. Research Methodology methods and techniques, wishwa prakashan seventh edition, 19997. P.G.