PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG Report on Inventory Management in SAIL Presented in Parliament

Report of the Comptroller and Auditor General (CAG) of India on Performance Audit on 'Inventory Management in SAIL' (Audit Report No. 10 of 2025) was presented in Parliament here today. The following are major findings of the report.

Management of Inventory

Steel Authority of India Limited (SAIL) had not fixed any benchmark for inventory carrying cost per tonne of raw material, semi-finished material and finished goods despite the fact that on an average, it had an inventory of ₹21,698 crore during 2016-17 to 2022-23 which constitutes about 67 *per cent* of its current assets. **(Para 3.2)**

SAIL failed to maintain stock levels of raw materials like iron ore, coke, sinter due to which Blast Furnace was put under off-blast state resulting in inability to produce Hot Metal of 9.32 lakh tonnes and to earn potential revenue of ₹1,231.52 crore at Rourkela, Bokaro and Durgapur Steel Plants. **(Para 3.3)**

SAIL could not maintain the norms for non-moving inventory as non-moving inventory ranged between 6.10 *per cent* to 8.38 *per cent* of total inventory in SAIL, which was always higher than the norm of three *per cent* of total inventory during 2016-17 to 2022-23. Total non-moving inventory of stores and spares at SAIL Plants had increased from ₹ 137.40 crore in 2016-17 to ₹ 212.57 crore in 2022-23, which showed an increase of ₹ 75.17 crore (55 *per cent*). Excess procurement of inventory without considering the requirement resulted in blocking-up of capital in non-moving items. **(Para 3.4.2)**

Procurement of Inventories

Steel Plants of SAIL took more days than the stipulated time of six months (186 days) between raising of indent by the department concerned and placement of purchase order in 9.71 *per cent* cases during 2016-2023. **(Para 4.2)**

SAIL lifted 152.73 *per cent* of Fuel Supply Agreement quantity (0.48 million tonnes) in 2020-21 from Bharat Coking Coal Limited, despite availability of cheaper coal from other suppliers under existing Fuel Supply Agreements. Excess procurement of 0.17 million tonnes of coal from Bharat Coking Coal Limited resulted in avoidable expenditure of ₹ 4.65 crore.

(Para 4.3.1)

Consumption of Raw Materials

SAIL steel plants consumed imported coal more than the norms fixed by the Management. Higher consumption of imported coal which was costlier than the indigenous coal resulted in potential additional expenditure to the extent of ₹ 2,539.68 crore during 2016-2023. **(Para 5.2)**

Consumption of limestone, dolomite and iron ore fines in sinter Plants of Bhilai and Rourkela Steel Plants was beyond norms valuing ₹ 349.39 crore. In Visvesvaraya Iron and Steel Plant and Salem Steel Plant, light diesel oil, furnace oil and LPG valuing ₹ 66.46 crore were consumed beyond the norms fixed by the Company. **(Para5.3)**

Delay in replacement of conventional Ladle Car in Bokaro Steel Plant with Torpedo Ladle Car led to higher transit loss of between 3.03 and 4.54 *per cent* against two to three per cent to transport molten iron from Blast Furnace to Steel Melting Shop. This led to inability to obtain the expected benefit of reduction in transit loss of Hot Metal valuing ₹ 400.76 crore.**(Para 5.6)**

Sale and Disposal of Inventories

Five integrated steel plants of SAIL could produce 106.15 million tonne (89 *per cent*) of the production target of 119.66 million tonne of saleable steel envisaged in the Annual Business Plan for the period 2016-2023. The capacity utilisation by these steel plants was between 77 *per cent* (2020-21) and 89 *per cent* (2022-23). **(Para 6.2)**

As against total production of 106.15 million tonne of saleable steel and orders booked by Central Marketing Organisation for 121.86 million tonne, despatches from Plants were only 93.75 million tonne i.e. 77 *per cent* of orders booked. Lower despatch of materials than the requirement of customers led to delay in liquidation of stock and increase in inventory carrying cost on the stock lying at Steel Plants. **(Para 6.2 & 6.3)**

SAIL exported 0.50 million tonne more semis than envisaged in the Annual Business Plan during 2016-17, 2017-18, 2019-20 and 2021-22. Market share of SAIL in export of semis was 21 *per cent* against its market share in total export of eight per cent. Export of higher quantity of semis has resulted in potential loss of opportunity to earn revenue of ₹ 176.99 crore since export of finished steel fetched higher contribution than that of semis during 2016-23.

(Para 6.4(i)&(ii)

Excess production of Pig Iron beyond the target during 2016-17 to 2022-23 has resulted in inability to earn potential revenue of ₹ 1,022.15 crore. Had the steel plants timely increased their capacity to convert Hot Metal into Saleable Steel, and converted Hot Metal into Saleable Steel, instead of making Pig Iron, the plants could have potentially generated more revenue because contribution of Saleable Steel was more as compared to Pig Iron. **(Para 6.5)**

Production of materials at three special steel plants viz Alloy Steels Plant, Visvesvaraya Iron and Steel Plant and Salem Steel Plant without linkage to any order/excess production resulted in blocking-up of inventory worth ₹ 119.26 crore as of March 2023 for more than five years.

(Para 6.8)

Government of India allowed (September 2019) SAIL to sell sub-grade minerals lying at the mines pit head, subject to requisite permission from State Governments concerned to maintain availability of iron ore in market and considering economic rationale for realisation of full value of mineral extracted from captive mines. Whereas State Governments of Odisha and Chhattisgarh had accorded permission for sale, Government of Jharkhand had not permitted the same till date (March 2024). SAIL could dispose only 1.62 million tonnes out of 43.17 million tonnes of sub-grade iron ore fines available till March 2023 leaving 41.55 million tonnes of sub-grade iron ore fines valuing ₹ 3995.75 crore remaining undisposed. **(Para 6.12B)**

Tailing fines/slime amounting to 102.72 lakh tonnes valuing ₹ 492 crore was lying at Dalli and Barsua mines as on 31 March 2023. Apart from above, 116.85 lakh tonne of tailing fines/slime was accumulated and lying undisposed at Bolani, Kiriburu and Meghahataburu Iron Ore Mines for which valuation was not done. **(Para 6.12B)**

Due to very little utilisation of Linz-Donawitz slag at steel plants, the slag had accumulated in large quantity at Rourkela Steel Plant. Total unprocessed Linz-Donawitz slag at Rourkela Steel Plant as on 31 March 2023 was 29.64 lakh tonnes. The inventory of extractable iron and steel scrap embedded in Linz Donawitz slag was 0.56 lakh tonnes valuing ₹56.14 crore. Bhilai Steel Plant assessed 4.14 lakh tonnes of iron scrap valued at ₹ 326.59 crore embedded in Blast Furnace Slag. The undisposed quantity as on 31 March 2023 was 4.08 lakh tonnes valuing ₹ 404.21 crore resulting in blocking up of funds. In absence of time bound action plan to liquidate the stock, there was minimal sale/utilisation of the Linz-Donawitz slag over the years and the stock was mounting up year after year. **(Para 6.12C)**

Faulty price fixation adopted by SAIL in the agreement for sale of Blast Furnace slag to be provided by Bokaro Steel Plant favouring the buyer was detrimental to the financial interest of the Company. Sale of slag at a lower rate resulted in inability to earn revenue of ₹ 441.40 crore during 2015 to 2023. Market price of slag was between ₹ 500 and ₹ 1,220 per tonne during 2009-14, whereas rate provided in the agreement was between ₹ 336.65 and ₹ 444.24 per tonne.

(Para 6.12F)

IT System and Internal Control Mechanism

All the five integrated steel plants of SAIL have implemented SAP-ERP system, however, same was yet to be implemented in all units/offices of SAIL. Besides, the IT systems in each Plant were running in isolation which led to various control issues like non-availability of real time data on stock of raw materials, absence of centralised vendor database and manual intervention in SAP-ERP system etc. **(Para 7.1.1)**

The stock verification report was not prepared as prescribed in the guidelines on stock verification of Central Marketing Organisation. In 46 out of 49 stockyards, stock verification was not conducted on half yearly basis, as prescribed in the policy, in one or more years during 2016-17 to 2022-23. Out of this, in 10 stockyards, stock verification had not been conducted at all during this period. **(Para 7.1.6)**