

Steel Authority of India Limited

Conversation with Sushil Kumar Roongta

Steel Authority of India Limited (SAIL) is a successor entity to Hindustan Steel Limited (HSL) that was founded on January 19, 1954. HSL was mandated by the Government of India (GoI) to lay the infrastructure for rapid industrialization of a new nation. Initially HSL was designed to manage only one Integrated Steel Plant (ISP) at Rourkela (RSP) built with Indo-German collaboration. The preliminary works of the two other ISPs at Durgapur (DSP) and Bhilai (BSP) were done by Iron and Steel Ministry. Subsequently, from April, 1957, the supervision and control of these two plants were also transferred to HSL. A fourth ISP at Bokaro built with Russian (then Indo-USSR) collaboration came up independently as Bokaro Steel Limited (BSL) in 1964. By 1972-73, the four ISPs were producing 4 Million Metric Tons per Annum (MTPA) of crude steel, up from 0.158 MTPA in 1959-60.

Managing disperse ISPs with different work culture was becoming challenge for HSL. HSL's competency was in project execution and completion. Consequently, on December 2, 1972, the Ministry of Steel and Mines drafted a policy statement to evolve a new model for managing the industry. SAIL emerged on January 24, 1973, as the holding company with an authorized capital of Rs. 2,000 Crores. SAIL was charged with the responsibility of running the five ISPs, two special alloy steel plants, Bharat Coking Coal Limited (BCCL) and National Mining Development Corporation (NMDC). By 1978, SAIL was reconstituted as an operating company focused on steel making. BCCL and NMDC were spun off as independent companies.

In the subsequent three decades, SAIL grew up to consist of 5 ISPs, 3 Special Steel Plants (SSP) and one subsidiary (Maharashtra Electros melt Limited - MEL) and one refractory unit spread over 7 states. It is the 21st largest producer of steel in the world and the

largest in India with over 20% domestic market share for finished steel (2008). It is the second largest producer of iron ore in India (23.4 MTPA in 2009-10). Its marketing network of 37 branches, 67 warehouses, 26 customer contact offices and over 2500 dealers covered all districts of India. SAIL has its own R&D centre, Management Training Institute and Centre for Engineering and Technology. SAIL exports steel to 20 countries in the European Union, Middle East, South East Asian and neighbouring countries. SAIL employed approximately 1.15 lakh employees.

SAIL faced a crisis in the late nineties and the early years of the present century. Global recession in the steel industry along with a combination of related factors pushed the steel behemoth, considered too big to fail, into consecutive years of red that threatened its very existence. The man, who transformed SAIL [from a loss making public sector] to a Maharatna Public Sector Enterprise, was Mr. Sushil Kumar Roongta, Chairman of SAIL. Mr. Roongta visited IIM Indore to speak and interact with the academic community. The IMJ team N. Ravichandran and S. Basu had a conversation with Mr. Roongta on a wide range of issues related to SAIL. The edited overview of this is presented here.

IMJ: You had been at the helm of affairs at SAIL for the last four years from 2006 to 2010-what do you think were the major achievements in these four years?

Roongta: As I look back, I feel that my major achievements had been people related in SAIL and I could make the organization prepare for the next orbit, and to align their aspirations and strategic plan with their current performance and move ahead. I could make them believe in their own capabilities of doing much more than what they were doing. This was especially in terms of the expansion and modernization that we undertook, to take care of

1 Besides the ISPs at Rourkela, Durgapur, Bhilai and Bokaro, SAIL took over Indian Iron and Steel Company (IISCO), a privately held company in 1979, when the later became sick on account of a failed modernization.

2 Alloy Steel Plant (ASP) at Durgapur and Special Steel Plant (SSP) at Salem.

technological obsolescence, so that we are prepared for the next challenges.

IMJ: Essentially people related issues, making them believe that they are capable of doing more than what they are doing currently, aligning them to the strategic objective of the organization, taking care of technology and environmental related issues...

Roongta: Also in terms of raw material security, which is very important for a metal company, we made very significant progress. In fact SAIL is much secure in terms of raw materials today than what it was any time in the past. During this period, we secured rights for Rawghat Mines in Chhatisgarh having 500 million tons of ore deposits, the value of which today would be anywhere between 20,000 to 25,000 crores of rupees. We also made significant headways in terms of Chiria Mines. SAIL is left in a very positive state - being very strong in financial terms.

IMJ: Can you give us a feel of what you mean by strong financial position ?

Roongta: The net profit during my four years tenure was twice the aggregate net profit of SAIL since its inception. Plus when I departed, SAIL had about 20,000 Crores of cash deposits in various Banks. Of course we had debts also - but we had net positive cash and which was built over time - so that we could complete our modernization, through substantial internal funding.

IMJ: Some additional insights related to cash management?

Roongta: The aggregate net profit was about Rs. 27,000 Crores and the dividend payout was about 3 times the aggregate dividend payout in the previous several years. Also, during this time SAIL was recognized as one of the five Maharatna companies in India. In the year 2009, SaIL's profits were second highest

amongst all the steel companies of the world. SAIL was also ranked # 2 amongst world class steel makers - this was very satisfying.

IMJ: You had said that you have been able to align the goals of the individuals with the strategic objective of SAIL. How did you achieve this? What instruments did you use?

Roongta: I used the instrument of effective communication to reach out to the employees. Of course at my level, I could not talk to each and every individual, but I reached out to the senior management team (from general managers and above) and wide cross section in the plants, through my visits and through them to the rest of the SAIL family. And then I showed them through history that at some point of time they had been able to do much better and whatever new facilities that we have set up, should therefore translate to the desired outcome. Then, they had to accept that there are potentials of further growth. The only fear was that of under-performance, i.e. when the targets are set high and the same are not achieved, the departmental head is normally taken to task for underperformance. So I assured them, that so long you make sincere efforts but still not able to perform for reasons beyond your control, then when I assess you, I shall give due allowance. And then all the HODs shall support you. If you take your stretched targets and when you to accomplish them, you shall get great satisfaction. You know, it is human nature if you know that you have taken an easy target and you achieve it, it will not give you great happiness. On the other hand, if you have taken a difficult target and if you are able to achieve it, then it will give you a huge sense of accomplishment. Wherever, people could fulfil such targets, they were

then self-motivated to take still bigger targets. And especially I found our workers were always more forthcoming to take bigger challenges and solve problems. We modified our incentive schemes to align the employee aspirations with that of the organization. And of course we took initiative in multi-skilling. There was natural separation and since we could not enhance our manpower - therefore we did multi-skilling so that we could redeploy the employees and increase their productivity. During these four years, there was a reduction of almost 26-28 thousand in employees strength leading to big savings on wage bill.

IMJ: So you did not use the VRS route to increase productivity?

Roongta: Not really. We did one VRS in 2006-07, but on the whole we reduced about 28,000 people on a net basis. We did not stop recruiting completely. We were regularly taking a small number of fresh engineers, and also wherever there were skill gaps and we could not make it up internally, we were recruiting. But overall, there was a significant reduction in manpower and increase in productivity.

IMJ: If you were to profile and compare SAIL with Tata Steel, where will you put SAIL with respect to Tata Steel?

Roongta: SAIL and Tata Steel both have the same kind of origin. Tata Steel is of course an older company. Post independence both of us were expanding together till about 1991 when the licensing for Steel Industry was removed and economy was liberalized. Both SAIL and Tata Steel have very good and committed technical man power that are the core and backbone of the industry and the companies. Tata Steel enjoys a little more advantage in their backward integration in terms of coal. They have their

own captive coal mines which meets about 50% of their needs while SAIL hardly has any captive coal mines hence it has to be outsourced. However, over the years, on several parameters, our units have been able to score over others. For example, Prime Minister's Trophy, which is instituted by the Government of India, to adjudge the best integrated steel plant in the country. Bhilai Steel Plant has won that trophy 8 out of 14 times in competition with all private and public sector integrated steel plants, including Tata Steel.

IMJ: You started your career in SAIL as an officer and had been there for a very long time. What do you think makes SAIL stand out amongst peers?

Roongta: Today SAIL stands out in terms of huge infrastructure and reasonably good backward integration in terms of iron ore captive mines; and also on very strong and committed manpower and solid financial position. The areas where SAIL needs improvement today are the energy efficiency and technologically obsolete plants which still contribute to about 30% of our production. Of course post modernization, they will go away. In terms of product quality, some of our older mills like the Cold Rolling Plant at Bokaro need modernization in the near future. We have been pioneers in introduction of several new products. SAIL introduced the earthquake resistant TMT bars, and several special grade products for Indian Navy and strategic sectors.

IMJ: How nimble is SAIL in terms of extensibility, market orientation, processes, new products etc.?

Roongta: In terms of systems and processes, SAIL is very strong and robust. I have not worked in any other PSU, but I have heard of people who have worked there and I believe that

SAIL has evolved a very strong set of systems and processes. SAIL has a very sound system of delegation with accountability. In fact, at all levels, we give adequate delegation of power which may not even exist in many private organizations. Even in capital projects, once a scheme is approved, they are given delegation to carry on a day to day basis. SAIL has a very strong marketing wing. Its customers have stood by them. Why they stood by SAIL is that they perceive SAIL as a very fair supplier - irrespective of market conditions. Steel is a cyclical industry and there are times when there are shortages and surpluses. During surplus, we seek customers, but during shortages, many times we change our approach. But customers generally feel that SAIL is equitable to all even during shortages. And therefore our customers don't want to leave SAIL altogether. So, even if they want to diversify their sources, they would prefer to keep some relationship with SAIL.

IMJ: Can you please share with us something about your own background and that of your growth in SAIL?

Roongta: I graduated in engineering from BITS Pilani and did my Post Graduate Diploma in Business Management from Indian Institute of Foreign Trade (IIFT), Delhi and then joined SAIL from campus recruitment as a marketing executive in foreign trade in 1972. At that time it was Hindustan Steel Limited the canalizing agency for import of steel, as users could not import steel directly. SAIL had the policy of taking graduates as trainees and train them for one year before putting them into job. But in my case, I was put straight on the job from day one. And the best things that happened to me was that I was overworked from day one. My boss gave me the files from day one. And the notes that I used to initiate would go

all the way up to the Chairman of the Company as it involved purchases running into crores of rupees. And there were occasions when I was called for clarification by the General Manager and even the Chairman. So from the beginning, I developed the habit of working for extended hours and also got a very good exposure. That was my upbringing in SAIL. I had been with SAIL for 32 years from 1972 to 2004 when I became Director (Commercial) at SAIL. Earlier I had served in various capacities and in different locations and was ahead of peers in promotions. For about six years, I worked with the then Director of Marketing in his secretariat which gave me a comprehensive perspective of what was happening in SAIL. I worked with three successive Directors as in charge of their personal secretariat. Normally each new boss would like to bring his own team - but ultimately, when the fourth director came, I had to request him that I wanted to be in the field as I did not want to be type casted as capable of only doing this type of job. So he gave me dual charge so that I continue to work with me as well as in the field.

IMJ: Then, you moved up and away from marketing.

Roongta: No I remained in marketing. I will tell you the most challenging part of my career. It was 1996, I was the Regional Manager in Marketing, posted in Delhi and my Director (commercial) told me to go to Mumbai as RM, Western Region. That was a very critical time as both my children were in their final years of study - my daughter was just in 12th standard and my son was in the final year of graduation. I told my boss that this was the most inconvenient time for me and allow me one more year so that my children could complete their studies and then where ever he wanted, I shall go. But he said that

SAIL was fast losing its market share in Western Region and you were best suited to do the job. I had nothing else to say. In marketing, we had frequent transfers but my family always used to accompany me wherever I went. When I informed my family, they said that they will go along with me. My daughter had to change from CBSE board to Maharashtra Board as there were very few CBSE affiliated schools nearby my flat in Mumbai. My son had to stay behind with one of my close friend as he could not change his college. And let me tell you that things done with good intentions also bear good fruits. My daughter wanted to study medicine and in Maharashtra, the admissions in Medical colleges were based on performance of candidate in class 12. Also, half the seats there were reserved for domiciled candidates and other half for locals. I later came to know that Government and PSU employees on transfer are categorized as domiciled. Of course my daughter also worked hard and got into Medical - but then I don't know whether she would have been successful through all India Medical Examinations.

IMJ: Then you became Director Marketing.

Roongta: Yes but before that, I became the General Manager of Strategic Planning and Executive Director of Flat Products. The last posting was a challenging one. When I took over, there was huge inventory piled up in our plants and the MD of one of the plants said that unless Mr. Roongta helps us, we may have to shut down the production unit as coils were piled up above the danger zone and could topple. So I told my Chairman, Mr. Pandey that give me one month's time and I shall bring them down to safe levels. It was very challenging - but then, I could bring them down to manageable levels.

IMJ: What was the trick?

Roongta: In our system, since we had large numbers of stock yards, our marketing people would give release to the plants and allow them to produce without back up orders and stock them up in the stockyards and then make efforts to sell. And when you know that I have an inventory pile up which I cannot sell, then, obviously you would bargain hard with me. So the first thing I did was to say sorry, no release would be given, unless it has backup orders. So whatever effort you make to sell out of inventories, you better make it at the beginning to book orders. I asked the plants to cooperate and not dispatch without orders. You can blame me if I am not giving orders, but without backup orders, not a single ton of finished goods should be dispatched. That changed the situation - the marketing people started to put efforts in right time and inventory build up was eliminated.

IMJ: Was the inventory at the factory or at the stockyard?

Roongta: SAIL has the luxury of the stockyard as well as the plant - and the built up was in both places. Many companies don't have it. Therefore, whenever, there is a pressure in the plant, they would push it to the stockyards.

IMJ: You have a bird's eye view of SAIL's marketing - what changes have you seen - the stages that SAIL has gone through?

Roongta: We have seen a sea change in SAIL's marketing efforts. We call it marketing - but previously it was only rationing. No SAIL marketing executive was expected to meet customers outside SAIL's office - it was a taboo. Of course there were periods when we had surpluses and we had to solicit sales, but it was not marketing in its real

sense. Post 1991, we started real marketing of our products. We became proactive, started even giving clean credits to our customers, wherever required change our systems and processes, developing new products, understanding market needs and everything else to meet the competition from new players which entered the sector.

IMJ: Can you please recollect for us some significant events in your career?

Roongta: There are several - one was when I was a junior manager at the office of the Director Commercial - and Dr. Krishnamurthy, the then Chairman of SAIL wanted to meet me in his office. He was widely acclaimed and much respected Chairman of SAIL and I was told that he wanted to meet me for 30 minutes which was a big premium on his time. That interaction went on for 3 hours. He talked with me on all subjects including marketing, sales, plants, what we could do for SAIL and about general economic environment as well. And I was later told by the Director that he was very happy with the interaction.

The second occasion was when I proposed a scheme which would help SAIL to recover Rs. 30 crores due in the Controlled Era. I had a mathematical bent of mind and I used to analyze the numbers. Rs. 30 crores in 1980s was a big sum of money and it was taken up and SAIL got the money. I was given a special reward by the SAIL Chairman, of Rs. 10,000/- which in 1980s was big money.

The third occasion was when I was in Mumbai, SAIL was losing market share. So I was analyzing the customer profile and I found that the biggest steel consumer in the Western Region market was not our customer. I enquired with my subordinates as to what is the issue and they told me that the customer had a bad history and

experience with SAIL. So I said that this wont work as this customer is likely to remain the largest buyer in the foreseeable future. So I called up their head of procurement. He was very difficult and sarcastic. So I told him to forget past and move ahead. But he was not convinced and the first meeting was a stalemate. Then I called on him two more times notwithstanding treatment to me, and on the third call, I was able to break ice. He said Mr. Roongta, I am surprised that you are here for the third time, chasing business. Let me tell you that we will be happy to do business with you as you are the largest supplier and we can source from you what we have to source from five different suppliers. And with SAIL I am assured of quality as you shall not cheat me. After that we got lot of orders and he ordered his office that SAIL's payment has to be made on dot. On one occasion, he had a sudden demand surge which he had not foreseen, nor did we factor in. However, I went out of way to help him and we also changed our processes to give clean credit. I took the approval of my Chairman saying that the customer was one of the biggest in the western market and he won't run away and if he is willing to change his systems, we should also reciprocate.

IMJ: In your career spanning nearly 40 years, there must be some unevenness - how did you manage them?

Roongta: There were several incidences when things happen beyond your control. I was the Director Marketing and market was heating up and we were making profits - but Government wanted us to control our prices. Now with increased cost of input, the output sale price should also increase. But that was not happening. Alternatively due to some mining accident, the worldwide supply of coking coal suffered and we were

left with in a very difficult situation. I could manage that most difficult situation.

Then there were the problems of environmental issues and there were multiple stakeholders. To obtain the mining lease of iron ore, I had to visit the doors of undersecretary, deputy secretary and several functionaries of central and state governments. And persistent efforts paid as I was aware of the true worth of those mining resources - they are worth thousands of crores and are essential for a steel plant.

IMJ: You have been able to maintain a fine work - life balance in spite of doing all types of work. How did you manage both the fronts?

Roongta: Let me tell you that I derive pleasure in my work and therefore for me it's not necessary that after I return home, I have to go to a cinema or a restaurant to have fun. Secondly, I must acknowledge that my wife did not bother me with petty household issues and she could manage everything well when I was hard pressed for time. Of course with my children I could spend some quality time - but when I reached the top, my children had already completed their studies. So I did not have to bother much for their education as well.

Family to me is equally important as my career and I am happy that my children have shaped up well and are pursuing their own career and I think that is the real gift from God.

IMJ: If you are to decide on one broad functional area in management like, marketing, people management, strategy, team making - what is it that you enjoyed the most?

Roongta: Although I spent 32 years in marketing, I spent one year as Director HR and that period was most rewarding to me. I was not formally trained in HR - but that provided me with a larger platform to deal with trade

unions, officers associations, formulating the HR and personal policies. Of course strategy has been my focus like planning for SAIL. I would certainly like to do Strategic Finance and people related issues. I made some very good friends amongst the Trade Unions which stood in good stead when I became the chairman.

IMJ: In a very large organization, how do you deal with defaulters, deviant people - what is your broad strategy?

Roongta: I personally believe that the huge majority of people like to do work, deliver results and like to be recognized for what they do. So if they are not able to deliver, then that may be due to wrong association, or not being in the right job or some historical reasons. So I practiced two things - first, I sent out a very clear message that many of us have personal problems and we want benefits like transfers to preferred locations and other things. I said, make life comfortable for those executives who are doing outstanding jobs for the company. So it was mandatory on the part of the company to attend to their problems. But for those who were not delivering and were only demanding, the company was not obliged to help all the time. I sent out a very loud and clear message for performers and non performers.

Second, we did deploy people to some specific jobs where they could deliver to their best of ability. And then there are still some other types of people who would not deliver, even after being accommodated to their choice. I understand that we shall continue to have some baggage of that kind - so we shall put them in some jobs where they will not be able to create obstructions for the company and for others.

That was my strategy - that's what I followed.

IMJ: How do you deal with your peers - like your ED/MD/Head of Plants - should there be a conflict between you and them, or how do you bring about consensus in your board?

Roongta: As the Chairman of the board, you do not have the final say - as PSU boards have independent directors, government directors who have their own say. And you have to appreciate that they are there to make some valuable contributions. Therefore my style was allowing people to say - even if that was not what I wanted. And sometimes very good things come out from such discussions and suggestions. So I allowed free and open discussion in the board. A proposal which I thought was beneficial for the company may have a counter view that was even more beneficial. But thereafter I would sense in which direction the board was going. And there was always unanimity. I never tried to impose my will on the board as chairman and we never had in my tenure any vote in the board. However, if there were occasions when board had a difference of opinion with me, then I would put forth convincing arguments in favour of my points placed and they trust in my credibility. Regarding my colleagues, I could get away with my views as I was their boss and due to my stature. But if I found merit in my colleague's argument, I would not make him leave my room thinking that the Chairman has silenced him. I would advocate reasons as to why I am doing like that and they would more or less see my perspective of the argument. And wherever, there were strong reasons to believe my colleague, I would modify my views.

IMJ: What would be your advice to the CEO of a PSU of the stature of SAIL such as NTPC, BHEL and others?

Roongta: I can only say that all PSUs are big

reservoirs of great potential, great strengths. Generally, PSUs are very much focused on their current performance and current results. Now they must align their current performance with their strategic goals so that they are in a position to think big and act big. There would be problems regarding environment management - but they must not be bogged down by petty issues - but focus on things that are strategic in nature.

IMJ: After Dr. Krishnamurthy, there had not been any outsider as SAIL's chairman - other than the present incumbent. Is it a good sign and why it had happened?

Roongta: I understand government has good reasons to select my successor. He has vast experience and I wish him good luck. The only thing that I wanted to say was that succession planning in PSUs is inadequate and it is time that we should devote more time to that. One of the reasons why SAIL could not throw up an internal candidate was that, in my board, there was no internal director who had 2 years of boardroom experience, which was the minimum criteria required. And yet SAIL has a huge pool of talents from within. So there was some gap somewhere in adequate succession plan for SAIL which needs to be plugged. And this is true for the majority of the PSUs. This makes the task of managing big PSUs by an outsider more challenging and therefore I can only wish him the very best.

IMJ: What would be your advice to a young graduate moving out of the business school?

Roongta: I can only advise him to have belief in himself, about his capabilities, have a very positive attitude towards the chosen profession in life. He must firmly believe that it is his hard work, his commitment to job that will take him far in his career. No short-cuts, cutting corners or manipulation would work in this world. I strongly believe

that only the positive attributes will work and shortcuts if any, shall bring only limited or short time gains - but won't fetch you far.

IMJ: We are tempted to ask you more questions,

but we think we have taken up a lot of your time. We thank you very much for coming to Indore and spending time with us.

Roongta: Thank you Mr. Ravichandran and Mr. Basu, I thank you for all your hospitality and invitation to come to IIM Indore.

S. K. Roongta is the Managing Director of Vedanta Aluminium Limited and heads the Aluminium Business of the Vedanta Group comprising 3 million tonnes of fully integrated aluminium, together with 6000MW of Power Plants, including BALCO. Earlier during his tenure as Chairman of SAIL from August' 2006 to May' 2010, the company achieved several new landmarks in operational and financial performance and he was instrumental in undertaking massive modernization and growth plans for the company. During this period, as per World Steel Dynamics, the ranking of SAIL among 'World Class Steel Makers' moved up to no. two from no. seventeen earlier, and was accorded 'Maharatna' status by the Government. He is an Engineering Graduate from BITS Pilani and is a gold medalist in PGDBM (International Trade) from IIFT, New Delhi. Mr. Roongta holds important positions in various apex chambers, being Chairman of Steel and Non-Ferrous Metal Committee of FICCI & Chairman of PSU committee of ASSOCHAM. He also serves as Independent Director on the Boards of Hindustan Petroleum Corporation Ltd. (HPCL), The Shipping Corporation of

India Ltd. (SCI), Neyveli Lignite Corp. Ltd. (NLC), Jubilant Industries Ltd (JIL) & ACC Ltd. He is also associated with several academic institutions, being Member of Board of Governors, IIT Bhubneshwar, Member of Governing Board, JKL University & Member of General Body, BITS, Pilani.

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