OUR GAME CHANGER

BHUSHAN

THE STEEL EDGE

BHUSHAN STEEL LIMITED

ANNUAL REPORT 2010-11

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GETTING THE STEEL-EDGE IS A BIG GAME CHANGER

Steel is a vital pre-requisite for growth of all hues – economic, civic, strategic, and even social. In Indian context, steel is slated to precede and succeed its aspired economic growth. The scaling-up of core infrastructure sectors like transport, logistics and power would need more and more steel. The social impact of economic growth on enhanced lifestyle of people would continue to drive the demand for passenger automobile, housing units, consumer durables, etc. Precisely, India would consume more steel in this decade than it had consumed in any of the recent decades.

At Bhushan Steel, we have enjoyed a dominant market-share in the value-added steel amongst automobile and consumer durable segments for nearly two decades. We have earned an unmatched reputation for reliability and quality. In order to further strengthen our value proposition, we envisioned and rigourously executed our foray into primary steel segment in the decade gone by.

BY COMMISSIONING AND STABILISING OUR STATE-OF-THE-ART INTEGRATED STEEL & POWER PLANT AT ORISSA, WITH HOT STRIP MILL, CONARC FURNACE, COKE OVEN AND BLAST FURNACE, WE ACQUIRED THE STEEL-EDGE. THIS FEAT WAS ACHIEVED IN THE SHORTEST POSSIBLE TIME. GOING FORWARD, THIS WOULD FURTHER IMPROVE THE QUALITY OF OUR VALUE-ADDED STEEL AND ENHANCE OUR PROFITABILITY. THE NEW FOUND STEEL-EDGE WILL ALSO INSULATE OUR SECONDARY STEEL MANUFACTURING PLANTS AT SAHIBABAD AND KHOPOLI FROM THE INCONSISTENCIES IN RAW MATERIAL AVAILABILITY AND ENHANCE OUR JUST-IN-TIME DELIVERY PROPOSITION.

At Bhusan Steel, getting this steel-edge is the beginning of a new era of self-reliance. The steel-edge is a big game-changer for us.

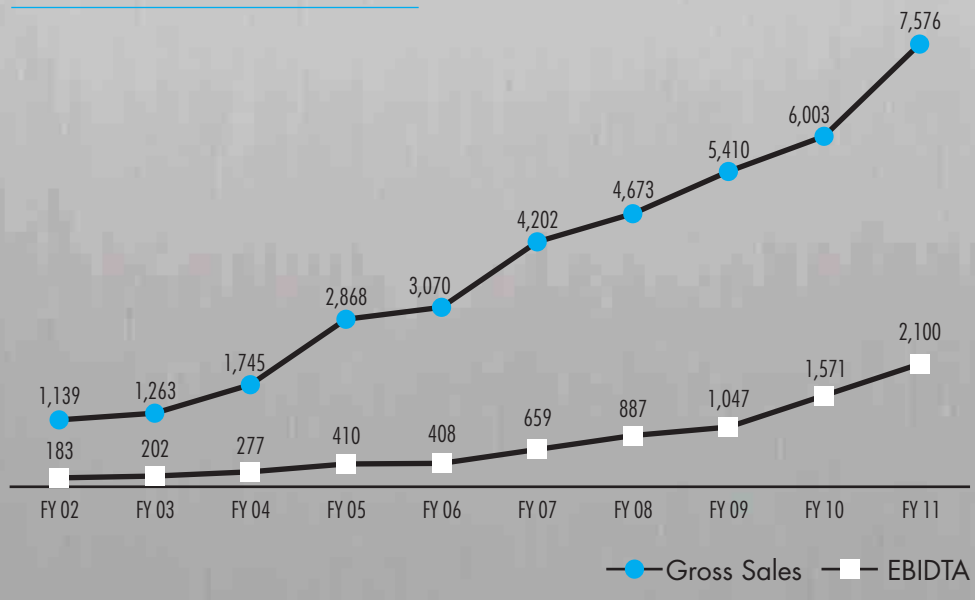
PERFORMANCE AT A GLANCE

10 YEARS' FINANCIAL SUMMARY

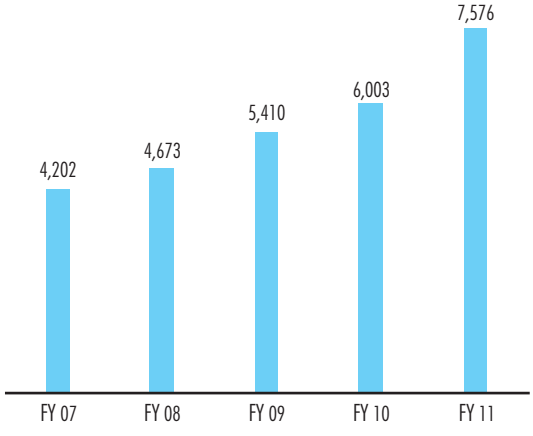
(₹ in crores)

Particulars	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Gross Sales	1,139	1,263	1,745	2,868	3,070	4,202	4,673	5,410	6,003	7,576
EBIDTA	183	202	277	410	408	659	887	1,047	1,571	2,100
Net Profit	40	55	90	153	154	313	424	421	846	1,005
Net Worth	533	573	664	805	960	1,338	2,022	2,781	4,421	6,695
Gross Block (Including CWIP)	989	1,302	1,529	2,044	3,091	4,586	7,495	10,682	14,795	21,818

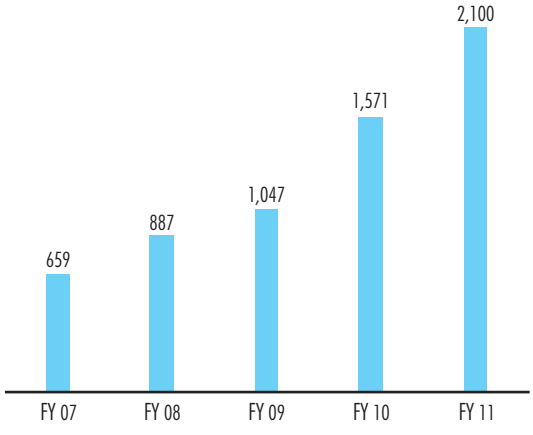
GROSS SALES & EBITDA (₹ in crores)



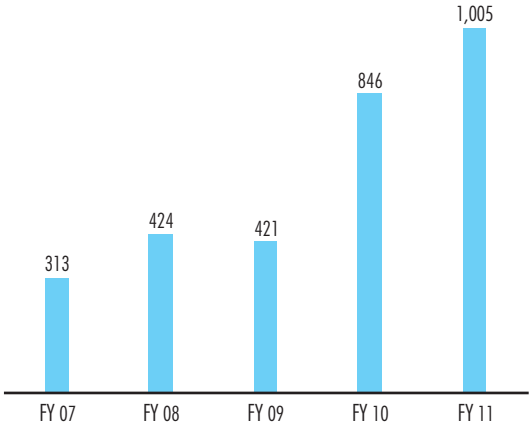
GROSS SALES (₹in crores)



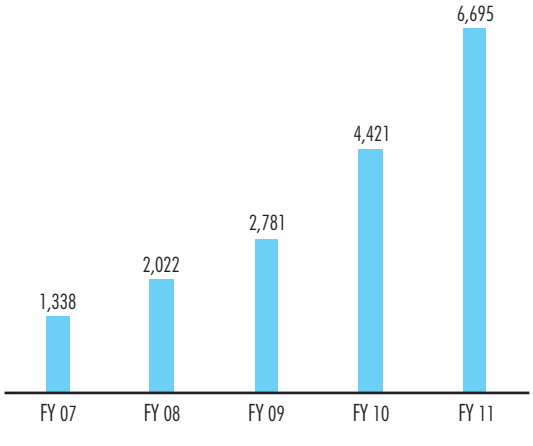
EBITDA (₹in crores)



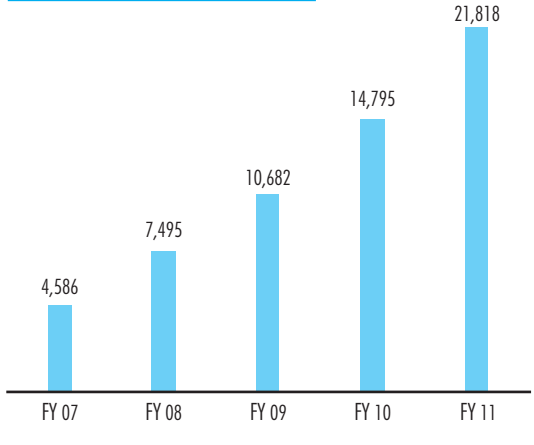
NET PROFIT (₹ in crores)



NET WORTH (₹ in crores)



GROSS BLOCK (INCLUDING CWIP) (₹ in crores)



The decade holds special significance for our successful foray into the primary steel segment. As a company with no prior exposure to steelmaking, there were few who took us seriously when we ventured on this path. Defying many myths, we meticulously planned and rigourously executed our dream vision in a record time of less than five years.

CHAIRMAN'S MESSAGE

Dear Shareholders,

The decade gone by will get recorded in golden letters in the history of your Company. It was in this decade that we stepped out of Sahibabad in north India and established our second steel-processing plant at Khopoli in Maharashtra; launched pioneering products like Galume and Colour-coated sheets; and went on to become the most-preferred supplier of high-quality processed-steel for most of the automobile and consumer durable manufacturers in India.

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The meteoric rise of your Company in the first decade of this century is well reflected in the comparative numbers on either side of the period. From ₹956 crores in FY 2000 to ₹7576 crores in FY 11, our gross revenues have grown at a CAGR of 21% through this decade. Our net profit has grown at a CAGR of over 33% to reach ₹1005 crores in FY 11 from ₹45 crores in FY 2000. Our market capitalisation reached ₹9298 crores as on 31st March 2011 from ₹80 crores as on 31st March 2000.

India's growth prospects over long-term appear most promising amongst major economies of the world.

What India has delivered in the last decade is just an indication of what is going to unfold over coming decades. And that puts your company's prospects in the right perspective – at the right place, at the right time, with the right offerings. Once we complete all our ongoing and proposed expansions in primary and secondary steel segments along with those on captive mining and power generation fronts; we shall certainly witness multiplier growth in our revenues, profitability, and subsequently the valuation.

I feel privileged to guide the company through such an exciting transformation. Our teams has shown tremendous commitment and resolve in executing the expansion plans with audacity and perfection. I would like to place on record my sincere appreciation to the efforts and contributions made by our employees and thank our shareholders, lenders, customers, suppliers, and community for their continued trust and confidence in our capabilities.

As we move forward to unlock the true potential of our investments, I invite each one of you to accompany us in our onward march to progress.

With warm regards,

B. B. Singal
Chairman

Neeraj Singal
Vice Chairman & Managing Director

Fiscal year 2010-11 was a year of all round growth for Bhushan Steel. Recording an impressive growth of over 26%, our gross revenues reached ₹7576 crores in FY 11 from ₹6003 crores in the previous year.

SESSION WITH THE MANAGING DIRECTOR

How do you view Company's performance in FY 11?

Fiscal year 2010-11 was a year of all round growth for Bhushan Steel. Recording an impressive growth of over 26%, our gross revenues reached ₹7576 crores in FY 11 from ₹6003 crores in the previous year. Our EBIDTA grew by 34% to reach ₹2100 crores in FY 11.

On operational front, we did stabilise the production of Hot Rolled Coils at the newly commissioned HR Mill. This, in my view, did mark our true arrival on the crude steel production map of India. Development and Construction work on the 3rd phase of our expansion is progressing as envisaged. Overall progress is going as per schedule.

How critical is resource integration for the Company and how are you going to address it?

Access to uninterrupted and cost-effective supply of core inputs namely iron ore, coking coal, thermal coal, power, and water is vital for sustainable and profitable growth for any steel manufacturer. Resource integration has always been intrinsic to our business vision and the same influenced us to strategically set up our plant in mineral rich state of Orissa.

We have been working tirelessly in achieving resource independence and sufficiency over long term. We are further adding 197 MW of power generation capacity to our installed base of 110 MW. Towards integrating coking coal, we have invested in Bowen Energy of Australia, which has exploration and mining rights for coking coal. We have been allocated one iron ore mine and two coal mines.

Post completion of Phase III, your HRC production would exceed your current captive requirements. What are your plans with the excess production?

On completion of ensuing Phase III expansion, our total Hot Rolled Coil production capacity would be 4.4 MTPA. Our present installed capacity in secondary steel is about 1.2 MTPA. While the surplus production of HRC would be sold in the early phase, over the years we aim to process our entire production ourselves towards value-added products. Our vision is to be a fully integrated steel company which deploys its entire HRC production to strengthen its Cold Rolled products and Tubes business and thereby derive higher realisation.

Currently, we are developing a tube manufacturing plant of 0.5 MTPA capacity for ERW (Electric Resistance Welded) tubes, besides adding a 0.45 MTPA CR mill at Orissa. In addition to the above we are also planning to add 1.8 MTPA PLTCM mill at Orissa. Post these expansions in our downstream capacities; we would process almost all of our HRC production ourselves.

Where do you see Bhushan Steel in the next 5 years?

With the completion of all our ensuing and planned expansions and start of supplies of raw material like Thermal coal, Coking Coal and Iron Ore from our own mines, Bhushan Steel shall emerge as a leading steel company in India with multiplier growth in its top line and profitability.

THE STEEL-EDGE EXPANDS OUR PRODUCT MIX