



**GODAWARI POWER & ISPAT**

**ANNUAL REPORT**  
**2013-14**



# Forward looking statement

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe that we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## Contents

Company Information	02
Managing Director's Message	03
Our Business at a Glance	04
Operational Highlights (Consolidated)	06
Financial Highlights (Consolidated)	07
Financial Performance (Consolidated)	08
Directors' Report	09
Management Discussion & Analysis	16
Corporate Governance Report	26
Standalone Financials	38
Financial Information of Subsidiary Companies	70
Consolidated Financials	71

# Company Information

**BOARD OF DIRECTORS**

Mr. B. Choudhuri	Chairman (Independent Director)
Mr. B.L. Agrawal	Managing Director
Mr. Abhishek Agrawal	Executive Director
Mr. Dinesh Agrawal	Executive Director
Mr. Vinod Pillai	Executive Director
Mr. Siddharth Agrawal	Non Executive Director (Upto 08.11.2013)
Mr. Dinesh Gandhi	Non Executive Director
Mr. Shashi Kumar	Independent Director
Mr. B. N. Ojha	Independent Director
Mr. Harishankar Khandelwal	Independent Director
Ms. Bhavna G. Desai	Independent Director (w.e.f. 09.08.2014)

**CFO**

Mr. Sanjay Bothra	Chief Financial Officer
-------------------	-------------------------

**COMPANY SECRETARY**

Mr. Y.C. Rao	Company Secretary & Compliance Officer
--------------	--

**AUDITORS**

M/s. O.P. Singhania & Co.  
Chartered Accountants, Raipur (C.G.)

**BANKERS**

Canara Bank	State Bank of India
Bank of Baroda	Axis Bank Ltd.
IDBI Bank Ltd	Indian Overseas Bank

**SECURITY /DEBENTURE TRUSTEE:** Axis Trustee Services Limited

**REGISTERED OFFICE & WORKS:** Plot No.428/2, Phase I, Industrial Area,  
Siltara - 493 111, Dist. Raipur,  
Chhattisgarh, India.  
Tel: +91 - 771 4082333 Fax: +91 771 4082234

**CORPORATE OFFICE** First Floor, Hira Arcade, Near New Bus Stand,  
Pandri, Raipur - 492 001, Chhattisgarh, India  
Tel.: +91 - 771 - 4082000 Fax: 4082732 / 4057601

**MUMBAI OFFICE** A-401, Lotus Corporate Park (Graham Firth Company),  
Jay Coach Signal, Off Western Express Highway,  
Goregaon (East), Mumbai - 400 063, India.  
Tel: +91 - 22 - 40767466 / 40767474 / 40767433  
Fax: +91 - 22 - 40767440

# Managing Director's Message

Dear Share Owners,

2013-14 has been a challenging year for the Indian economy as a whole & domestic steel industry in particular. The country faced multiple challenges of currency depreciation, rising current account deficit and above all policy paralysis which resulted in meagre GDP growth of 5% and nominal steel consumption growth of 0.60%.

In the global arena, China which accounts for about 50% of the annual steel manufacturing capacity globally has widening demand supply gap which send tremors to the industry across the globe. On the domestic front, with virtually no demand from infrastructure sector, demand in long products segment nosedived & prices remaining subdued all through the year. On top of that, the pressure of imports took the toll on domestic manufacturing sector. Further, the problem was exaggerated by iron ore mining bans in Karnataka & Orissa and de-allocation of coal mines across the sector were a major setback for the industry.

Even in the backdrop of such challenging environment, we have gone ahead & successfully commissioned 1.2 MTPA Iron Ore Pellet plant in fiscal 13-14 taking the total capacity to 2.4 million tons per annum.. After the initial teething issues, the plant is well settled now and operating satisfactorily. All efforts are now being concentrated on reducing the production cost and improvement in operating efficiency, which when completed, will significantly improve the operating margins.

FY 2013 -14 was another year of record setting for us, as we have another first in our feather – successful commissioning of India's first 50 MWe Solar thermal power project in Jaisalmer, Rajasthan. Being the first of its kind; the project was a big learning curve for the team. Despite several challenges, the whole team worked very hard to ensure timely completion of the project and build state-of-the-art facilities in such a difficult terrain. In the first year of operation itself, the project has won many accolades.

In the midst of difficult market conditions, the company has achieved a turnover of Rs 2350 crore for the year as compared to 2663 crore in preceding financial year and earned operating profit of Rs 362.79 crore as against Rs 345.71 crore during previous year. On account of higher interest and depreciation cost for newly commissioned capacities, the company registered lower net profit after tax of Rs 58 crore as against Rs 148 crore in the last fiscal. The Board of Directors have recommended a dividend of Rs 2.50 per share for the year.

## Outlook

Although the global economic situation was on the path to recovery in fiscal 13-14, after a massive meltdown in the past couple of years, the domestic policy paralysis led to demand slowdown in infrastructure space. With a stable government in place at the Centre, we look forward to policy initiatives in the core infrastructure space viz. streamlining approval process for acquisition of land for greenfield & brownfield expansions, iron ore mining, coal mining, environmental issues etc. A clear industrial policy with special emphasis on manufacturing and infrastructure growth will be the key for revival of demand & investment in the sector. Thus the policy guidelines have to be re-framed with a long term objective and in view of the impending infrastructure & industrial growth in the country. A quicker decision making is essential to regain the momentum & confidence of the industry.

With the worst of slowdown behind us, we are very optimistic and confident of the new initiatives from the Central Government for long term sustainable growth of the country & its people.

Although total insulation from the cyclical movements of the steel industry is difficult, we continue to focus on captive mining, back ward integration and continued innovations across the product range to bring down cost of manufacturing and thereby insulating ourselves from the market disruptions. We are also committed to make our best contribution towards India's long term growth story.

It gives me immense pleasure to inform you that your Company has recently started development activities in Boria Tibu iron ore mines allotted to the Company and mining operations in full swing are expected to be started from Q3FY15. Your Company has also initiated process for expansion in capacity of existing Ari Dongri mines from 0.7 million tons to 1.20 million tons, for which forest approval has been received and environmental approval is in process. We are hopeful of getting the approval during the current year, which only will lead to increase in mining production and reduce the input cost and dependence on market for purchase of iron ore.

Before I conclude, I would like to convey my gratitude to all at GPIL, lenders, shareholders and other stakeholders for your trust and faith reposed in us in our journey so far and look forward to your unstinted support as we move along.

With best wishes,  
Sincerely,

**B. L. Agrawal**  
Managing Director

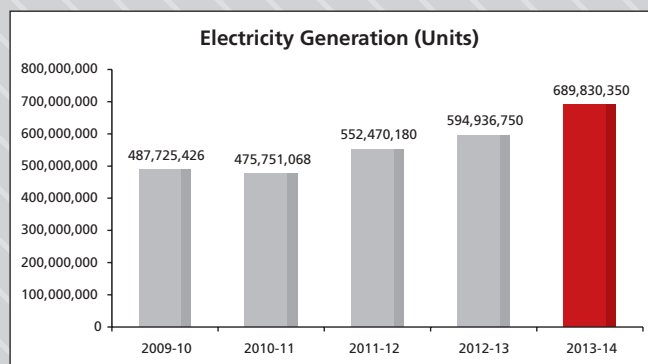
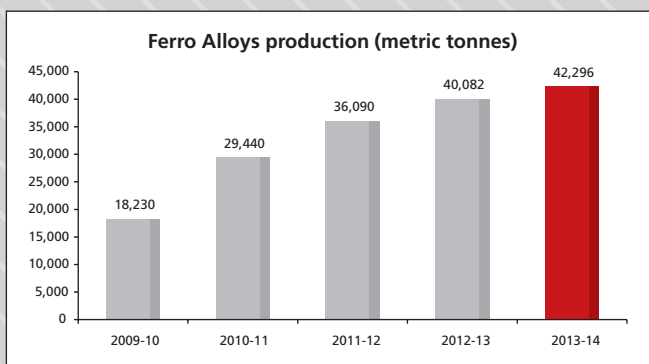
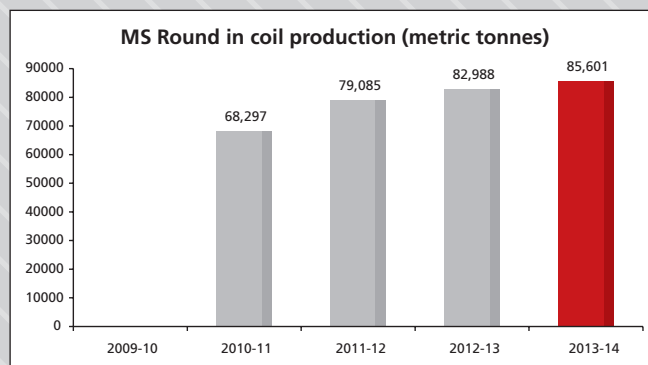
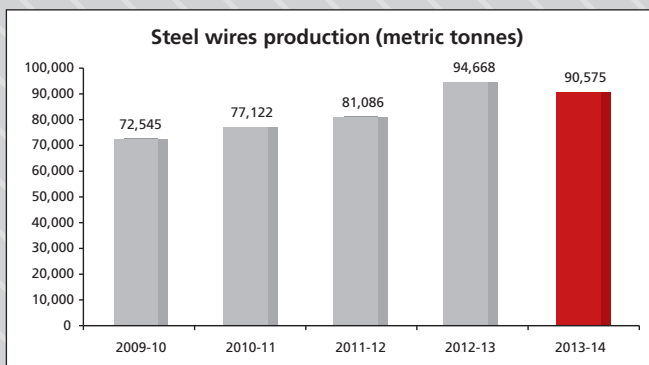
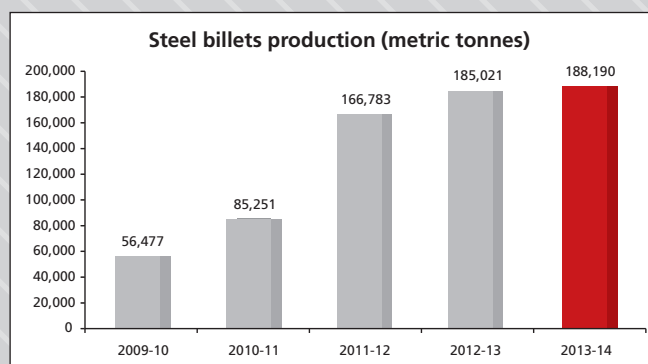
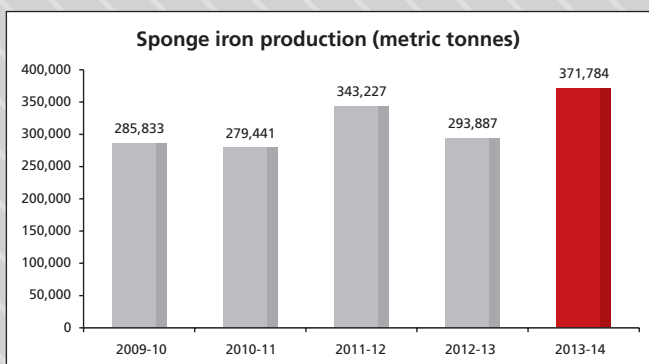
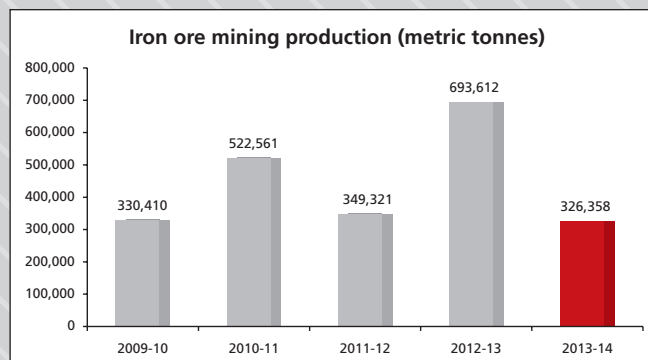
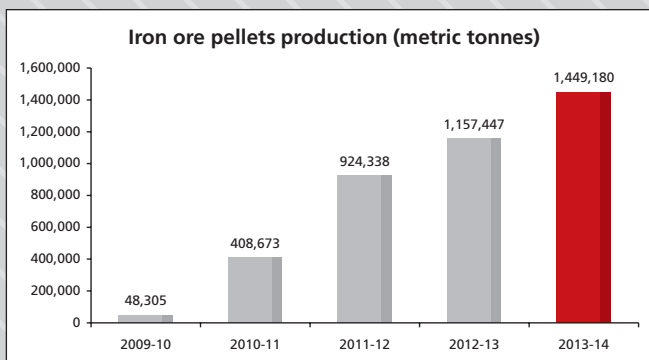
# Our Business at a Glance

Segment	Capacity	Description and End Use
Captive Iron Ore Mining	1,400,000 TPA	The Company is operating two Iron Ore mines. Ari Dongri mine is operating since 2010 and Boria Tibu has recently started development activities. The entire output from mines is for captive consumption.
Iron Ore Pellets	2,400,000 TPA	<p>The Company is operating two pellet plants at Raipur with combined Capacity of 1.80 million tons (out of this 1.20 million tons capacity is commissioned in July, 2013) and one pellet plant in subsidiary Company in Orissa (GPIL share 75%) with capacity of 0.60 million tons.</p> <p>Pellet is primarily used in manufacturing of Sponge iron and Pig Iron and is substitute of iron ore for making sponge iron or pig iron.</p> <p>Partially consumed for captive requirement in sponge iron and surplus quantity is sold in markets.</p> <p>In FY14 this division contributed 33% (₹ 77,421 Lacs) in to GPIL's consolidated topline.</p>
Sponge Iron	495,000 TPA	<p>Sponge Iron is primarily used for manufacture of steel as a raw material and as a substitute for steel scrap.</p> <p>Surplus sponge iron, after captive use in steel billets production, is sold in the open market. Currently our billets capacity is inadequate to consume all of sponge iron.</p> <p>In fiscal 2014, this division contributed around 16.6% (₹ 38,965 Lacs) to GPIL's Consolidated topline.</p>
Steel Billets	400,000 TPA	<p>Steel billets are primarily used for manufacturing of wire rods (from which steel wires are made), TMT Bars, angles, channels, beams, etc.</p> <p>A portion of GPIL's steel billets production is captively consumed in rolling mill and remaining quantity is sold in open market.</p> <p>In fiscal 2014, this division contributed around 13.7% (₹ 32,116 Lacs) to GPIL's consolidated topline.</p>
Steel Wires	150,000 TPA	<p>Steel wires find application in the infrastructure sector, mainly in construction, railways, power transmission, etc.</p> <p>GPIL makes mild steel wires through cold drawing process using steel wire rod.</p> <p>This division contributed around 15.2% (₹ 35,695 Lacs) to GPIL's consolidated topline in FY14.</p>
Ferro Alloys	76,500 TPA	<p>Ferro Alloys such as silico manganese, ferro manganese, etc., are used as additives in making steel along with sponge iron, scrap, etc. Out of the total capacity 60,500 TPA is in subsidiary Company (GPIL share 51%).</p> <p>Surplus production in ferro alloys is sold in the open market.</p> <p>This division contributed 9.6% (₹ 22,578 Lacs) to GPIL's consolidated topline in FY14.</p>

Segment	Capacity	Description and End Use
MS Round in Coil	100,000 TPA	The Company is manufacturing Wire Rods and TMT Bars. This division contributed around 5.2% (₹ 12,438 Lacs) to GPIL's consolidated topline in FY14.
Power Generation	154.30 MW	<p>The Company is operating following power plants:</p> <p>Captive Power:</p> <ul style="list-style-type: none"> <li>Waste Heat Recovery – 42 MW.</li> <li>Bio Mass (Rice Husk) – 20 MW</li> <li>Thermal (Coal Based) – 31 MW</li> </ul> <p>Merchant/IPP:</p> <ul style="list-style-type: none"> <li>Solar Thermal (CSP) – 50 MW</li> <li>Bio Mass (Rice Husk) – 8 MW</li> <li>Wind Mills – 3.3 MW</li> <li>Total – 154.30 MW</li> </ul> <p>Electricity is one of the main inputs and one of the major cost components in the steel manufacturing process. Most of the Electricity generated by GPIL from captive power plant is consumed captively. However, surplus captive power is sold to state grid.</p> <p>The Company is operating green power capacity which is completely sold through long term PPA. The Company has 25 year PPA with NTPC Vidyut Vypaar Nigam Ltd. for sale of its Solar Thermal power @₹ 12.20 per unit. The Company has distinction of setting up the first Solar Thermal Power plant in India within record time of 24 months out pacing 6 other leading Companies participating in Jawaharlal Nehru National Solar Mission of Government of India. The project has started commercial operation from October, 2013.</p> <p>This division contributed 3.7% (₹ 8,616 Lacs) to GPIL's consolidated topline in FY14.</p> <p>GPIL generates power through waste heat gases from sponge iron kiln, which qualifies for carbon credit under Kyoto protocol. GPIL is the first Company globally to get the carbon credits for waste heat recovery power generation.</p>
Oxygen Gas	1.1 million CUM per annum	<p>Oxygen gas is one of the important inputs required during the steel manufacturing process.</p> <p>Most of the oxygen produced from our gas plant is used captively while the surplus is sold.</p>

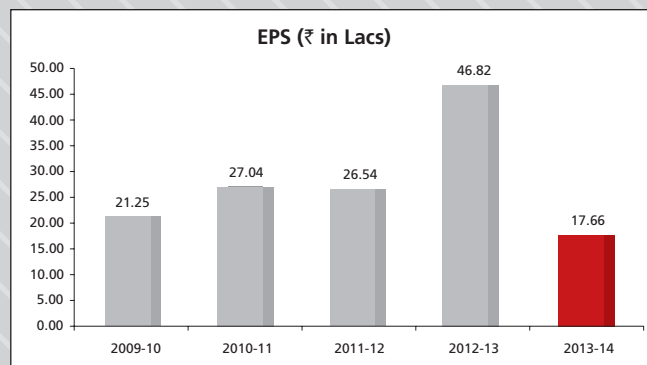
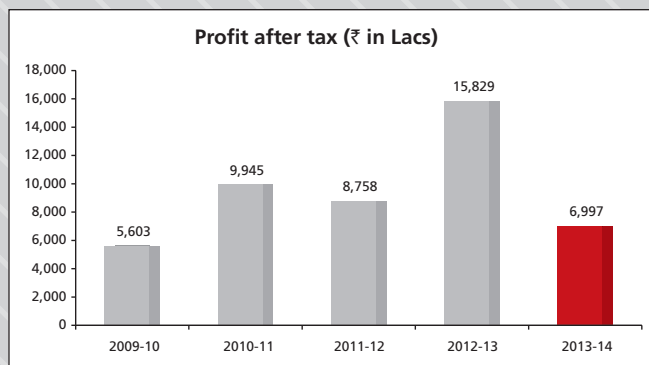
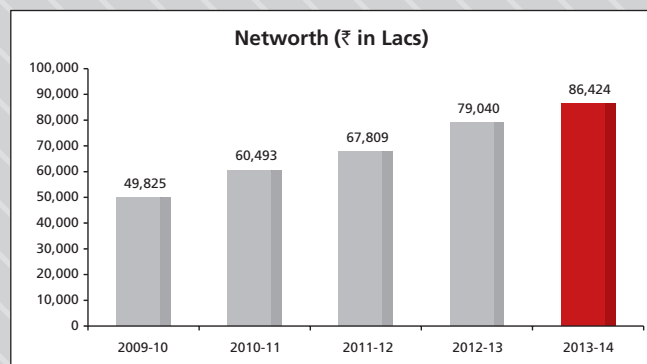
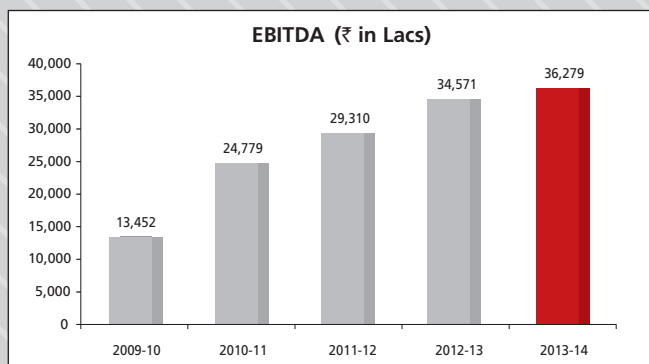
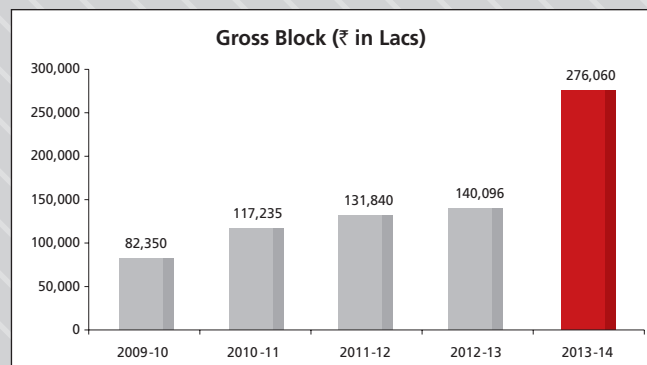
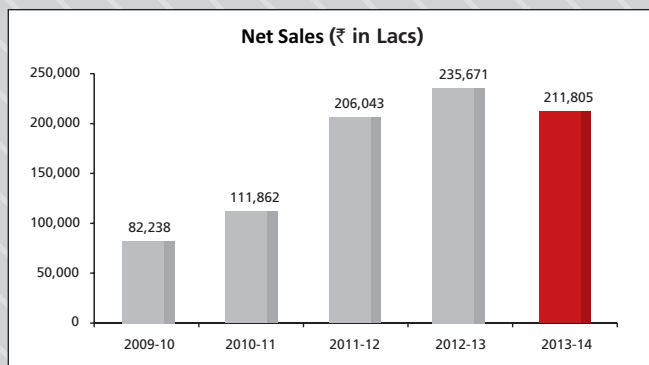
*Note: A large part of GPIL's capacities were commissioned recently, viz., Iron Ore Pelletisation (1.20 million ton capacity) in July, 2013 and Solar Thermal power (50 MW) in October, 2013, which have gone into full production (after stabilizing production processes) during current financial year, i.e., FY15. The company has recently started operations at its Boria Tibu Iron Ore Mines and the commercial production from these mines are expected from October, 2014.*

# Operational Highlights (Consolidated)





# Financial Highlights (Consolidated)



# Financial Performance

## (Consolidated)

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>INCOME STATEMENT</b>					
SALES (GROSS)	234986.89	266345.41	229087.95	123461.89	88680.36
OTHER INCOME	1554.73	1478.37	1133.13	1288.92	399.84
GROSS SALES & OTHER INCOME	236541.62	267823.78	230221.08	124750.81	89080.20
NET SALES	211805.37	235671.26	206043.30	111861.62	82238.35
NET SALES & OTHER INCOME	213360.10	237149.63	207176.43	113150.54	82638.19
OPERATING PROFIT (EBITDA)	36279.36	34570.53	29310.11	24779.24	13452.06
PROFIT AFTER TAX (PAT)	6997.28	15829.02	8758.15	9945.37	5602.59
CASH PROFIT	17546.09	22920.89	15524.87	15487.61	9017.75
<b>BALANCE SHEET</b>					
NET BLOCK	232775.85	107000.48	105036.42	97074.78	62951.63
SHARE CAPITAL	3275.62	3275.62	3175.62	3175.62	2694.48
NET WORTH	86423.75	79039.65	67809.18	60492.72	49825.43
LONG TERM BORROWING (INCLUDING CURRENT MATURITIES)	168874.28	125237.40	71761.96	62270.15	38350.06
<b>SIGNIFICANT RATIOS</b>					
OPERATING PROFIT TO NET SALES (%)	17.13	14.67	14.23	22.15	16.36
NET PROFIT TO NET SALES (%)	3.30	6.72	4.25	8.89	6.81
LONG TERM DEBT TO EQUITY RATIO	1.95	1.58	1.06	1.03	0.77
RETURN ON CAPITAL EMPLOYED (%)	1.99	5.08	4.36	5.88	4.97
RETURN ON NET WORTH (%)	8.10	20.03	12.92	16.44	11.24
<b>PER EQUITY SHARES</b>					
BOOK VALUE(₹)	263.84	241.30	213.47	190.49	184.92
EPS	17.66	46.82	26.54	27.04	21.25