

ANNUAL REPORT 2011-12

Success

through strategy and sustainability



Celebrating 100 years of stainless steel



Shri O. P. Jindal

August 7, 1930 - March 31, 2005
O. P. Jindal Group - Founder & Futurist

Some footprints are ever lasting!

Our tribute to the visionary of modern India and our abiding source of inspiration whose great thoughts even today, lead us in all our ventures! He was someone for whom destiny wasn't written- he penned it for himself. A great man of inimitable veracity and allegiance, who succeeded in every endeavor, a philanthropist and a true Indian who not just dreamt of creating a prospering India but also achieved it with his hard work, making the life of every Indian better.



Savitri Jindal
Chairperson

Dear Shareholders,

The stainless steel industry is constantly looking for ways to reduce its carbon footprint. Stainless steel, known as green metal, is the most versatile and highly recyclable of all metals. The high level of recycling reduces industry's dependence on raw materials, instead preserving them for posterity. This makes stainless steel a very sustainable material for the future. Sustainability is about much more than just environment. The stainless steel industry also aims to operate in an economically sustainable way that respects the well-being of its employees, people and the communities associated with it.

Being a leading manufacturer of stainless steel, Jindal Stainless very well understands its responsibilities towards the ecology and therefore complies with all energy conservation and environmental norms.

Further, as per our CSR initiative, our focus has been towards providing quality education to children, undertaking community development programmes such as healthcare, empowering women through income generation activities and providing youth skill based training for employability.

Year 2012 marks an important event in the history of stainless steel. It has been 100 years since this metal was first produced and patented. The manufacturing community worldwide is celebrating the centenary of this versatile and green metal. Jindal Stainless is proud to be a part of these festivities.

Vice Chairman & Managing Director's Message

Our journey so far...

... more than four decades in the
100 years stainless steel calendar

Dear Shareholders,

Year 2012 has been an important milestone in our development. We made significant progress in our key focus areas of overall performance, expansion, people and environment initiatives. It gives me a great pleasure to announce the completion of our 0.8 million tons per annum Odisha project as well as the excellent progress made by your company during the year.

Celebrating 100 years of stainless steel

We are extremely proud to be part of the global centenary celebrations of stainless steel. It has been 100 years since stainless steel was first created and produced. The birth of stainless steel has led the world to experience change and development in ways that could never have happened without this wonder material. It has revolutionized modern architecture, the transportation industry as well as critical industrial and medical applications. Over time, it has become an indispensable part of the world we live in.



A journey fuelled by vision

It was in 1970 that our first stainless steel plant was set up in Hisar. From a small set up, the company then known as Jindal Strips Limited, has today grown to become the largest stainless steel manufacturer in the country with diverse interests ranging from mining to power generation. To integrate our operation and make it more cost competitive, a ferro alloy plant was set up in 1987 at Vishakhapatnam to ensure cost-effective supply of raw material followed by setting up our own R&D centre at Hisar in 1991. We were the first company in the world to commercialise chrome-manganese stainless steel 200 series, a cost-effective alternative to 300 series. During the same year, we also achieved the distinction of becoming the country's exclusive producer of stainless steel strips for making razor and surgical blades.

Building capacity to achieve dominance

Our saga of growth has been in part due to the ability to anticipate trends and prepare for them accordingly. This has led us to actively augment our capacity to fuel rising demand. Our new 0.8 million tons stainless steel facility at Jajpur, Odisha, has commenced production after completion. As we move forward, and complete our second phase of expansion, our stainless steel manufacturing capacity can be further scaled upto 2.4 million tons per annum.

Our Odisha plant has very high level of integration both backward and forward that comes from owning ferro alloy and captive power plant to setting up stainless steel Industrial Park. This Industrial Park will have a large service centre and various facilities to produce stainless steel products. It certainly helps us establish ourselves as one of the major cost leaders amongst the global players.

Business performance - meeting our goals and objectives

The global economy, for the last two years, is not much on a forward trend. Despite the global slowdown, we have continued to work on our operational excellence initiatives and made substantial progress in several areas. Jindal Stainless achieved a gross revenue of ₹ 8,498 crore in financial year 2011-12, with a growth of 16% over 2010-11. Further, our stainless steel production has recorded all time high of 805,271 tons. The EBIDTA during the reported period is ₹ 904 crore as compared to ₹ 1,081 crore in the previous year. The fall in EBIDTA is mainly on account of subdued global economic sentiments emanating from European crisis and surge in imports of stainless steel flat

products into India caused by aggressive price under cutting and unprecedented increase in raw material prices of chrome ore and coal.

Global challenges and the future of stainless steel

Global stainless steel consumption grew by 4% year on year and production grew by 3% year on year in 2011.

Growth was very much driven by developments in the Asian markets. Moreover, overall stainless steel consumption growth is projected at 12% per annum in the next decade.

Manifold opportunities for multi-faceted growth

Stainless steel - as sustainable material is an essential element of global macro development solutions and answer to challenges such as increasing urbanization, the need for environment-friendly solutions and renewable sources of energy.

We are very confident and geared to encash the future market opportunities. Our unique strengths - our vast technological capabilities combined with a large integrated production capacity, which is largely supported by our own supply of ferro-chrome, iron ore and power is going to catapult us into the top league of cost leaders across the globe and a leading contender for new growth and business opportunities. We shall be focusing more on production of special grade as well as non-nickel-containing ferritic grade stainless steels. Further, our position in specialty products is also very strong and that is clearly exemplified by our market leadership in blade steel.

In addition, to reach the end consumer and to build a lasting customer relationship, we are further strengthening our distribution network. Creating multiple stock points supported by a web of specialized stainless steel service centres, forms the backbone of our marketing strategy. Our endeavor remains to serve our customer on a Just-In-Time basis thereby creating value and a win win approach.

With the Indian economy expected to grow at 7%, prospects for the stainless steel industry in the future are quite bright. Very high growth in process industry equipment manufacture will boost the demand for stainless steel, as will India's emergence as a leading automobile hub in the world. Government policies and priorities have led to the emergence of new volume areas, such as railway wagons and urban metro rails, calls for growing demand in ferritic grade stainless steel. With an expectation of higher growth in GDP and industrial production, Indian stainless steel consumption is expected to grow by about 8% annually and cross 5.3 million tons in the next five years.

Customer-focused strategic initiatives

In 2002, the company became Jindal Stainless after a restructuring that allowed it to focus more intensely on its core business. Customer-centric downstream operations were spun off into separate entities.

Jindal Stainless Steelway Limited, Service centre that offers convenient, customized just-in-time services delivered to the doorsteps of its customers. It delivers stainless steel products in exact quantities and meets specific requirements of slitting, cut-to-length and different surface finishes.

JSL Architecture Limited (arc), an architectural vertical was launched to cater to the requirements of the architecture, building, construction and transport sector such as railways & metros. It has full capability to provide the complete range of technical support services including design, fabrication, installation of architectural products at various airports, malls, stadiums etc. and delivering high precision engineering products for metro and railways.

JSL Lifestyle Limited, introduced 'artrdinox', the first lifestyle brand with an exclusive stainless steel lifestyle product range, in India. The brand is in demand among contemporary designers and end-users for its stunning product range.

Expanding our global footprint and increasing presence

Our vision has always been to be a leading global player with a strong competitive advantage. This commitment to be part of the global stainless steel manufacturing community has led us beyond Indian shores. The acquisition of a stainless steel plant - PT Jindal Stainless Indonesia, has established our foothold in the South East Asian & ASEAN markets. One of our high priorities has always been creating a stronger commercial presence in Europe and one milestone towards achieving that ambition is our service centre in Spain, Iberjindal S.L. Spain. Over the years we have opened sales offices, distribution networks and ware houses in almost 14 countries to help us reach out to overseas customers directly.

Progress through sustainability and human capital development

The core of our strategy has been, and continues to be, sustainability on every front. We are a leader in environmental performance in the industrial sector and deeply committed to leaving the least possible carbon footprint. The company is currently using waste heat for power generation and also coke oven gases for re-heating. This makes the environment cleaner as well as contributes to our quest for quality improvement, cost cutting and on-time delivery.

Our progress and success is also responsible for the continued well-being of our people. It enables us to invest in the development of the rich bank of human resources we are privileged to possess. 'EXCEED' was a step in this direction which aimed to achieve excellence through enhancing the leadership potential at the company. The program aims to provide leadership development opportunity to its participants through a variety of experiences including experiential learning, classroom modules, coaching and action learning projects at middle management to senior management. This forms the cornerstone of our efforts to further improve the sustainability of our operations.

The way forward - looking into the future

Year 2012-13 is likely to pose as a year of challenges and tough market demands. However, we are clear that the company will persist along its chosen path of strategic goals and initiatives. While we continue to fine-tune our product portfolio to meet new growth opportunities and markets, we will stay vigilant and focused on improving our fiscal performance. Our strengths are in providing intelligent solutions for efficient infrastructure and resource use; in many of these areas we are already best in class or have the potential to become the best in class. By doing this we will create the basis for further sustainable growth.

I would also like to take this opportunity to thank all stakeholders who have given our company their trust and support as lenders, shareholders, analysts, employees, customers, representatives of government, as media or the many community organizations with which we are associated.

Finally, I would like to thank our customers for their continued loyalty, our people and our management team for their great work, and our investors for their constant support.

We will continue to work hard to earn your trust, every day.

Ratan Jindal
Vice Chairman & Managing Director

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Board of Directors

Chairperson	Savitri Jindal
Vice Chairman & Managing Director	Ratan Jindal
Directors	Naveen Jindal Suman Jyoti Khaitan T.S. Bhattacharya Rajeev Bakshi James Alistair Kirkland Cochrane Jurgen Hermann Fechter Gautam Kanjilal (Nominee Director)
President & Executive Director Executive Director (Finance) Executive Director & Chief Operating Officer	Ramesh R. Nair Jitender P. Verma Subash Singh Virdi
Company Secretary	Jitendra Kumar
Working Capital Bankers	Axis Bank Bank of Baroda Canara Bank ICICI Bank Punjab National Bank State Bank of India State Bank of Patiala Standard Chartered Bank
Statutory Auditors	Messrs Lodha & Co., Chartered Accountants Messrs S.S. Kothari Mehta & Co., Chartered Accountants
Cost Auditors	Messrs Ramanath Iyer & Co., Cost Accountants
Registered Office	O.P. Jindal Marg, Hisar -125 005 (Haryana)
Works	Hisar, 125 005 (Haryana), Kothavalasa, 535 183 (Andhra Pradesh) Jaipur-755 026 (Odisha)

Notice

NOTICE is hereby given that the **32nd Annual General Meeting** of Shareholders of **Jindal Stainless Limited** (formerly JSL Stainless Ltd.) will be held on **Wednesday, the 26th day of September, 2012 at 11:00 a.m. at Registered Office** of the Company at O.P. Jindal Marg, Hisar 125 005 (Haryana) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date and the Reports of the Auditors and the Board of Directors.
2. To appoint a Director in place of Smt. Savitri Jindal, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. Naveen Jindal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Subash Singh Viridi, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory and Branch Auditors and to fix their remuneration and in connection therewith, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - I. **"RESOLVED** that pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956, the retiring Joint Statutory Auditors, M/s. Lodha & Co., Chartered Accountants (Firm Regn. No. 301051E) and M/s. S.S. Kothari Mehta & Co., Chartered Accountants (Firm Regn. No. 000756N) be and are hereby appointed as Joint Statutory Auditors of the Company from the conclusion of this meeting upto the conclusion of the next Annual General Meeting on such terms and conditions, including remuneration as may be finalized by the Board of Directors."
 - II. **"RESOLVED** that M/s. N.C. Aggarwal & Co., Chartered Accountants (Firm Regn. No. 003273N), be and are hereby re-appointed as Branch Auditors of Visakhapatnam division of the Company for the financial year ending 31st March, 2013 on such terms and conditions, including remuneration as may be finalized by the Board of Directors."

SPECIAL BUSINESS:

TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATIONS, THE FOLLOWING RESOLUTIONS:

6. AS A SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment or modifications or any re-enactment thereof and subject to all necessary consents and approvals, if any, consent of the Company be and is hereby accorded to the appointment of Mr. Ramesh R. Nair as President & Executive Director for a period of five years w.e.f. 3rd November, 2011 on the following terms and conditions:

1. Period of appointment : 5 years with effect from 3.11.2011 to 2.11.2016
2. Remuneration :
 - (a) Basic Salary : ₹ 4,16,667/- (Rupees four lac sixteen thousand six hundred sixty seven only) per month.
 - (b) Perquisites :

In addition to the salary, Mr. Ramesh R. Nair, President & Executive Director shall also be entitled to:

 - (i) House Rent Allowance / Value of Company Accommodation @ ₹ 2,08,334/- (Rupees two lac eight thousand three hundred thirty four only) per month.
 - (ii) Flexible Allowance @ ₹ 4,26,417/- (Rupees four lac twenty six thousand four hundred seventeen only) per month.
 - (iii) Reimbursement / Allowance of Professional pursuits @ ₹ 1,000/- (Rupees one thousand only) per month.
 - (iv) Reimbursement / Allowance of medical expenses @ ₹ 1,250/- (Rupees one thousand two hundred fifty only) per month.
 - (v) Leave Travel Assistance @ ₹ 30,000/- (Rupees thirty thousand only) per annum.

- (vi) Composite Car Allowance @ ₹ 32,000/- (Rupees thirty two thousand only) per month.
 - (vii) Petrol & Maintenance expenses @ ₹ 18,000/- (Rupees eighteen thousand only) per month.
 - (viii) Driver's wages @ ₹ 10,500/- (Rupees ten thousand five hundred only) per month.
 - (ix) Bonus @ 20% of basic salary.
 - (x) Group Personal Accident Insurance as per rules of the Company.
 - (xi) Leave with salary as per rules of the Company.
 - (xii) Mediclaim Insurance as per Company rules.
 - (xiii) Provident Fund as per rules thereof.
 - (xiv) Gratuity as per rules thereof.
 - (xv) Performance Linked Variable Reward (PLVR) as per scheme of the Company.
 - (xvi) He shall be also entitled to Employees Stock Options under Employees Stock Option Schemes / Plans of the Company as per Company rules as and when applicable.
 - (xvii) Other allowances as per rules of the Company.
3. He shall be granted normal annual increment, as decided by Vice Chairman & Managing Director in line with the Company's policy.
 4. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.
 5. He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
 6. He shall be liable to retire by rotation.
 7. Minimum Remuneration
Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Ramesh R. Nair, President & Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.

"RESOLVED FURTHER that pursuant to the applicable provisions of Companies Act, 1956, consent of the Company be and is hereby accorded for seeking necessary approvals, if any, for waiver of excess remuneration paid to Mr. Ramesh R. Nair for the period from 3rd November, 2011 to 31st March, 2012."

7. **AS AN ORDINARY RESOLUTION:**

"RESOLVED that in accordance with the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. Jitender P. Verma be and is hereby appointed as Director of the Company, liable to retire by rotation."

8. **AS A SPECIAL RESOLUTION:**

"RESOLVED that pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 or any amendment or modifications or any re-enactment thereof and subject to all necessary consents and approvals, if any, consent of the Company be and is hereby accorded to the appointment of Mr. Jitender P. Verma as Executive Director (Finance) for a period of five years w.e.f. 9th February, 2012 on the following terms and conditions

1. Period: 5 years with effect from 9.2.2012 to 8.2.2017
2. Remuneration:
 - (a) Basic Salary : ₹ 4,58,333/- (Rupees four lac fifty eight thousand three hundred thirty three only) per month.
 - (b) Perquisites:
In addition to the salary, Mr. Jitender P. Verma, Executive Director (Finance) shall also be entitled to:
 - (i) House Rent Allowance / Value of Company Accommodation @ ₹ 2,08,333/- (Rupees two lac eight thousand three hundred thirty three only) per month.

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- (ii) Flexible Allowance @ ₹ 2,88,083/- (Rupees two lac eighty eight thousand eighty three only) per month.
 - (iii) Reimbursement / Allowance of Professional pursuits @ ₹ 1,000/- (Rupees one thousand only) per month.
 - (iv) Reimbursement / Allowance of medical expenses @ ₹ 1,250/- (Rupees one thousand two hundred fifty only) per month.
 - (v) Leave Travel Assistance @ ₹ 30,000/- (Rupees thirty thousand only) per annum.
 - (vi) Composite Car Allowance @ ₹ 32,000/- (Rupees thirty two thousand only) per month.
 - (vii) Petrol & Maintenance expenses @ ₹ 18,000/- (Rupees eighteen thousand only) per month.
 - (viii) Driver's wages @ ₹ 10,500/- (Rupees ten thousand five hundred only) per month.
 - (ix) Special Allowance @ ₹ 10,00,000/- (Rupees ten lac only) per annum.
 - (x) Bonus @ 20% of basic salary.
 - (xi) Group Personal Accident Insurance as per rules of the Company.
 - (xii) Mobile Phone expenses as per rules of the Company.
 - (xiii) Leave with salary as per rules of the Company.
 - (xiv) Mediclaim Insurance as per Company rules.
 - (xv) Provident Fund as per rules thereof.
 - (xvi) Gratuity as per rules thereof.
 - (xvii) Performance Linked Variable Reward (PLVR) as per scheme of the Company
 - (xviii) He shall be also entitled to Employees Stock Options under Employees Stock Option Schemes / Plans of the Company as per Company rules as and when applicable.
 - (xix) Other allowances as per rules of the Company.
3. He shall be granted normal annual increment, as decided by Vice Chairman & Managing Director in line with the Company's policy.
4. He shall also be entitled to reimbursement of expenses actually and properly incurred by him for the business of the Company.
5. He shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committees thereof.
6. He shall be liable to retire by rotation.
7. Minimum Remuneration

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Jitender P. Verma, Executive Director (Finance), the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above.

9. **AS A SPECIAL RESOLUTION:**

"RESOLVED that in accordance with Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, as amended, as also provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the **"SEBI Guidelines"**), the provisions of the Foreign Exchange Management Act, 1999, as amended, and rules and regulations made thereunder, including the Foreign Exchange Management (Transfer and Issue of Securities by a Person Resident outside India) Regulation, 2000, as amended, if applicable, any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and Listing Agreements, entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to the approval of, if applicable, the Government of India, the Reserve Bank of India, the Securities and Exchange Board of India and/or all other authorities, institutions or bodies, within or outside India, and subject to such conditions as may be prescribed by any of them while granting such approval, the Board of Directors of the Company (hereinafter referred to as **"the Board"** which term shall be deemed to include any Committee(s), which the Board may have constituted or may constitute to exercise the powers conferred on the Board by this resolution) be and is hereby authorised by the Company to create, offer, issue and allot in one or more tranche(s), in the course of domestic or international offerings, with or without an over