EVERY MOMENT A STAINLESS MOMENT

ANNUAL REPORT 2013 | 14

JSL
JINDAL STAINLESS

PDF processed with CutePDF evaluation edition www.CutePDF.com

SHRI O.P. JINDAL

August 7, 1930 - March 31, 2005

O.P. Jindal Group-Founder & Futurist

"India of the twenty first century needs the vision and dedication of men like Om Prakash Jindal, and I trust all of us will carry his ideals forward as his true legacy."

Former Prime Minister of India
Shri Manmohan Singh

Building a self-reliant India was a lifelong dream for Shri OP Jindal. It was this patriotic zeal that took him from being a humble farmer's son to becoming the founder of an 18 billion dollar business empire, spanning across the metal and power sector. However, growth without inclusivity was meaningless for him. Throughout his life he worked for the masses in his home state of Haryana and across the country. He built several charitable hospitals & educational institutions. He also entered politics to directly connect and serve the people. All this to ensure that growth always reached beyond the few to the many.

At the OP Jindal group, his legacy of growth for all will always be a guiding light for us.

SAVITRI JINDAL

Chairperson Emeritus

At Jindal Stainless Limited we are committed to doing business in a sustainable manner with a focus on the concept of 'Shared Value'. Our core approach, while addressing social & development issues, is to encourage all stakeholders to undertake sustainable interventions with the aim of achieving the overarching vision of JSL 'to be admired as a socially responsible corporate.'

I feel very encouraged to see that in the vicinity of the plant locations, JSL is committed to a number of community development projects, thereby engaging in the process of development & growth and creating opportunities for all. I am particularly touched by the projects directed at empowering women as I believe that 'empowering a woman is to empower a family and by empowering a family you empower a community'. As part of the programme, women have been trained in book keeping skills and have opened bank accounts. The women self help groups, which have been created in the remote areas of Odisha because of their empowerment, are engaged in micro credit activities and are taking loans from large and small banks. What is most encouraging is to get the report of timely repayment of loans to the banks, thereby being eligible for additional loans to support their livelihood agenda.

We are proud to augment facilities of NC Jindal Institute of Medical Sciences by introducing a Cardio Centre, a specialized Cancer Center and a Nursing School. People from Hisar and neighboring area can now avail advance treatments for severe ailments like cancer and various cardiovascular diseases. Above that, mobile health vans also function to provide primary health care services and regular health checkups to the people of more than 20 villages in Hisar and Jajpur.

Such initiatives help in achieving our goal towards an inclusive growth. Much more needs to be done as we remain committed in making a positive impact on various stakeholders. I am sure with the support of you all we can make the world a better place to live in.

Dear Shareholders

In 1913, production of stainless steel in the world was only a few tonnes. It reached 0.6 Mt in 1938 and increased to about 2.5Mt in 1963. It crossed the 10Mt mark in 1986. Today, the stainless steel production has increased to 38.1 million metric tonnes for FY 2013-14 (preliminary figures). With the exception of Western Europe and Africa, all regions achieved positive growth. China alone accounted for 46% growth.

While world stainless steel production registered a CAGR of 5% during the period 1962-2013, it was China which led the charge with a CAGR of 15%. The Indian stainless steel production registered a CAGR of around 8% during the same period.

I am also happy to announce that your company's overall sales saw an increase of 13% in this financial year. Volumes crossed the 1 million mt mark this year. Our strong sales push in hitherto less penetrated market segments like nuclear power, industrial, process industries, oil & gas and kitchenware segments in domestic market contributed significantly to this growth.

Global Stainless Steel scenario

The global crude Stainless Steel production during 2013 was 38.1 million ton over 2012 production of 35.4 million ton, registering a growth of 7.6%. Over the past five years Stainless Steel production has shifted from Western Economies to the Asian Economies with China accounting for almost 50% of the World's production today. This has been possible on account of numerous protection and subsidies offered by the Chinese Government to its stainless steel industry. As per Heinz H. Pariser's Metal & Markets research, during China's current five year plan (2011-15) Stainless steel production capacity is scheduled to be further extended to 30 million tonnes from current level of around 19 million tonnes.

Indian Stainless Steel Scenario

Today with a crude stainless steel production of 3 mmt, India ranks as the third largest producer and second largest consumer of Stainless Steel. The market for 2013-14 was at 2.5 mmt of which Flat products accounted for approx 2 mmt. With a low per capita consumption of 2.1 kg (as against the world average of ~5 kgs) there lies a huge potential for future growth. While, there is a scope for growth, slowdown in sectors such as Infrastructure, Railways, Seaports, Airports, Highways, and Bridges etc. have been major obstacles in growth of Stainless Steel. The problems have got compounded on account of humongous increase in imports coming in from China. Over the past 5 years imports from China have gone up by close to 700%. Apart from dumping activities, large scale circumvention of import duties is also rampant.

But, with new government promising to focus on growth of domestic manufacturing and on the infrastructure sector, we are hopeful that the demand for Stainless Steel should also get a boost.

Business Highlights (Standalone)

JSL's (Standalone) gross revenue for the financial year ended 31st March, 2014 at ₹12,942 crore as against ₹11,091 crore in fy 12-13, has been highest ever, a growth of 17% year-on-year, mainly due to increased volume of sales at the new plant at Jajpur. Exports sales surged to ₹3,482 crore from ₹3,220 crore in fy 12-13 with year-on-year growth of 8% and Domestic sales grew by 20% to ₹9,460 crore from ₹7,871 crore in fy 12-13.

Profit before depreciation, interest and taxes stood at ₹886 crore as against ₹615 crore in fy 12-13. Net profit/ (loss) stood at ₹(1390) crore as compared to ₹(821) crore mainly on account of Interest cost of ₹1235 crore in comparison to ₹990 crore in fy 12-13 and exceptional loss of ₹417 crore as compared to ₹167 crore in fy 12-13. The increase in Interest is mainly on account of conversion of some of the Foreign Currency borrowings into Rupee borrowings. This was an exceptionally challenging year for JSL on account of tough economic conditions both Indian and Global, steep and sharp depreciation of rupee against dollar and adverse industry dynamics. However, the company was able to achieve good progress in ramping up of Jajpur plant and achieve the highest ever sales and further expects to gain from this state of art plant in the years to come.

Way Forward

I take a lot of comfort from the knowledge that over the past three decades Stainless Steel has grown by 5.32% annually while most of the other metals (carbon steel, zinc, Aluminium etc) have grown by just 2.5% to 3%. True compared to some of the other metals, stainless steel is far younger in age and it is exactly on account of this that, the growth in stainless steel will continue to outpace other metals for a long time.

Your company has initiated strategic growth plans in both domestic and international markets and has made investments towards capacity expansions through forward and backward integration. Ever since the onset of severe recessionary conditions internationally, it has become important to have thrust in the Domestic Market. We are therefore, focusing on improving our domestic market share further and have accordingly allocated 75% of our production for the domestic market and the remaining 25% is being exported to strategic markets.

Special drive has been organized in hitherto untapped segments like elevators, pumps, plumbing, sugar, rice and petrochemical industries etc.

- Development of new grades like 444, 445, 446 and/or special finishes by increasing capacities; improving upon technical know-how and/or adding necessary equipments is the firmís growth plan.
- Approvals and registration for the newly developed products/grades with domestic and international organizations is key focus area.

In order to introduce the benefits of stainless steel in more and more segments, parallel developmental activities for applications of stainless steels for products currently in other material / grades are being carried out. Thus,we feel will help in a big way to expand our markets.

Before, I conclude, I would like to take this opportunity to thank all our stakeholders who have given their support, trust and faith in us as lenders, investors, analysts and media.

I would also like to thank our employees, the management team, the directors on the board for their unwavering support during the challenging times.

I extend my sincere thanks to all our customers for their continued loyalty.

Ratan Jindal
Chairman & Managing Director

CONTENTS

Directors' Report.....6
Corporate Governance Report.....18
Management Discussion & Analysis Report.....30
Independent Auditors' Report.....34
Balance Sheet.....38
Profit & Loss A/C.....39
Cash Flow Statement.....40
Notes to Financial Statements.....42
Consildated Financial Statements.....76

REGISTERED OFFICE

O.P. Jindal Marg,
Hisar- 125 005 (Haryana) India
Phone: 01662 - 222471-83
Fax: 01662 - 220499
Email: info.hisar@jindalsteel.com
Email for investors:
investorcare@jindalstainless.com

CORPORATE OFFICE

JINDAL CENTRE
12, Bhikaiji Cama Place,
New Delhi - 110066, India
Phone : +91 - 011 - 26188345 - 60
Fax : +91 - 011 - 26170691, 26161271
Email : info@jindalsteel.com

MANUFACTURING FACILITIES

Hisar

O.P Jindal Marg,
Hisar - 125005 (Haryana), India
Phone: +91 - 01662 - 222471 - 83
Fax: +91 - 01662 - 220499
Email: info.hisar@jindalsteel.com

Kothavalasa

Jindal Nagar, Kothavalasa – 535 183
Dist. Vizianagaram (A.P.), India
Phone: 08966- 273327, 273254, 273335
Fax: 08966 -273326
Email: info.visakhapatnam@jindalsteel.com

Odisha

Kalinga Nagar Industrial Complex,
Duburi, Dist. Jajpur- 755 026,
Odisha, India
Phone: +91 – 6726 266031-33
Fax: +91 - 6726 – 266006
Email: info.jajpur@jindalsteel.com

Indonesia

Kawasan Industry Maspion,Maspion Unit-V
Desa Sukomylyo-Manyar, Gresik - 61151,
Surabaya Jawa Timur - Indonesia
Phone: +62 - 31 - 3959588, 3959565
Fax: +62 - 31 - 3959566
Email : info.indonesia@jindalsteel.com

For more info. log on to **www.jindalstainless.com**

Chairperson Emeritus
Savitri Jindal

Chairman & Managing Director
Ratan Jindal

Directors
Naveen Jindal
Suman Jyoti Khaitan
T.S. Bhattacharya
Girish Sharma
Gautam Kanjilal (Nominee Director)

Executive Director (Finance)
Jitender P. Verma

Executive Director
Rajinder Parkash Jindal

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 (Haryana),

Kothavalasa (Andhra Pradesh) and
Jajpur (Odisha)

To

THE MEMBERS,

Your Directors have pleasure in presenting the 34th Annual Report on the business and operations of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2014.

Financial Results

Your Company's performance for the financial year ended 31st March, 2014 is stated below:

(₹ In Crores)

Particulars	**Standalone**		Consolidated	
	Year Ended 31.03.2014	Year Ended 31.03.2013	**Year Ended 31.03.2014**	Year Ended 31.03.2013
Revenue from operations (Gross)	**12,972.73**	11,121.88	**13,875.94**	12,128.47
Less: Excise Duty on sales	**1,019.69**	835.67	**1,000.74**	823.73
Revenue from Operations (Net)	**11,953.04**	10,286.21	**12,875.20**	11,304.74
Profit before other Income, Finance Cost, Depreciation, Exceptional Items, Tax & Amortisation (EBIDTA)	**885.66**	614.97	**1016.19**	708.56
Add: Other Income	**40.06**	44.13	**39.10**	35.04
Less Finance Costs	**1,234.70**	990.29	**1,295.13**	1,043.44
Less: Depreciation / Amortisation	**687.66**	701.31	**728.39**	740.14
Profit /(Loss)Before Tax & Exceptional Items	**(996.64)**	(1,032.50)	**(968.23)**	(1,039.99)
Add: Exceptional Items – Gain/(Loss)	**(416.90)**	(166.96)	**(418.74)**	(183.99)
Profit/(Loss) Before Tax	**(1,413.54)**	(1,199.46)	**(1,386.97)**	(1,223.98)
Less: Tax Expenses	**(23.45)**	(378.64)	**(20.67)**	(381.94)
Net Profit /(loss) after Tax	**(1390.09)**	(820.82)	**(1,366.30)**	(842.04)
Share in Profit / (Loss) of Associate	**-**	-	**(0.38)**	(0.41)
Minority Interest	**-**	-	**(1.56)**	1.74
Net Profit / (Loss) (After Adjustment for Associate & Minority Interest)	**(1,390.09)**	(820.82)	**(1368.24)**	(840.71)
Add:				
Amount brought forward	**-**	618.69	**-**	530.87
Debenture Redemption Reserve written back	**3.14**	3.77	**3.14**	3.77
Amount available for Appropriation	**(1,386.95)**	(198.36)	**(1,365.10)**	(306.07)
Transfer to General Reserve	**-**	-	**0.42**	0.08
Less: Being deficit, Set off from General Reserve	**430.21**	(198.36)	**320.92**	(306.15)
Net surplus/(deficit) in statement of Profit & Loss	**(956.74)**	-	**(1,044.60)**	-

During the year, the Gross Revenue from operations of your Company on standalone basis has increased by 16.64% at ₹ 12,972.73 crore as compared to ₹ 11,121.88 crore during previous financial year 2012-13. The Profit before other income, Finance Cost, Depreciation, Exceptional Items, Tax & Amortisation on standalone basis stood at ₹ 885.66 crore as compared to ₹ 614.97 crore during previous year.

Further, during the year, the Consolidated Gross Revenue from operations of your Company has increased by 14.41% at ₹ 13,875.94 crore as compared to ₹ 12,128.47 crore during previous financial year 2012-13. Consolidated Profit before other income, Finance Cost, Depreciation, Exceptional Items, Tax & Amortisation stood at ₹ 1016.19 crore as compared to ₹ 708.56 crore during previous year.

- The financial results of the Company during the year 2013-14 have been adversely impacted inter alia on account of Continued dumping of stainless steel flat products in India and in particular the continued influx of cheap stainless steel from China.
- Continued build up of capacity in China despite the prevailing situation of excess production vis-à-vis local consumption and continued slowdown in local demand.
- Adverse Duty Structure for the Domestic Stainless Steel Industry, both in terms of import duty on raw materials as well as finished goods vis-à-vis other countries and in particular with reference to China.
- Increase in basic custom duty on import of Steel Scrap.
- Increase in raw material cost due to volatile currency.

Operations

(A) Hisar Division

Year 2013-14, shows a little recovery and stabilization, however, was a tough year for stainless steel industry on account of surplus capacities in other countries and dumping by China all around the world. JSL, Hisar Unit is able to achieve its highest ever dispatches of 673,254 MT in the year and crossed land mark achievement of 1.0 Million Ton Stainless steel dispatches from the organization. All the production facilities are aligned to serve value added products. The total steel melting shop production was approx. 7.20 Lac ton for the year.

The focus of the Company during the year for Hisar plant was on value added products and the Company achieved highest ever dispatches of 3370 MT coins and 9,004 MT finished Razor Blade Stainless strips of 0.10 mm or less thickness razor blade steel.

During the year Bright annealing facilities in CR complex has been modified & re-commissioned to cater white good sector market in feritic grade providing unit to leverage its strength and convert to higher value added products in the coming years. Others finishing facilities like slitting and eye wrapping line in SPD has been installed to cater rising market.

(B) Odisha Division

Despite slowdown in global economy the performance of Jajpur, Odisha improved substantially as compared to last year. During the year under review Steel Melting Shop produced 4,13,863 MT as compared to 3,13,258 MT, Hot Strip Mill produced 4,00,947 MT against 3,00,435 MT, Plate Finishing Shop produced 35,634 MT against 25,169 MT and facilities in CRM produced 3,32,535 MT against 2,54,597 MT produced last year.

The stainless steel facilities at Odisha have substantially enhanced the product portfolio of the company including wider width products of up to 1650 mm. Our products were are approved by many reputed organisations like IGCAR and BHEL, Trichy for 300 series and YAMAHA Motors India for 409L grade.

Jajpur unit received accreditations like Construction Product Regulations (CPR) and Pressure Equipment Directives (PED) Certifications thereby enabling our products to sell in the European market for Construction and Pressure applications.

The production at Ferro Alloys during the year was 1,35,678 MT against 83,290 MT produced last year which is 63% more as compared to last year. In spite of challenges in procuring chromite ore from domestic sources at cost effective prices, we could achieve the production by consuming concentrated ore and high usage of imported hard lumpy ore.

Both the power plants (2X125MW) generated power 1,190.925 million units (net) as compared to 1,089.53 million units (net) in the last year. Out of the total generation 88.828 million units were exported to Hisar plant and 22.92 million units sold through exchange. The Cokeoven facility was operated under lease till Oct, 2013. Total coke produced were 2,17,193 MT.

Jindal Chromite Mine produced 28055 MT of chrome concentrate from its beneficiation plant. The mine has reached the ultimate pit bottom so far as the friable ore is concerned and there has been no friable ore production during the year. However, lumpy chrome ore production from the mines was 64086 MT. The mine dispatched 39471 MT of chrome concentrate and 50237 MT of chrome ore to our Vizag Plant during the year.

(C) Vizag Division

The Vizag Plant produces High Carbon Ferro Chrome with annual capacity of 40,000 Tons per annum. Vizag Unit uses Chrome Ore supplied from captive Jindal Chromite Mine and Transfers the output to the Hisar Plant. The division has achieved 77% of the Installed capacity by producing 30,648 Tons of High Carbon Ferro Chrome during the year 2013-14 as compared to 20,169 Tons during the preceding year. The Production is less during the year 2013-14 due to Power restrictions/holiday being imposed by the APEPDCL time to time during 2013-14.

Further Vizag Unit dispatched 28,137 tons (including of 19,900 for Job Work A/c) to JSL-Hisar during the year 2013-14 as compared to 21,069 tons Job Work A/c during the preceding year. The Job work A/c production was stopped w.e.f. 21.11.2013

Debt Restructuring

Pursuant to the Reworked Corporate Debt Restructuring Scheme approved by CDR EG and Rework Letter of Approval ("Rework LOA") issued on September 18, 2012, the approved Reworked CDR package has been implemented by all CDR lenders and the Company had executed all the necessary documents.

During the year under report, the Company had arranged execution of corporate guarantee of 13 promoter group companies (out of total 30 promoter group companies) and is in discussions with the remaining promoter group companies for resolution of pending issues related to collateral security.

Restructuring / Reorganisation of the Company

The Board of Directors has constituted a 'Reorganization Committee' to explore and evaluate various options of reorganizing the Company's assets in an optimal way. The said Committee is empowered to work upon, determine and decide upon the relevant suitable structure.

Share Capital

During the year, the Company has received conversion notice for entire remaining 300 FCCBs amounting to USD 1.50 million and subsequently the company has allotted 547,458 fully paid equity shares.

During the quarter ended 31st March, 2014, the Company has raised ₹ 100,00,00,566, by way of issue and allotment of 1,07,50,000 equity shares of ₹ 2/- each and 1,58,10,440 Cumulative Compulsory Convertible Preference Shares (CCCPS) of face value of ₹ 2/- each at a price of ₹ 37.65 per equity share /CCCPS (including a premium of ₹ 35.65 per equity share/ CCCPS) in accordance with SEBI (ICDR) Regulations, 2009 to JSL Overseas Limited, a member of promoter group, on preferential basis.

Consequently, the paid-up share capital of the Company has increased from ₹ 40,81,55,094 to ₹ 46,23,70,890 divided into 215,375,005 equity shares of ₹ 2/- each and 1,58,10,440 Cumulative Compulsory Convertible Preference Shares (CCCPS) of ₹ 2/- each.

Dividend

The Board, considering the Company's performance and financial position for the year under review, has not recommended any dividend on equity shares of the Company for the year ended 31st March, 2014.

Transfer to Investor Education and Protection Fund

Pursuant to section 205C of the Companies Act, 1956, the Company has transferred unclaimed and unpaid amounts aggregating to ₹ 27,19,400 to Investor Education and Protection Fund of Government of India during the year 2013-14.

Employees Stock Option Scheme

During the year under review, 4,26,024 stock options were vested in eligible employees. The disclosure, under Clause 12 of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is set out in Annexure to this Report.

Information Technology

During the year, the Company's IT & SAP department has stabilized the SAP ECC 6.0 environment and has established a delivery team and mechanism for the Business Support. This Support Mechanism on SAP has enabled and empowered the Business users in continuing to conduct real-time transactions and analysis, across the locations on a single platform. It is the endeavour of the SAP team to further enhance the capabilities of the JSL SAP platform for a delightful Business User experience. The IT team of the company has also been successful in providing secure and non-disruptive IT (Hardware, Network, Software) services to your company throughout the year. Many initiatives like Exchange Migrations, Multi-platform mobile solutions, Barcoding and Management Analytics, etc have been planned & delivered.

The IT & SAP department plan to rollout further Business Enhanced support & solutions to your company in the coming year as well.

Subsidiary Companies

As on 31st March, 2014, your Company has 17 direct and step down subsidiaries, namely (i) Jindal Stainless UK Limited; (ii) Jindal Stainless FZE, Dubai; (iii) PT Jindal Stainless Indonesia; (iv) Jindal Stainless Italy S.r.l.; (v) Jindal Stainless Madencilik Sanayi VE Ticaret A.S., Turkey (vi) Jindal Stainless Steelway Limited; (vii) JSL Lifestyle Limited; (viii) JSL Architecture Limited; (ix) Green Delhi BQS Limited; (x) JSL Media Limited; (xi) JSL Group Holdings Pte. Ltd., Singapore; (xii) JSL Ventures