

# 11<sup>th</sup> Annual Report 2004-2005

JINDAL VIJAYANAGAR STEEL LIMITED



# Young thinking

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"If we work hard and  
be good to people around  
we will surely succeed"

- Shri O P Jindal

August 7, 1930 - March 31, 2005

O P Jindal Group - Founder and visionary



## our values

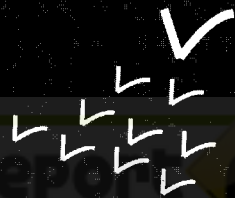


crystal  
clear

Young thinking is crystal clear

Openness and transparency above all else.

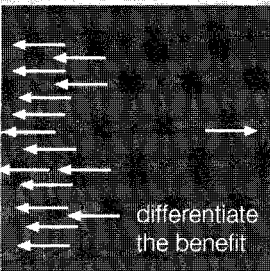
Be it in our transactions, our operations or our interactions with our stakeholders.



drive with  
leadership

Young thinking fosters leadership

Every man is his own master. Every man has the ability to make vital decisions at every level. It is the quality, the speed, the resilience and the coherence with which those decisions are made that determines true leadership.



differentiate  
the benefit

Young thinking is unique

No two problems can benefit from the same solution. It is our job, therefore, to differentiate the benefit of our actions so as to be able to provide our customers and the community at large, superior products.



young  
thinking

Young thinking is for winners

To innovate, to benchmark, to strive and to deliver value beyond expectations.

our vision

Young thinking

By year 2010  
10 million tonnes

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Our Values

- The preparation and grooming of the next generation of young thinkers
- The continuous improvement of cost stewardship in the value chain
- The ability to nurture lasting customer relationships, by anticipating needs and delivering beyond expectations
- The catalyst for growth amongst the nation's steel industries
- The marketing of value added branded products for both domestic and global markets



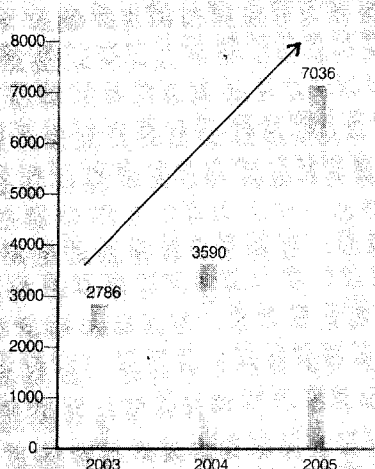


year at  
a glance

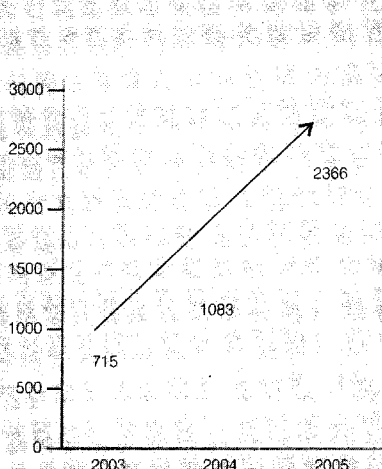
## Highlights 2004-05

- Crude Steel Output 1.875 million tonnes.
- Monthly production of Hot Strip Mill surpasses 2 lacs tonnes.
- Gross Sales up by 96% to Rs.7,035.90 crores (2003-04 : Rs. 3590.49 crores).
- Export Sales up by 1816% to Rs.3,293.84 crores (2003-04 : Rs.171.93 crores).
- EBIDTA up by 118% to Rs.2,365.83 crores (2003-04 : Rs.1,083.42 crores).
- Cash Profit up by 180% to Rs.1,895.96 crores (2003-04 : Rs.676.28 crores).
- Profit after Tax up by 65% to Rs.870.11 crores (2003-04 : Rs.528.68 crores).
- Debt repayment/prepayment of Rs.1079 crores.
- Dividend : 80% (30% Interim & 50% Final recommended)

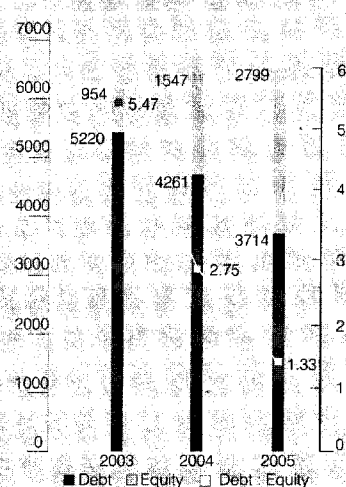
**Gross Sales (Rs in crores)**  
3 years CAGR : 36.2%



**EBIDTA (Rs in crores)**  
3 years CAGR : 49.0%



**Debt Equity Ratio**



- **Frost & Sullivan India Manufacturing Excellence Award (IMEA)**
  - Silver Award for Processes
  - Special Award for Proactive Labour Management
- **'National Quality Award - 2004'** from Indian Institute of Metals for Best Quality Management Practices amongst Integrated Steel Plants
- **'Steel Eighties Award - 2004'** from Indian Institute of Metals to Dr Shyam Sunder Gupta
- **'Young Metallurgist Award - 2004'** from Indian Institute of Metals to Mr Shankar Marar
- **'Excellent Energy Efficient Unit National Award for Excellence in Energy Management- 2004'** by CII
- **'NASSCOM BEST IT User Award 2004'** - for Manufacturing sector
- **'Silver Award in Metal Sector - 2003-04'** for Outstanding Management practices in Safety & Health by Green Tech Foundation
- **'National Water Management Award 2004'** constituted by CII won in the category of 'Excellent Water Efficient Unit'
- **'CII - EXIM Bank Award-2004'** for strong commitment to Excel
- **'Commendation Certificate in Manufacturing Category for Leadership and Excellence in Safety, Health & Environment (SHE) for the year 2004'** by CII, Southern Region

Dear Fellow Shareholders,

As we were preparing to close our books for the eventful year 2004-2005, my father and the Jindal group founder, Shri O. P. Jindal left us for heavenly abode. Stories of his legendary achievements will remain a motivating source of inspirations for us, today and for generations to come.

Shri O. P. Jindal began his career as a farmer in a small village, Nalwa in Haryana and from there, with his belief in himself, rose to be the epitome of the steel industry. It was his conviction and vision, which saw, the Jindal Group rise to become the fourth largest industrial house in the country. He always told us, "if you work hard and be good to people, success will be with you". Shri O. P. Jindal is no longer with us, the void left by our founder's towering personality will be difficult to fill. However, we pledge that we will continue to move in the direction he has shown us.

We at JVSL have whole heartedly accepted this challenge to move forward, benchmarking ourselves against the best in the world – Our group founder would have expected nothing less from us all.

#### **Our Goal: value-creation**

In a large capital-intensive business such as ours, while our functional objective may be to produce steel, our primary goal has always been to enhance value. We at JVSL believe, that a project should not be sustained simply because it is there; it must in fact be run in an efficient manner to enhance value for those who own it and represent progress for all those associated with it.

To be able to achieve this on a sustainable basis, we've adopted futuristic technologies and in doing so, have created a quality enhancing, cost-effective and modern steel plant. As a result of which, JVSL today possesses one of the lowest conversion costs in the world accompanied by a declining servicing cost per tonne of steel produced.

In addition to this we've decided to focus on manufacturing value-added products. And value-added steel varieties have accounted for 40% of our product mix in 2004-05. We have merged our parent company Jindal Iron and Steel Company Limited (JISCO) with ours, thereby extending our value chain from iron-ore to pre-painted galvanized products. In 2004-05, we generated 47% of our turnover from exports and have emerged as India's largest exporter of galvanized steel products.

Overall, at JVSL we have managed to leverage our existing strengths and have encashed upon a significant industry upturn to report more than 51% increase in turnover, an increase of 58% in operating profit (among the highest in the industry) and 10% growth in profit after tax for 2004-05 for the merged entity on a comparable basis.

#### **Our Achievements**

We are today India's third largest integrated steel company with a capacity of 2.5 million tonnes of steel. We have a 15% market share in India and a 50% in our home base in South India, and have played a pivotal role in growing India's finished steel market from 14.84 million tonnes in 1991-92 to 38 million tonnes in 2004-05.

Not surprisingly then, we have reported a profit after tax of Rs 870.11 crores in 2004-05, the highest in JVSL's short existence and have chosen to share these benefits with our shareholders by announcing a dividend of 80% for the entire year.



# letter to shareholders

## Our Next Steps: De-risking / Growth

At JVSL, we recognise the growth of our business and the need to migrate to a low cost structure that will sustain us in good markets and bad. With this in mind, we've decided to expand our steel making facilities from 2.5 to 3.8 million tonnes at a cost of Rs 1,275 crores. We've also rationalized our debt-equity ratio from 2.37 in 2003-04 to 1.33 towards the end of 2004-05, enhancing our interest cover from 3.07 to 5.04 during the same period. This will improve on further consolidation. Furthermore, we've made all incremental capital investments with Company's gearing not exceeding 1.0 and a payback not exceeding two years. We are in the process of acquiring EURO IKON (which has a blast furnace with capacity of 0.9 MTPA) and EURO COKE (which manufactures coke with a capacity of 0.62 MTPA). These companies are currently operated and managed by JVSL. They supply molten steel and coke to JVSL. The Company is also acquiring JSW Power Limited, a 290 MW power plant. These acquisitions are subject to requisite statutory and other approvals. It is this low cost - high returns foundation that will see us become one of India's largest steel manufacturing companies.

## Our Corporate Social Responsibility

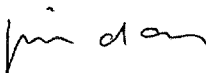
At the Jindal Group, we are committed to partnering the community, respecting the environment and believe that we must, with honesty of purpose, make a difference in the environment in which we operate. This is our code of conduct as responsible Corporate Citizens. Not surprisingly then, at the Jindal Group we've always found time to address the issues of the common man (and especially those of the weaker sections of society). Shri O. P. Jindal will always be remembered for his extreme generosity, towards those sections of society which needed help. He was responsible for setting up several schools and had provided many with the best secondary and tertiary health care through the state-of-the-art hospitals. Apart from providing employment, both direct and indirect, the locals and the community at large have benefited from his ongoing rural development activities.

## Our Inspiration

We would not be the Company we are today dear shareholders, without the guidance and leadership of my father and mentor, Shri O.P. Jindal. A businessman, a visionary and a philanthropist above all. A man who has shown us all by example, how to re-invest wealth created for the betterment of society at large. And how generously to return the favor when someone puts their faith and trust in our abilities and us.

Thank you.

Sincerely yours,



**Sajjan Jindal**  
Vice Chairman & MD



**BOARD OF DIRECTORS**

**Mrs. Savitri Devi Jindal**  
Chairperson

**Mr. Sajjan Jindal**  
Vice Chairman &  
Managing Director

**Dr. B.N. Singh**  
Jt. Managing Director & CEO  
(Upstream SBU)

**Mr. Raman Madhok**  
Jt. Managing Director & CEO  
(Downstream SBU)

**Mr. Seshagiri Rao M.V.S**  
Director (Finance)

**Mr. Balaji Swaminathan**  
Nominee Director of  
ICICI Bank Ltd.

**Mr. R.N. Roy**  
Nominee Director of Industrial  
Development Bank of India Ltd.

**Mr. I.M. Vittala Murthy, IAS**  
Nominee Director of KSIIDC

**Mr. N. Gokulram, IAS**  
Nominee Director of KSIIDC

**Mr. Jambunathan, IAS (Retd.)**  
Nominee Director of  
UTI Asset Management Co. Pvt. Ltd.

**Mr. S. David Chandrasekaran**  
Nominee Director of LIC of India

**Dr. S.K. GUPTA**  
Director

**Mr. Anthony Paul Pedder**  
Director

**Dr. Vijay Kelkar**  
Director

**Mr. Sudipto Sarkar**  
Director

**Dr. Ramaswamy P. Aiyar**  
Director

**COMPANY SECRETARY**  
Mr. Mehernosh Homi Kapadia

**STATUTORY AUDITORS**  
Lodha & Co., Mumbai

**CONCURRENT AUDITORS**  
S. R. Batliboi & Co., Kolkata

**BANKERS**  
Allahabad Bank  
ICICI Bank Ltd.  
Punjab National Bank  
State Bank of India  
State Bank of Indore  
State Bank of Mysore  
State Bank of Patiala  
Vijaya Bank

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Maharashtra - 421 604.

Tarapur, MIDC Boisar, Thane,  
Maharashtra - 401 506.

**REGISTRARS & SHARE  
TRANSFER AGENT**  
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Basavanagudi,  
Bangalore - 560 004.

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