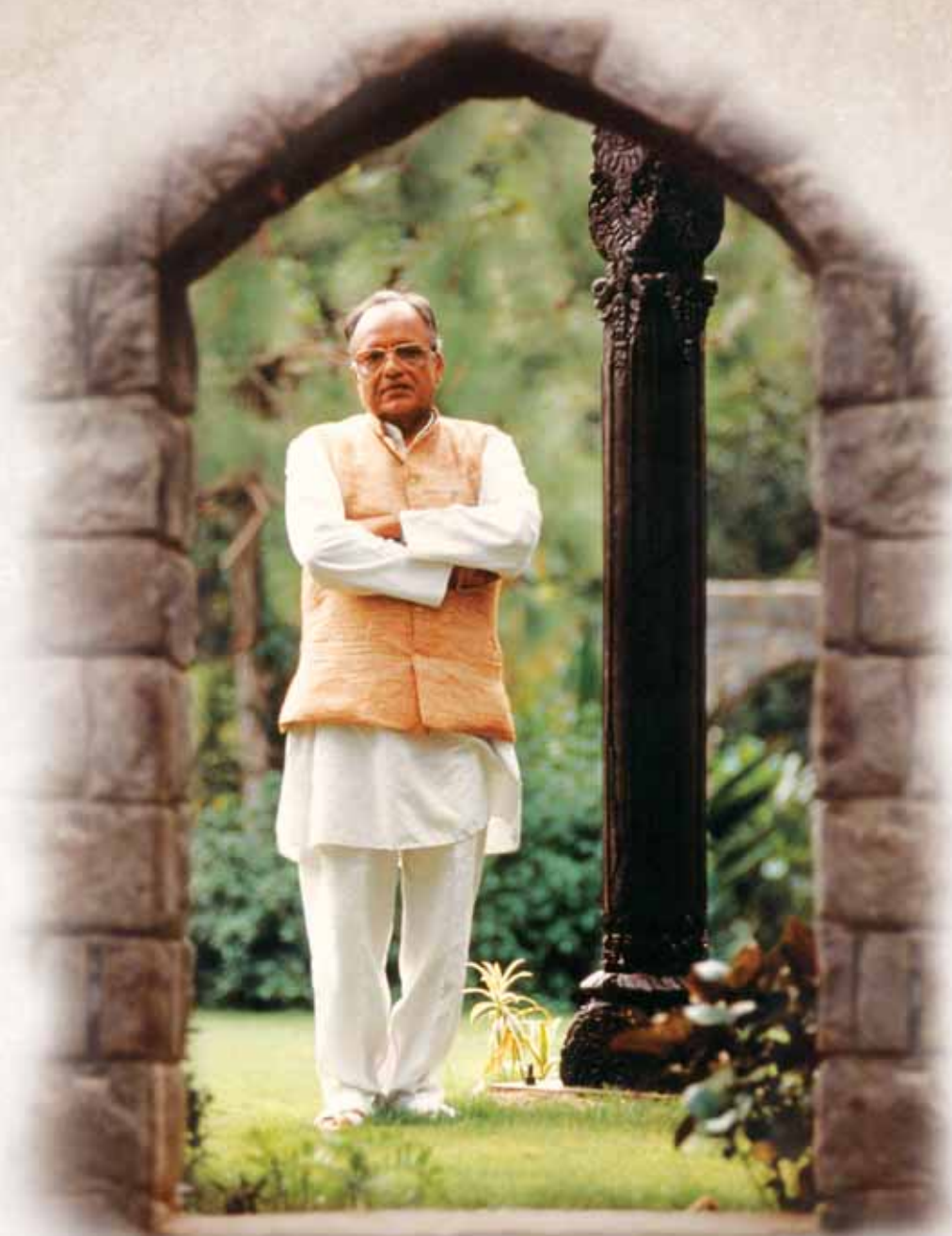


# RESILIENCE AND GROWTH



“Where others see walls,  
I see doors.”

**Shri Om Prakash Jindal**

(7<sup>th</sup> August 1930 - 31<sup>st</sup> March 2005)

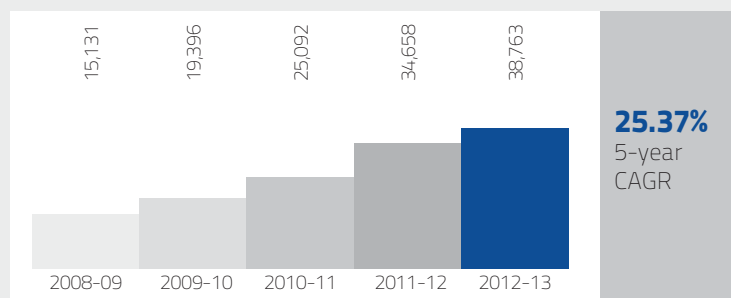
Visionary and Founder, OP Jindal Group

Shri Om Prakash Jindal, a visionary par excellence, inspired millions to follow their dreams. His ability to foresee development and the commitment to build a self-reliant nation created a paradigm shift in India's industrial scenario. A man with humble beginnings, he paved the way to success through sheer hard work and determination. Each one of us can find motivation in his story. His legacy lives on.

## Resilience revealed through performance

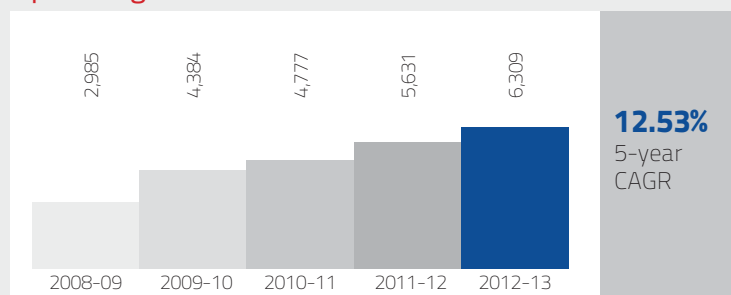
### Gross Turnover

₹ in crores



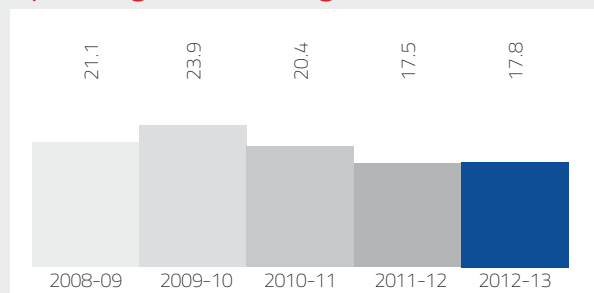
### Operating EBITDA

₹ in crores



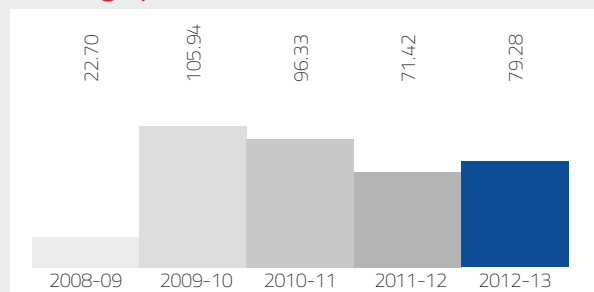
### Operating EBITDA Margin

%

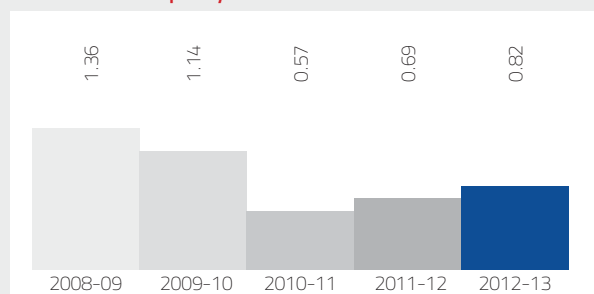


### Earnings per share – (Diluted)

₹



### Net Debt Equity Ratio\*



\*Excluding acceptances

## Key Highlights (Standalone)

### 8.52 MnT

Crude Steel Production up by 15%

### 8.87 MnT

Saleable Steel Sales up by 14%

### ₹ 38,763 crores

Gross Turnover up by 12%

### ₹ 35,388 crores

Net Turnover up by 10%

### ₹ 6,309 crores

Operating EBITDA up by 12%

### ₹ 2,504 crores

PBT up by 20%

### ₹ 1,801 crores

PAT up by 11%

### 8.17 %

Weighted average cost of Debt

### ₹ 79.28

Diluted EPS

### ₹ 10 per share

Equity Dividend

#### CONTRIBUTION TO GOVERNMENT & SOCIETY

	(₹ in crores)		
	2010-11	2011-12	2012-13
Direct Taxes	726	610	785
Indirect Taxes	1,693	2,325	3,012
Contribution to Society*	27	32	31
	<b>2,446</b>	<b>2,967</b>	<b>3,828</b>

\* Including capex

**29% Growth in contribution to government and society**

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# CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

We are optimistic and remain committed to India's growth story.



Dear Shareholders,

2012-13 has been a rather challenging year for the steel industry and for the Indian economy as a whole. The year started with concerns about the global economic slowdown on account of fiscal imbalances, and reduced trade and investments in advanced economies. These concerns sustained throughout FY 2012-13 and prevented the world from achieving any sort of meaningful recovery. The domestic economy too suffered a decade-low GDP growth of 5% not only on account of global headwinds but also due to RBI's liquidity tightening measures, a constrained investment pipeline as well as a widening current account deficit.

The global steel industry is also going through a challenging phase, which has been aggravated by excess capacity and weak demand growth. Globally, there is an installed crude steel capacity of about 2 billion tonnes per annum, with China accounting for around 50% share. In contrast, 2012 global finished steel consumption stood at 1.4 billion tonnes, with China accounting for about 46% share. The global industry is under pressure on account of a widening gap between demand and supply in China and in the absence of consolidation.

The domestic steel industry faced significant impediments in the form of weak demand growth of 3.3%, the lowest since 2009. The elasticity of steel demand to GDP growth in FY 2012-13 stood at 0.65, compared to a 10-year average of 1.16, indicating a less steel intensive phase of growth.

Moreover, there was pressure of rising imports, especially from countries with which India has signed Free Trade Agreements (FTA) like Japan and South Korea.

## Harnessing our resilience

In difficult times, your company taps its inherent strengths to adapt to changing circumstances and devise new ways to deal with adversities. I am happy to inform you that this is precisely what we achieved. As you are aware, the ban on iron ore mining in Karnataka, imposed in July 2011, impacted us severely. As a result, in order to remain competitive, we channelised our innovative energy and, in a true measure of resilience, adopted a series of initiatives to mitigate the impact of this adversity.

To begin with, we successfully used low-grade iron ore material. Our decision to build a 20 MTPA beneficiation plant stood us in good stead, and allowed us to utilise extremely inferior grade iron ore material to make steel. In doing so, we have developed a know-how, which can meaningfully extend the mine-life of iron ore resources in Karnataka's Bellary-Hospet region. We are now investing in R&D to reduce our dependence on high quality iron ore and substitute it with inferior iron ore feedstock.

We also modified our fuel blend, which helped us arrest cost increase meaningfully. Although the use of inferior grade material impacted both our furnace productivity and fuel rates adversely, we have been able to achieve the production guidance for FY 2012-13. With the gradual resumption of

iron ore mining in Karnataka, we are hopeful of the iron ore quality improving in the coming months, which will help us in improving our productivity and utilisation.

Despite sluggish demand, rising imports and constrained availability of quality iron ore, our overall sales increased by 14% to 8.9 MnT. Domestic sales grew by 9% to account for 7 MnT of total sales. As a result, our overall share in the domestic market increased to 10% and our contribution to the country's incremental demand growth in 2012-13 stood at 26%. We also capitalised our global competitiveness by increasing export sales by 32% to 1.9 MnT during the year, when the country's finished steel exports grew by 15%.

We continue to invest in improving productivity and efficiency, enriching product portfolio and preparing ourselves for future opportunities. Towards this, we completed the second phase of our 20 MTPA beneficiation plant; enhanced capacities of Corex II, Blast Furnace 2 and Hot Strip Mill 2 at Vijayanagar; upgraded the continuous galvanising line at Vasind; enhanced the capacity of colour-coating lines at Tarapur and installed a state-of-the-art 0.15 MTPA construction grade colour-coating lines at Vasind, to name a few.

## Exploring growth avenues

Your company is in the process of implementing a Composite Scheme of Arrangement and Amalgamation through which JSW ISPAT Steel is being merged with JSW Steel. After requisite statutory approvals, the Honourable High Court of Judicature at Bombay sanctioned the said scheme on May 3, 2013.

To enrich our product portfolio, we are implementing the following projects:

- A state-of-the-art appliance grade 0.075 MTPA Colour Coating Line at Vasind
- A new CSD5 0.2 MTPA Galvanising Line with dual products of Galvanised and Galvalume Steel at Tarapur
- A new 2.3 MTPA Cold Rolling Mill 2 at Vijayanagar: Phase I is expected to be commissioned by FY 2013-14 and Phase II is expected to be commissioned by FY 2014-15
- Phase I of a new 0.2 MTPA non-grain Oriented Electrical Steel facility is expected to be commissioned by FY 2014-15

Your company is committed to the 10 MTPA integrated steel project in West Bengal and have made significant progress in securing the requisite regulatory clearances during the year. An application for prospecting license has been made through the West Bengal Mineral Development & Trading Corporation (WBMDTC) for an iron ore concession in Jharkhand. Simultaneously, we are also working towards securing long-term iron ore supply arrangement from third parties. Once iron ore sourcing is tied up, project work will be further expedited.

The Ministry of Environment & Forest (MoEF) granted the Stage – 1 Forest Clearance for iron and manganese ore mining project in Ankua and the Rohne coking coal block in Jharkhand.

For the Greenfield project in Jharkhand, your company is pursuing various approvals / clearances for raw material linkages, land acquisition, environmental clearance and other statutory clearances.

## The road ahead

High Current Account Deficit (CAD) levels and a consequent weakening of the domestic currency create severe impediments to the sustainable growth of India's economy. The Government of India must adopt measures to bridge the high CAD levels and adopt policies to enhance exports. This requires a shift from a regime of deficits and supply bottlenecks, which can only be achieved by enhancing new capacities. For this, clearances for various investment projects, which have been in the works for a long time, need to be facilitated on an expeditious basis.

India is endowed with a rich mineral deposit base, which needs to be tapped sustainably to support growth in the domestic industry. If we do not employ measures to gainfully utilise this mineral wealth for the benefit of our population in the near future, our nation will lose out on a great opportunity to gain prosperity. In a few decades, with the vast amount of scrap generation, the use of iron ore will become limited. Similarly, usage of fossil fuels like coal is likely to decline sharply in a few decades, given rapid technological advances and an increased focus on renewable energy. Therefore, the government should make all efforts to encourage opening up of these mineral deposits over the next few years in an environmentally sustainable manner.

JSW Steel's business vision is centred on sustainability. We realise that only by creating a sustainable future, we can pave the way to help shape a self-reliant India. We believe that inclusive growth is the visible manifestation of sustainable prosperity, hence we focus on offering value to all our stakeholders. Our employees have been instrumental in providing a robust foundation for JSW Steel, from where we draw inspiration and continuously strive to set new benchmarks.

We are optimistic and remain committed to India's growth story. We believe that India's long-term growth potential remains intact, supported by structural trends of attractive demographics, rising industrialisation and urbanisation. We are confident that our resilience will allow us to make the most of the available opportunities. We look forward to enjoying your support during our journey.

Best wishes,



**Sajjan Jindal**

Chairman & Managing Director



# RESILIENCE AND GROWTH

The last few years have been remarkably tough for the global economy. Over the past year, the uncertainties of a fiscal imbalance in developed economies combined with falling trade and investments impacted investor sentiments. The US economy improved, albeit marginally. China, too, witnessed slowing investments and industry production.

India has not remained entirely immune to these headwinds. There is a moderation in GDP growth, inflation remains a deterrent to economic growth, the capital markets are depressed, our currency is at historic lows and the fiscal and current account deficit chasm remains a matter of concern.





JSW Steel Vijayanagar Complex



## PUTTING INDIA ON THE GLOBAL STEEL MAP

In January 2013, JSW Steel emerged as the fourth most competitive steel maker in the world, based on an assessment carried out by World Steel Dynamics. The assessment of 34 world-class steel makers was based on 23 parameters, including technology, profitability, cost reduction and financial health. JSW Steel secured full marks on conversion cost and yield, labour cost, expanding capacity and location in a high growth markets.

These challenges notwithstanding, India has demonstrated remarkable resilience and strength of character. Seen in the context of how major economies have been impacted, this seems even more creditable. Our financial institutions are strong, domestic consumption trends are healthy, investments in infrastructure remain steady, and the overall efforts to elevate lives continue.

In many ways JSW Steel's story mirrors that of India – characterised by resilience and growth through a hostile macroeconomic environment. Not just that, as the country's leading integrated steel producer with a combined 14.3 MTPA steel capacity<sup>1</sup>, JSW Steel is an enthusiastic participant in India's growth story. A story of over a billion people, whose aspirations are driving the second trillion dollar leg of an economic powerhouse. We remain confident about our long term direction and fundamental strengths.

A steadily rising per capita steel consumption curve contributes in no small measure to our optimism for the journey ahead. India's per capita steel consumption has risen from 29 kg in 2001 to 59 kg in 2012. Despite this, it is still lower than the global average of 215 kg, signalling a potential for rapid volume upsurge. As a priority, we aligned our capacity enhancements to this opportunity and, within the same period, have grown from 0.8 MTPA to 14.3 MTPA. We stand committed to setting up capacities which are capable of producing an array of steel grades, addressing the needs of India's growth and creating a self-reliant India.

In 2012-13 we reported a significant improvement in our performance. It is gratifying to see the progress we have made despite the challenges we faced. Our resilience stems from ensuring raw material supplies, realising greater cost efficiencies, leveraging our technological proficiency and calibrating our product-mix.

These initiatives in addition to management expertise have enabled us to weather a downturn in the steel cycle. They have also equipped us with a spirit of optimism, and fortitude to counter any challenges ahead. Despite shifting realities in the short term, our long term commitment to create a self-reliant India remains unwavering.

We believe our resolve will define the next leg of our quest, and help strengthen the steely foundation of the 21st century India.

<sup>1</sup> Post-merger with JSW ISPAT Steel Ltd.

## SELF-SUFFICIENCY STARTS WITH ENSURING RAW MATERIAL SUPPLIES



**As an infrastructure hungry nation, India is making rapid strides in growth across all forms of capital assets. A crucial enabler in this is to ensure sustainable resource supplies. Over the past few years, India has witnessed a huge churning in the dynamics of allocating and distributing resources of all kinds.**

**At JSW Steel, prudent strategies to tie-up resources form the cornerstone of our resilience and growth paradigm. Our efforts are directed towards ensuring that we have the raw materials we need at the right time without having to depend on limited number of resources, or without compromising on our profitability.**

**These strategies extend not only around multiplying sources, but also deploying capital investments and technologies to ensure consistent product quality at JSW Steel.**

### Iron ore

#### The benefits of beneficiation

India has abundant iron ore reserves. However, the ban on mining in Karnataka from where we procure a bulk of our high quality iron ore requirements, posed a serious challenge. Although the ban has been gradually lifted, beginning with Category A mines, sourcing iron ore remains a critical issue. A Beneficiation Plant at the Vijayanagar Complex, allows us to process low-grade iron ore as well as BHQ (Banded Hematite Quartz) ores, which is plentiful in Karnataka. Not just that, we have also acquired iron-ore mines internationally. This will allow us to ensure continuous production at our plants.



## BENEFICIATION PLANT

- > JSW Steel is the first steel manufacturer in the country to introduce a patented beneficiation technology that can effectively utilise low-grade iron ore. This technology uses sinter fines in the melter-gassifier unit of the Corex plant at Vijayanagar.
- > The focus on beneficiation of low grade iron ore has led to optimum resource utilisation, allowing JSW Steel to continue production despite constrained supplies of iron ore.





RMHS at Vijayanagar

## Coal

The volatility in global minerals markets across the past years have led to irregular supplies from primary producers to steel making regions. Production was hampered due to industrial strikes, infrastructure and weather disruptions in Australia and Mozambique and accidents in Canada.

We adopted a simple approach to see through this problem. We sourced coal from different geographies and different suppliers leading to reduced dependence on any one particular region.

The increase in the number of sources enabled us to strike the right balance between the procurement of key raw materials, tiding us through unforeseen events, optimising our raw material blend and gaining a cost advantage.

**JSW Steel's strategies to secure critical inputs contributed to resilience in a challenging scenario, allowing it to secure raw material supplies and ensuring continuous growth in production.**



**15%**  
crude steel production growth

Notwithstanding roadblocks in the regulatory environment and raw material supply, the year saw smooth production owing to the use of beneficiation technology and diversified sourcing of coal.



**17**

The number of sources JSW Steel procures coking coal from

The dependency on supply from a single region has been reduced significantly during the past two years.

## COST EFFICIENCY DRIVES GROWTH IN A RESOURCE-SCARCE WORLD



At the heart of India's reinvention as a globally favoured manufacturing destination lies its ability to drive and sustain a frugal cost environment. In a world grappling with an ever-escalating cost regime, India continues to remain competitive and attractive. In many ways, this is both a driver of resilience and an enabler of future growth.



At JSW Steel, we draw inspiration from this national trait, and work tirelessly to take it further. Our ability to sustain performance and remain profitable is a function of our strict vigilance on costs and a culture of constant innovation to reduce the same.

In 2012-13, particularly, our efforts at focusing on optimising cost of production yielded positive results. Faced as we were, with raw material shortages and poor quality supplies accentuated by the prevailing uncertainty in the regulatory environment, we



### 60 TPH BF Gas-fired Boiler

Maximises the utilisation of flue gases leading to reduced fuel costs and increased savings