

ANNUAL REPORT 2015-16
JINDAL STAINLESS LIMITED

NURTURING STAINLESS LEADERS





SHRI O.P. JINDAL

August 7, 1930 - March 31, 2005

O.P. Jindal Group - Founder & Futurist

NURTURING STAINLESS LEADERS

To the man who had the heart so fair
Every bud, every bloom, he nurtured with care
So many flowers, in so many shades
Breeze in bliss upon them played
Lilies, orchids and rosy-hued
The flare, the glint.. deeply imbued
Oh what a spirit he raised them with!!
The 'Stainless Leaders' for nation's pith.



SMT. SAVITRI DEVI JINDAL

Chairperson Emeritus

At Jindal Stainless Limited, we are committed to do business in a sustainable manner, with a focus on the concept of 'Shared Value'. Our core approach towards addressing the social and development issues is to encourage all stakeholders to undertake sustainable interventions, with the aim of achieving the overarching vision of Jindal Stainless Limited (JSL), 'To be admired as a Socially Responsible Corporate.'

I am happy to note that JSL, despite having many challenges, continues to serve the society at large and support the development agenda of the country, by undertaking a number of community development projects in the vicinity of the plant location. I am sanguine with the effort directed toward projects on empowering women, because I continue to believe that 'empowering a woman is to empower a family and in turn, empower a community'. With the innovative projects around education and skill development, I feel extremely encouraged to see how communities over a short span of five to seven years have transformed their lives, which lend towards the indicator, 'Improvement in the quality of life of the socially deprived community'. I am also happy to note that through the Company's CSR initiatives, the women have moved towards financial literacy and that they now have their own bank accounts, which is a good indicator of a robust and an effective community governance structure. The women Self Help Groups (SHG), which have been created in the remote areas of Odisha, primarily because of their empowerment are now engaged in micro credit activities and are taking loans from large and small banks. The livelihood generation programs in the villages, especially in projects linked to farmers and women, SHGs seem very rewarding and the small steps taken

toward livelihood generation activities in supporting projects like poultry and goatery are very encouraging. The steady growth of 'ASMITA' project by having given a voice to the rural women and showcase their prowess in entrepreneurial development is very impactful. Such case studies and stories need to be shared and replicated across geographies. This project, with a small number of women has trained women in various technical processes from sourcing, product design and product development to marketing. Such processes are great indicators in explaining project outcomes. It is also rather encouraging to be informed that women have now opened their own boutiques and shops and make good business with the skill sets acquired.

Toward education and health care, JSL is engaged with children out of schools addressing their health care through various programs. It is equally rewarding to note that mobile clinics visit villages every day of the week, with a large number visiting the facility provided. In addition to that, the specialist health camps conducted periodically are making a difference to lives of people. I am also happy to note that camps are being held for cancer detection and other health related innovative methods are being undertaken to address the issue of eradicating the problem.

JSL has been engaged in creating integrated and sustainable models of growth and development and linking up hard-core business strategies with the community outreach work, thereby strengthening inclusivity. I am certain with the support of all stakeholders, the vision of Mr. Ratan Jindal, CMD JSL, "To be admired as a Socially Responsible Corporate" will be achieved and demonstrated for others to emulate.



SHRI RATAN JINDAL

Chairman & Managing Director

Dear Shareholders,

It gives me pleasure to inform you that Jindal Stainless Limited (JSL) over the years has not only made significant strides forward despite challenges, but has also consistently surpassed the expectations of its stakeholders.

Undoubtedly, Indian economy has been resilient amid worldwide economic chaos. India has consistently bucked the trend to emerge as one of the fastest growing economies in the world, amid global economic stagnation. Both International Monetary Fund (IMF) and World Bank have reiterated that India would be one of the brightest spots with a growth rate of over 7% among emerging economies. Consistent turmoil in the Euro Zone has impacted the trade and business worldwide, while the US economy is struggling to recover completely. In contrast, Indian economy grew at 7.6% in FY 15-16, highest among all BRICS economies.

The global stainless steel industry was also impacted by the prevailing global economic scenario. The stainless steel industry was adversely impacted by the oversupply, continuous fall in commodity prices and trade protection measures by several countries. As an outcome of the supply glut, the year 2015 showed a decline of 0.3% YoY in global melt shop production. Oversupply from China continued to deluge the global markets despite of marginal decline in production.

However, you would be happy to note that your Company's standalone profit before depreciation, interest, exceptional item and tax (EBIDTA) stood at Rs. 520 crore in FY 15-16 as against Rs.304 crore in FY 14-15, showing a growth of 71%.

Global Stainless Steel Scenario

The global stainless steel meltshop production, for the year 2015 saw a dip of 0.3% YoY to 41.5 MT from 41.7 MT in year 2014 as per International Stainless Steel Forum (ISSF). Noticeably, the production increased in Asia by 1.4% whereas production in China stagnated. The weakness in global economy is also reflected on the demand side. As per CRU estimates, the consumption of cold-rolled flat products would increase by barely 1% in 2016 globally. Major quantum of the growth will come from mature markets in Europe and America, as well as India. Nickel prices saw a decline of almost 32% since April, 2015 leading to a fall in the prices of Nickel bearing Stainless Steel. Consequently, buyers were forced to reassess the inventory holding strategy and had to push back their buying decisions.

Indian Stainless Steel Scenario

Domestic Stainless Steel production continues to grow steadily as demand from Architecture, Building and Construction (ABC) and Automotive, Railway & Transport (ART) segments are expected to augment consumption. The total stainless steel melt production in India was 3.3 MT, registering a growth of 1.4% as compared to last year. India continues to be the fourth largest producer and the third largest consumer of stainless steel. The demand for Industrial Stainless Steel grades was subdued during FY 15-16 as a consequence of moderate Industrial activity which is likely to recover this year on account of improved industrial production. With a mandate to manufacture new coaches using stainless steel, Railways is

expected to be one of the key drivers for the growth of stainless steel in India. Indian Auto Sector is also expected to contribute to the stainless steel growth as Auto Majors expect a double digit growth with key players lining up their new production facilities. Infrastructure sector will also be a big propeller of stainless steel demand as the government plans to invest USD 7.34 billion for the development of 100 smart cities across the country. Other sectors including construction equipment, power etc. will also drive stainless steel usage in India.

Introduction of Quality Control Order this year will phase out substandard goods and ensure only quality products in the market. Highest ever imports of 5,32,033 MT flat products were registered in 2015-16. Dumped imports from China and ASEAN countries continue to pose risk for domestic stainless steel industry. Imports from China increased by nearly 20% over last year and constituted over 50% of the total imports into India. While trade remedial measures in the form of Anti-dumping Duties have been imposed, but they have been largely unsuccessful due to circumvention. Countervailing duty investigation against imports from China is underway and industry expects a prompt remedial action. An increase in Basic Customs Duty on Finished goods and lowering of duties on inputs would provide significant relief to the industry. We are proactively working with various sections of government to ensure level playing field for the domestic industry and also to enhance the usage of stainless steel in India.

Business Highlights (Standalone)

JSLs (Standalone) gross revenue for the financial year ended 31st March, 2016 stood at Rs. 7073 crore as against Rs. 6459 crore for the financial year ended 31st March 2015. Profit before depreciation, interest, exceptional item and taxes (EBIDTA) stood at Rs. 520 crore as against Rs. 304 crore in FY 14-15. Net profit/ (loss) stood at Rs. (388) crore [including exceptional gain of Rs. 327 cr] as compared to Rs. 223 crore of last year [including exceptional gain of Rs. 1173 cr]. The Company incurred Interest cost of Rs. 1005 crore in comparison to Rs. 916 crore in FY 14-15. JSL has done significant ramp up of its operations during the financial year 2015-16 and achieved capacity utilization of 75% and production of 603,863 MT as against production of 448,478 MT in FY 2014-15.

Way Forward

The demand for stainless steel would grow almost in proportion to the economic growth. With view to meet the demand, the company is enhancing its cold rolling capacity. Additionally, HRAP capacity will also be added within two years to serve the auto sector, Railways and process industry. Capacity utilization of the Ferro Chrome unit has drastically improved and has almost touched 90%. The cost of material movement will drastically reduce as railway sliding is 100% operational now. Greater value addition due to newly stalled No.4 finishing line is now an added advantage as width upto 1500mm can be processed on this line.

The company has been making consistent efforts and is committed to produce more efficient and innovative products through sustained R&D efforts. JSL in collaboration with the government is making all endeavours to augment the consumption of stainless steel in India. Special skill training sessions are being held for fabricators. We are improving our services levels through production planning. We have plans to increase distribution centres to increase availability and reduce the lead time. We are laying our emphasis on value added products in newer applications. Educative seminars and workshops to familiarise with the benefits of stainless steel are now a regular feature. We are introducing our product range in space, shipping and other areas of consumer goods, building construction and the newly driven smart city concept. I am a firm believer that outlook for stainless steel is promising in India and JSL being one of the largest stainless steel producers will remain committed to fulfil the demand of stainless steel in the country.

I am assured that with sincerity, hard work and dedication of entire JSL team, we will steer the company to scale new heights. I would like to express my gratitude and acknowledge the efforts of all my employees, lenders, shareholders, customers and other stakeholders who have consistently supported us at all times. I look forward to your continued support in future.

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Chairperson Emeritus
Savitri Jindal

Chairman & Managing Director
Ratan Jindal

Whole Time Director
S. Bhattacharya

Directors
Suman Jyoti Khaitan
T. S. Bhattacharya
Gautam Kanjilal (Nominee Director)
Ishani Chattopadhyay

Chief Financial Officer
Ashish Gupta

Company Secretary
Raajesh Kumar Gupta

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
M/s. Lodha & Co.
Chartered Accountants
M/s. S. S. Kothari Mehta & Co.
Chartered Accountants

Cost Auditors
M/s. Ramanath Iyer & Co.
Cost Accountants

Registered Office
O. P. Jindal Marg
Hisar - 125005 (Haryana)

Works
Jajpur (Odisha)

Jindal Stainless Limited

(CIN: L26922HR1980PLC010901)

Regd. Office: O.P. Jindal Marg, Hisar – 125 005 (Haryana), India

Phone No. (01662) 222471-83, Fax No. (01662) 220499

Email Id. for Investors: investorcare@jindalstainless.com

Website: www.jslstainless.com

Corporate Office: Jindal Centre, 12, Bhikaiji Cama Place, New Delhi – 110 066.

NOTICE is hereby given that the 36th Annual General Meeting of Shareholders of Jindal Stainless Limited will be held on Friday, the 30th day of December, 2016 at 12.00 Noon 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
 - a. the audited standalone financial statements of the Company for the financial year ended on 31st March, 2016, the Reports of Board of Directors and Auditors thereon, and
 - b. the audited consolidated financial statements of the Company for the financial year ended on 31st March, 2016 and the Report of the Auditors thereon
2. To appoint Director in place of Mr. Subrata Bhattacharya (DIN: 03050155), who retires by rotation and being eligible, offers himself for re-appointment.
3. To ratify appointment of Statutory Auditors and to fix their remuneration and in connection therewith, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Sections 139, 142 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, and the resolution passed by the Shareholders in the 34th Annual General Meeting of the Company held on 22nd September, 2014, the appointment of M/s. Lodha & Co., Chartered Accountants (Firm Regn. No. 301051E), and M/s. S.S. Kothari Mehta & Co., Chartered Accountants (Firm Regn. No. 000756N), as joint statutory auditors of the Company to conduct audit of the books of accounts of the Company for a period of three consecutive years, i.e. up to the conclusion of its 37th Annual General Meeting, which was subject to ratification at every Annual General Meeting, be and is hereby ratified to hold office from the conclusion of this Annual General Meeting till the conclusion of the 37th Annual General Meeting to be held in the year 2017, at such remuneration plus service tax, out of pocket expenses, travelling and boarding and lodging expenses etc, as may be decided by the Board of Directors of the Company."

SPECIAL BUSINESS:

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

4. AS A SPECIAL RESOLUTION:

APPOINTMENT OF MR. T.S. BHATTACHARYA AS AN INDEPENDENT DIRECTOR.

"RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and all other applicable provisions and Schedule IV of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014, as may be amended from time to time and Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. T.S. Bhattacharya (DIN: 00157305), Director of the Company, in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company, whose office shall not be liable to retirement by rotation, to hold office for a term of 3 (three) consecutive years w.e.f. 22nd September, 2016."

5. AS AN ORDINARY RESOLUTION:

RATIFICATION OF PAYMENT OF REMUNERATION TO M/S RAMANATH IYER & CO., COST ACCOUNTANTS, AS COST AUDITORS OF THE COMPANY.

"RESOLVED that pursuant to the provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, as may be amended from time to time, the remuneration of ₹ 1,75,000 (Rupees One Lakh Seventy Five Thousand only) fixed by the Board of Directors of the Company payable to M/s Ramanath Iyer & Co., (FRN 000019), Cost Accountants, 808, Pearls Business Park, Netaji Subash Place, Pitampura, New Delhi – 110 088, the Cost Auditors appointed by the Board of Directors of the Company for the accounting year 2016-17 in connection with conducting audit of cost accounting records of business activities relating to Steel business, be and is hereby ratified."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things as may be deemed necessary to give effect to this resolution."

6. AS AN ORDINARY RESOLUTION:

AUTHORITY TO ENTER INTO RELATED PARTY CONTRACTS / ARRANGEMENTS / TRANSACTIONS.

"RESOLVED that subject to the provisions of Section 177, 188 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 15 of The Companies (Meetings of Board and its Powers) Rules, 2014, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and all other applicable provisions of law, the approval of the Company be and is hereby accorded to the Board of Directors, to enter into one or more contracts / arrangements / transactions with PT. Jindal Stainless Indonesia ("PTJSI"), Jindal Stainless (Hisar) Limited ("JSHL"), Jindal United Steel Limited ("JUSL") and Jindal Coke Limited ("JCL") all being 'Related Party' as defined under Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, relating to sale or purchase of products, goods, materials or acquiring / rendering of services besides sharing of other common corporate expenditure, for an estimated amount of up to ₹ 900 Crores (Rupees Nine Hundred Crores only), ₹ 1500 Crores (Rupees Fifteen Hundred Crores only), ₹ 750 Crores (Rupees Seven Hundred Fifty Crores only) and ₹ 750 Crores (Rupees Seven Hundred Fifty Crores only) for PTJSI, JSHL, JUSL and JCL respectively, every financial year on such terms and conditions as may be mutually agreed upon between the Company and PTJSI, JSHL, JUSL and JCL."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorized to decide upon the nature and value of the products, goods, materials or services etc. to be transacted with PTJSI, JSHL, JUSL and JCL within the aforesaid limits."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby also authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby also authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Directors of the Company to give effect to the above resolution."

By order of the Board

(Raajesh Kumar Gupta)
Company Secretary

Registered Office:
O.P. Jindal Marg
Hisar – 125 005, Haryana.
23rd November, 2016

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself / herself and the proxy need not be a member of the Company.

Pursuant to Section 105 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 a person shall not act as proxy for more than fifty (50) members and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
2. A blank proxy form is sent herewith.
3. The instrument appointing the proxy should be deposited at the registered office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
4. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to special business to be transacted at the meeting is annexed hereto. The relevant details as required under Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, of the persons seeking appointment / re-appointment as Directors under Item No. 2 and 4 of the Notice, is also attached.
5. Under the 'Green Initiative' of the Ministry of Corporate Affairs, Notice of Annual General Meeting is being sent to the members who have registered email ids, through email and to all other members by Regd. Post / Courier.
6. All documents referred to in the accompanying Notice and the Explanatory Statement are open to inspection by the members at the registered office of the Company on all working days up to the date of Annual General Meeting between 11.00 AM and 1.00 PM.
7. The business of the meeting may be transacted by the members through electronic voting system. Members who do not have access to e-voting facility have the option to request for physical copy of the Ballot Form by sending an e-mail to investorcare@jindalstainless.com by mentioning their Folio / DP ID and Client ID No or download from Company's website www.jslstainless.com. However, the duly completed Ballot Form should reach the registered office of the Company not later than 29th day of December, 2016 (5.00 p.m. IST). A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both modes, then voting done through E-voting shall prevail and Ballot shall be treated as invalid.

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013

ITEM NO. 4

In terms of Section 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors), Rules 2014, the Independent Directors shall hold office for a period of up to 5 consecutive years and shall not be liable to retire by rotation. They may be appointed for a maximum of two consecutive terms of up to 5 years each. Further, in terms of Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

Mr. T.S. Bhattacharya, Independent Director of the Company was appointed as an Independent Director for a term of two years commencing from the 34th Annual General Meeting ("AGM"), by the Shareholders at the AGM of the Company held on 22nd September, 2014. Accordingly, the current tenure of Mr. Bhattacharya expired on 21st September, 2016.

The Nomination and Remuneration Committee of Directors have, keeping in view the feedback received from other Directors with respect to Performance Evaluation of Board and also the skills, experience and contributions of Mr. Bhattacharya, recommended reappointment of Mr. Bhattacharya for a further period of 3 (three) years with effect from 22nd September, 2016.

The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Mr. T.S. Bhattacharya for appointment as an Independent Director of the Company. He is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as Director. The Company has also received declaration from him that he meets the criteria of Independence as prescribed under Section 149(6) of the Act and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.