



2011-12 ANNUAL  
REPORT MSP Steel & Power Limited

# EMERGING STRONGER

### Forward-looking statements

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

# CONTENTS

## 02-17

### Company Overview

02	Growing Sustainably
04	Financial Statistics
06	Chairman's Message
08	MD's Perspective
10	Emerging Stronger
14	Management & Executive Team
16	Corporate Social Responsibility

## 18-39

### Board and Management Reports

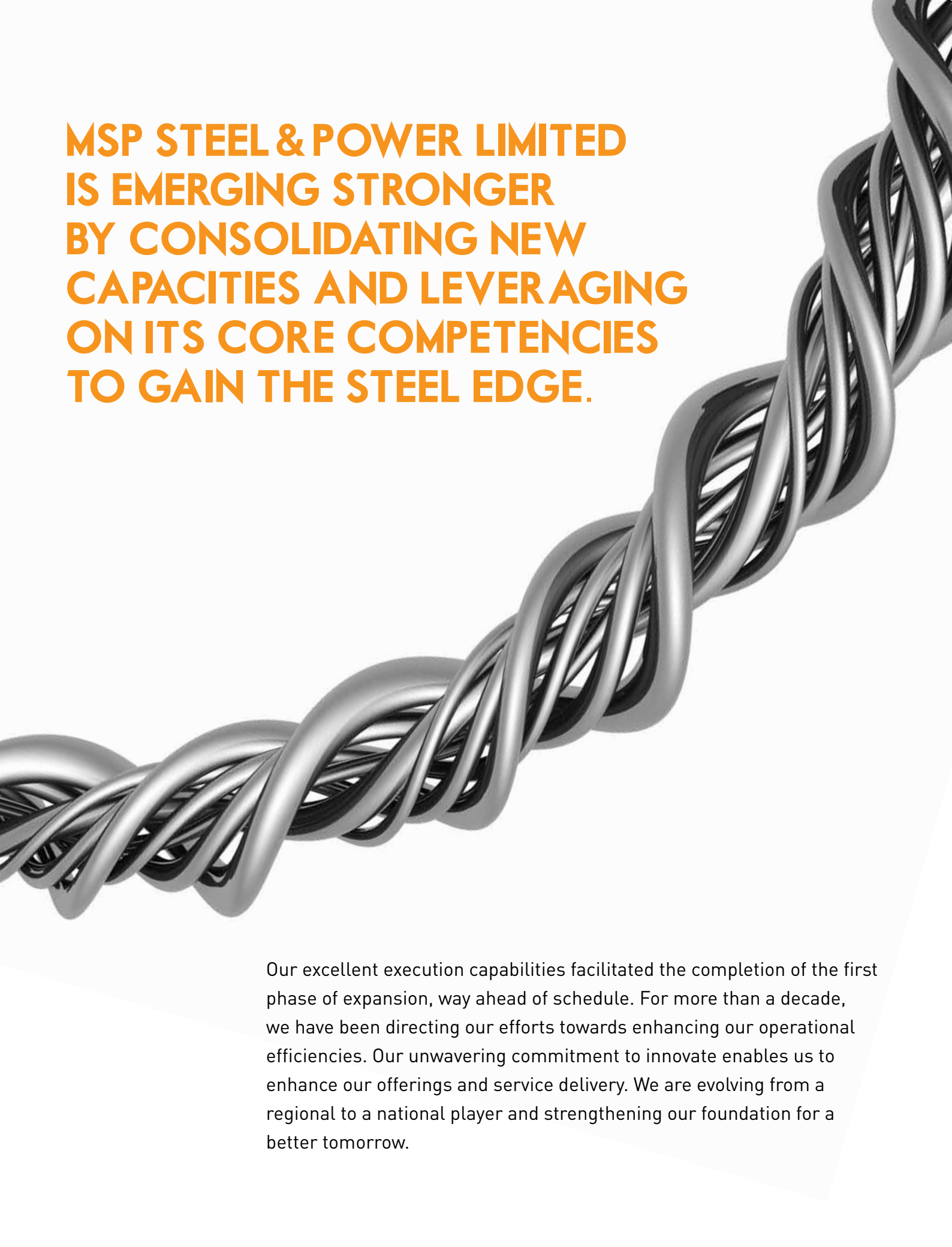
18	Directors' Report
24	Report on Corporate Governance
34	Management Discussion and Analysis Report

## 40-132

### Financial Statements

<b>Standalone</b>	
40	Auditors' Report
44	Balance Sheet
45	Statement of Profit and Loss
46	Cash Flow Statement
48	Notes

<b>Consolidated</b>	
87	Auditors' Report
88	Balance Sheet
89	Statement of Profit and Loss
90	Cash Flow Statement
92	Notes
132	Section 212



# **MSP STEEL & POWER LIMITED IS EMERGING STRONGER BY CONSOLIDATING NEW CAPACITIES AND LEVERAGING ON ITS CORE COMPETENCIES TO GAIN THE STEEL EDGE.**

Our excellent execution capabilities facilitated the completion of the first phase of expansion, way ahead of schedule. For more than a decade, we have been directing our efforts towards enhancing our operational efficiencies. Our unwavering commitment to innovate enables us to enhance our offerings and service delivery. We are evolving from a regional to a national player and strengthening our foundation for a better tomorrow.

# GROWING SUSTAINABLY

**A flagship Company of MSP Group, MSP Steel & Power Limited is fully integrated across the value chain and is engaged in the production of iron and steel. The organisation has a diversified portfolio, including pellets, sponge iron, steel, power generation and value added products like TMT bars and structurals (angles, channels and beams).**

## One vision

To unleash the power of our products to help enhance the country's economic growth and the well-being of its citizens.

## Dedicated mission

To rise from a regional player to a leading national player.

## MSP facts

- Pioneers of pelletisation and beneficiation plant, since 2009, in India.
- Transformed to a Public Limited Company in 2003.
- Listed on the NSE and BSE since 2005.
- Reputed brands — MSP Gold TMT Bar, Quadra Power and Next-Gen TMT Bar.
- Granted license rights to use the THERMEX® QUENCHING SYSTEM and TECHNOLOGY of M/s Hennigsdorfer Stahl Engineering GmbH, Germany.
- ISO 9001:2008 quality management system certification for its high grade construction bars.

## The evolving world of MSP

### 2003

Commissioned operations of 0.10 MTPA DRI plant at Raigarh, Chhattisgarh

### 2005

Expanded DRI capacity to 0.19 MTPA and billets capacity to 0.10 MTPA

### 2007

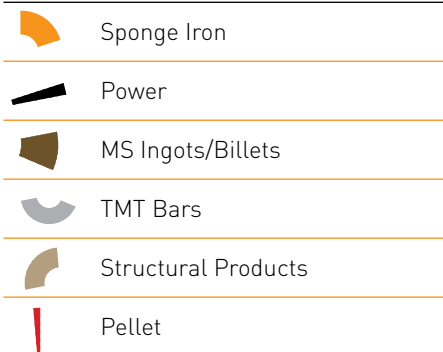
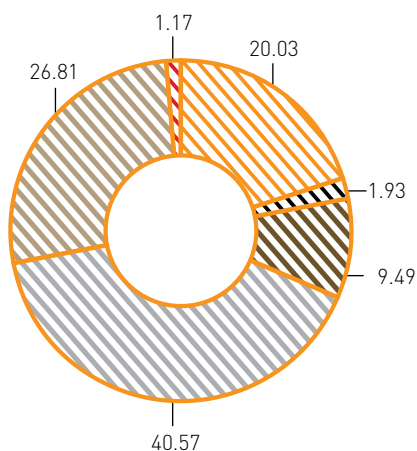
Emerg ed as a mini-integrated steel player; commenced commercial production of TMT bars, coal washery and captive power plant with installed capacities of 0.08 MTPA, 0.36 MTPA and 24 MW respectively

### 2008

Increased total installed capacity of billets to 0.14 MTPA

## Diversified product portfolio

Contribution to revenue in 2011-12 (%)



### Sponge Iron

	2010-11	2011-12
Production (MT)	155,851	195,595
Sales (₹ in crore)	109.19	124.73
Margin (%)	21.45	22.01
Capacity utilisation (%)	74.88	63.61

### Pellet

	2010-11	2011-12
Production (MT)	185,220	271,118
Sales (₹ in crore)	2.95	7.28
Margin (%)	31.48	46.26
Capacity utilisation (%)	61.74	79.41

### Power

	2010-11	2011-12
Production (MT)	192,995,100	269,777,140
Sales (₹ in crore)	15.34	12.04
Margin (%)	57.94	36.04
Capacity utilisation (%)	90.25	73.78

### MS Ingots/Billets

	2010-11	2011-12
Production (MT)	102,326	143,371
Sales (₹ in crore)	28.36	59.08
Margin (%)	24.23	18.70
Capacity utilisation (%)	71.01	99.49

### TMT Bars

	2010-11	2011-12
Production (MT)	49,379	75,693
Sales (₹ in crore)	135.55	252.70
Margin (%)	22.33	20.72
Capacity utilisation (%)	61.72	94.62

### Structural Products

	2010-11	2011-12
Production (MT)	53,196	49,501
Sales (₹ in crore)	140.18	167.00
Margin (%)	8.12	14.68
Capacity utilisation (%)	42.85	38.67

## 2009

Set up a pellet plant with a capacity of 0.30 MTPA

## 2010

Operationalised greenfield structural rolling mill of 0.13 MTPA capacity

## 2011

Operationalised an 18 MW power plant and 0.12 MTPA DRI plant; crossed ₹ 500 crore topline and ₹ 50 crore bottomline

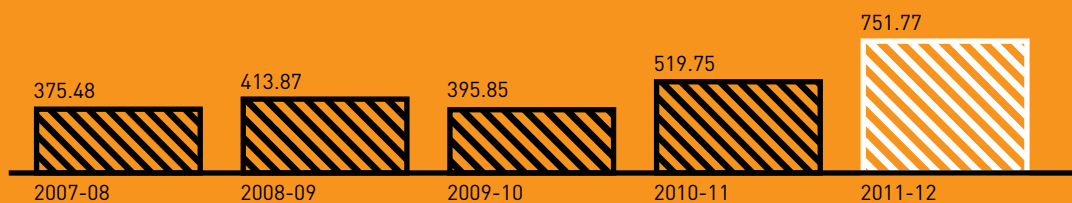
## 2012

Operationalised a 0.38 MTPA coal washery.

# FINANCIAL STATISTICS

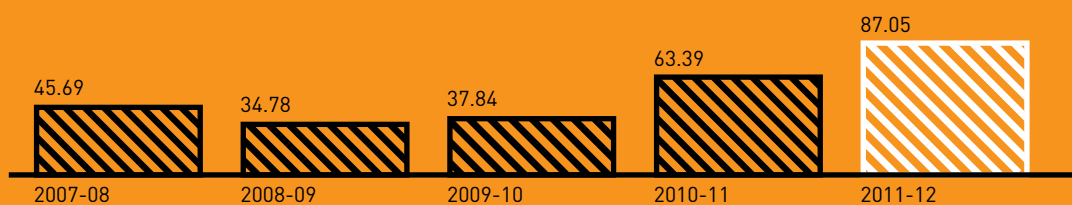
## Gross turnover

(₹ in crore)



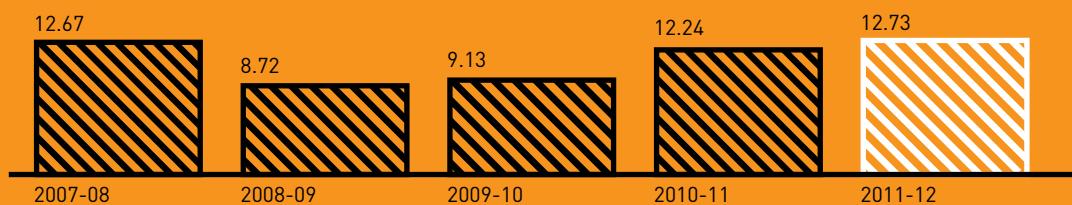
## Operating profit

(₹ in crore)



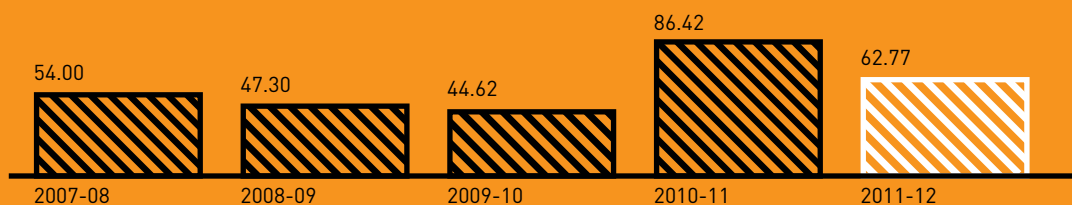
## Operating profit margin

(%)



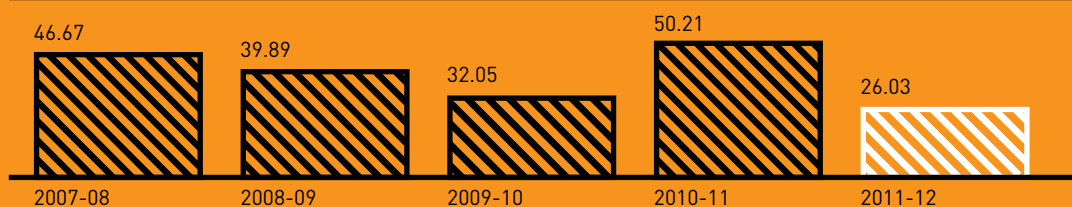
## Cash profit

(₹ in crore)



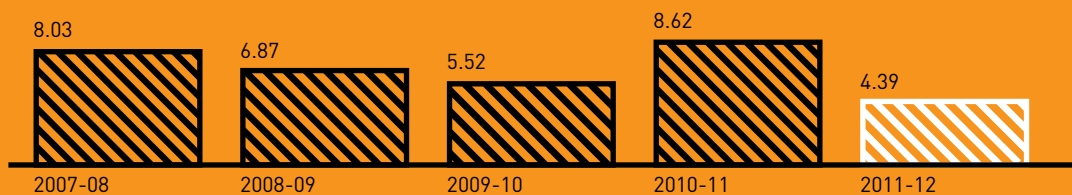
## Profit after tax

(₹ in crore)

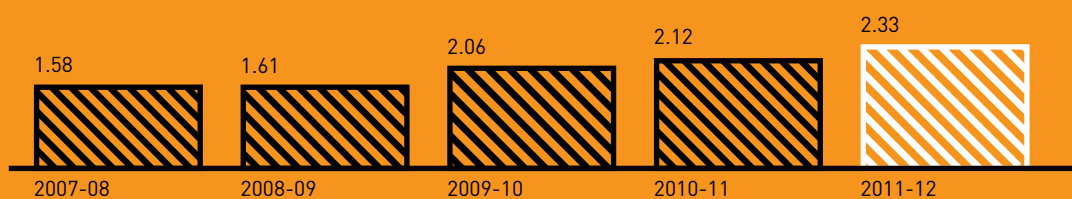


## Earnings per share (basic)

(₹)

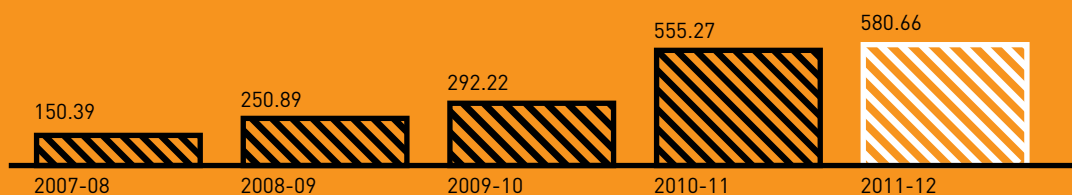


## Gearing ratio



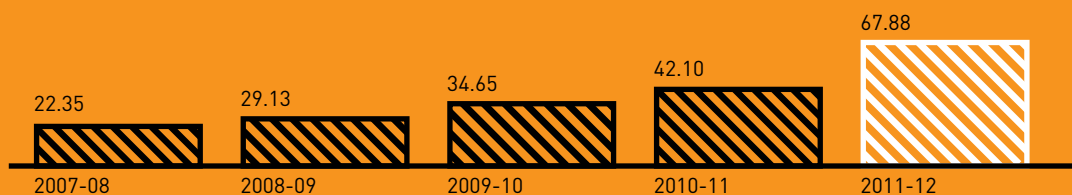
## Gross block

(₹ in crore)



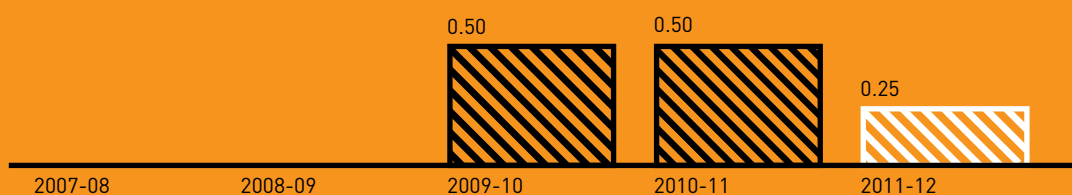
## Book value per share

(₹)



## Dividend per share

(₹)



# CHAIRMAN'S MESSAGE



I AM GLAD TO SAY THAT THE YEAR MARKED THE COMPLETION OF OUR FIRST PHASE OF EXPANSION, WHICH WAS WAY AHEAD OF SCHEDULE. THANKS TO OUR EXCELLENT EXECUTION CAPABILITIES THAT WE ACHIEVED THIS AMIDST CHALLENGES.

## Dear Shareholders,

Amid the sombre backdrop of the challenging and sluggish macro environment, the global crude steel production witnessed a 1.8% growth during the year. India's cumulative steel production witnessed a growth of 7% for FY 2011-12, against 13.2% growth in FY 2010-11. The slowdown in the production was owing to a lull in the commissioning of greenfield projects accompanied by severe raw material crunch from the ongoing crisis in coal and iron-ore sectors. The steel demand on the other hand has drastically declined owing to low consumption across major steel consuming areas like automobile, fast moving consumer goods and construction.

India has witnessed rapid steel capacity expansion over recent decades and has emerged as the fourth largest steel producer globally. The government has allocated US\$ 1 trillion for the XIIth Five Year Plan period towards infrastructure development, which will further enhance the demand for steel. The consumption growth, on the other hand, is expected to

increase considerably owing to urbanisation and increasing construction activities. MSP Steel & Power Limited is strategically positioned to respond to the anticipated demand. Our proactive strategy is based on our ambition to evolve from a regional player to one of the leading national players.

For more than a decade, we have been directing our efforts towards enhancing our operational efficiencies. Besides, we have invested around ₹ 840 crore over the past four years towards expansions of pellet plant, sponge iron and captive power plant capacities. I am glad to say that the year marked the completion of our first phase of expansion, which was way ahead of schedule. Thanks to our excellent execution capabilities that we achieved this amidst challenges.

Our team's dynamic and professional mindset has further enabled us to meet the untold challenges. Our continuous ability to innovate enables us to enhance our execution and service delivery. The growing levels of dedication and passion to excel give us the confidence to meet

our desired growth objectives. In addition, we will fulfil our obligations to all our stakeholders, customers and employees as well as the nation and the larger society, providing all of them with industry-leading values through advanced and responsible management.

At this juncture, stabilisation would be the focus of our strategy to ensure smoother operations, achieve economies of scale and enhance cost and overall efficiencies. I believe we have developed a framework that will bring significant success to MSP Steel & Power Limited and all its shareholders over the next several years and enable us to emerge stronger. I express my gratitude to all the shareholders, customers and employees for their continued support and confidence in our abilities. This gives us the courage to excel further in our future endeavours.

Warm Regards,

**Puranmal Agrawal**  
Chairman

AT THIS JUNCTURE, STABILISATION  
WOULD BE THE FOCUS OF OUR  
STRATEGY TO ENSURE SMOOTHER  
OPERATIONS, ACHIEVE ECONOMIES  
OF SCALE AND ENHANCE COST AND  
OVERALL EFFICIENCIES

# MD'S PERSPECTIVE



OVER THE NEXT TWO YEARS, WE SHALL  
FIRMLY FOCUS ON STABILISING OUR  
OPERATIONS AND ACHIEVE  
₹ 1,000 CRORE TURNOVER LANDMARK.  
WE ASPIRE TO TRULY EVOLVE FROM  
A REGIONAL PLAYER TO A NATIONAL  
PLAYER.

## Dear Shareholders,

In 2011, the world economy looked on in disbelief as significant financial stimulus measures that were supposed to rescue the United States and European countries from the global economic meltdown of 2008 began to backfire, leading to further financial problems in the United States and Europe. The global steel industry was faced with a similar situation, as prices for raw materials continued to climb despite of sluggish steel demand.

During a year of high volatility and persistent economic challenges, we continued our expansion programmes, underpinned by a robust demand anticipated from the infrastructure sector.

## Performance

We registered a growth of 45% in gross turnover owing to higher volumes and better realisations. However, our profits suffered a de-growth owing to increasing coal prices and iron-ore scarcity because of illegal mining and environmental issues in Karnataka and Goa and higher interest rates. However, these factors were common across the industry. Our positives arise from the fact that our capacity execution plans were implemented ahead of schedule despite global adversities. Our core fundamental strengths further enabled us to emerge stronger amid growing challenges.

## Focus on consolidation

This year we have completed phase I of our expansion and commenced commercial operations. Besides, our steel melting shops and DRI plant have successfully operated at