

FOR A STRONGER FUTURE

MSP Steel & Power Limited
Annual Report
2014-15



FORWARD LOOKING STATEMENTS

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take 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 management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as, 'anticipate', 'estimate', '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 realized, although we believe that we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

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Corporate Information

BOARD OF DIRECTORS

Chairman	:	Mr. Puran Mal Agrawal
Managing Director	:	Mr. Saket Agrawal
Non Executive Directors	:	Mr. Manish Agrawal
Independent Directors	:	Mr. Kapil Deo Pandey Mr. Navneet Jagatramka Mr. Ashok Kumar Soin Mrs. Priyanka Tiwari
Company Secretary	:	Ms. Ruchi Garg
Chief Financial Officer	:	Mr. Kamal Kumar Jain
Auditors	:	M/s. Sunil Kumar Agrawal & Associates <i>Chartered Accountants</i>

BANKERS	:	State Bank of India ING Vyas Bank Syndicate Bank UCO Bank Indian Overseas Bank State Bank of Mysore Allahabad Bank State Bank of Bikaner & Jaipur Corporation Bank DBS Bank Limited ICICI Bank Limited Union Bank of India Dena Bank Oriental Bank of Commerce
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SHARE REGISTRARS : Karvy Computershare Pvt. Ltd.
46, Avenue 4, Street No. 1
Banjara Hills,
Hyderabad- 500 034

A Glimpse of MSP Steel & Power Ltd.

At MSP Steel & Power Limited (MSPL), we are amongst the forerunner of steel manufacturers in India. We have a diverse product mix that consists of pellets, sponge iron, billet, power, TMT Bars and structurals such as joists, angles, channels and beams. We have fully integrated and consolidated across the value chain and have manufacturing facilities at Jamgaon, Raigarh in Chhattisgarh.

Our mission

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

Our vision

to unleash the power of our products, to help enhance the Country's economic growth and the well being of its citizens.

A diversified product portfolio

PELLETS	FY 14-15	FY 13-14
Sales (₹ in Cr)	132.92	120.85

MS INGOTS/ BILLETS	FY 14-15	FY 13-14
Sales (₹ in Cr)	183.22	250.28

STRUCTURAL PRODUCTS	FY 14-15	FY 13-14
Sales (₹ in Cr)	224.07	194.39

SPONGE IRON	FY 14-15	FY 13-14
Sales (₹ in Cr)	171.25	156.51

TMT BARS	FY 14-15	FY 13-14
Sales (₹ in Cr)	295.46	281.45

POWER	FY 14-15	FY 13-14
Sales (₹ in Cr)	32.68	32.97

CAPACITY UTILIZATION RATE (%)

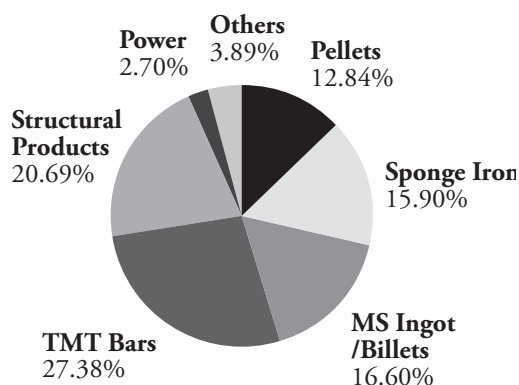
PRODUCT	FY 14-15
Pellets	77.00
Sponge Iron	91.20
MS Ingots/Billets*	71.11
TMT Bars**	93.93
Structural Products***	54.72
Power	71.27

*Commissioned additional new capacities of 54,000 Mt made in the month of Sept'2014

**Commissioned additional new capacities of 25,000 Mt made in the month of Sept'2014

*** Commissioned additional new capacities of 40,000 Mt made in the month of Mar'2015

SALES DISTRIBUTION OF PRODUCTS



OUR PERFORMANCE OVER THE LAST FEW YEARS

PARAMETERS	UNIT	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Gross Turnover	(₹ in Cr)	395.85	519.75	751.77	1015.35	1308.56	1,210.65
Cash Profit	(₹ in Cr)	44.62	86.42	62.77	66.4	75.79	(49.63)
Profit after tax	(₹ in Cr)	32.05	50.21	26.03	20.12	21.00	(102.57)
Gross Block	(₹ in Cr)	292.22	555.27	580.66	1016.81	1184.97	1,375.57
EPS	₹	5.52	8.62	4.39	2.96	2.38	(11.64)
Gearing Ratio	%	2.06	2.12	2.33	1.58	1.48	1.92
Book Value per share	₹	34.65	42.1	67.88	62.75	77.39	65.73

“The dynamic performance of the Company will lead to meeting the Challenges. The dedication of our team will lead to a steady movement towards the targeted goal of the Company. Our Company is likely to improve the efficiency and quality of products being manufacturer in coming years with the support of all concerned.”

Message from the Chairman



Dear Shareholders,

The global steel industry is going through a challenging phase, which has been aggravated by excess capacity, weak demand growth and the adverse impact of the rising steel exports from China (due to large surplus capacities and a slowdown domestic demand), which during 2014 marked the first time when annualized Chinese steel export hits the 100 million tonne mark. The world crude steel production reached 1665 million tonnes (mt) and showed a growth of 1% over 2013. China remained the world's largest crude steel producer in 2014 (823 mt) followed by Japan (110.7 mt), the USA (88.2 mt) and India (86.5 mt) at the 4th position in producing steel in the world. The domestic steel demand grew by 3.1% in F.Y 2015, imports of finished steel into India surged by 71% to 9.3 million tonnes. In the financial year 2014-15,

production for sale of total finished steel (alloy + non alloy) was 91.46 mt, a growth of 4.3% over 2013-14. Production for sale of Pig Iron in 2014-15 was 9.7 mt, a growth of 22% over 2013-14. India is the largest producer of sponge iron in the world with the coal based route accounting for 90% of total sponge iron production in the country. Rapid rise in production has resulted in India becoming the 3rd largest producer of crude steel in 2015 and the country continues to be the largest producer of sponge iron in the world.

GDP growth in India stood at 7.3% for the FY 2015. My belief is that we are at the cusp of sustained stronger growth in the light of planned infrastructural spending by the government. Though the FY 2015 growth and the steel sector was particularly impacted by the lack of demand, this is expected to pick up over the next few years. Decline in crude prices is likely to lead to lower fuel costs which shall be a major boost to Indians as continue to be one of the highest importers of crude. India's steel production rose by 7.9 per cent to 88.12 million tonnes last fiscal compared with the previous year. Despite increase in steel output, imports have surged by 71 per cent to record 9.32 million tonnes in 2014-15 fiscal.

As a facilitator, the Government monitors the steel market conditions and adopts fiscal and other policy measures based on its assessment. The liberalization of industrial policy and other initiatives taken by the Government have given a definite impetus for entry, participation and growth of the private sector in the steel

industry. Currently, basic excise duty for steel is set at 12.5% and there is no export duty on steel items.

The steel industry is often considered an indicator of economic progress, because of the critical role played by steel in infrastructural and overall economic development. Your Company is confident about the future plans of the company and the given integrated nature of our operations. The Company is focus on continuous improvement leading to greater efficiency. The future plans of the Company is to reduce cost, operate at high levels of capacity utilization to ensure a higher sales turnover & optimize its margin.

The dynamic performance of the Company will lead to meet the Challenges. The dedication of our team will lead to a steady movement toward the targeted goal of the Company. Our company which is likely to improve the efficiency and quality of products being manufactured in coming years with the support of all concerned. In addition, we will fulfill 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.

With best wishes,

Puran Mal Agrawal

Chairman

“The Management understands the tough conditions the Company is going through and hopes that with the inflow of funds as approved by the CDR EG it will improve the present conditions of the Company in near future. We shall be focusing in stabilising our operations and improve our efficiency at all the levels.”

Message from the Managing Director



Dear Shareholders,

The last twelve months were challenging to say the least especially for the steel industry. Being a core sector, the industry tracks the overall economic growth in the long term. As you may be aware, steel demand is a derivative of growth in sectors like automobiles, consumer durables and infrastructure and its fortune dependent on the growth of these user industries.

The global steel industry is facing challenges amidst weak global growth, large volumes of exports of finished steel by China and volatile currency movements. Indian players are subject to three challenges - scarcity of key raw material, moderate domestic demand and proliferation of unrestrained “dumping” of steel. Your Company too is not insulated from these macro-factors and hence

impacted by such market conditions resulting in an earnings decline over the last few quarters.

Adverse market demand coupled with scarcity and unavailability of raw materials has put tremendous strain on operations and liquidity. The cancellation of coal blocks by the Supreme Court and the closure of iron ore mines in Odisha has led to a massive shortage of raw materials and increased procurement cost as well resulting in reduced profitability.

This has impacted the Company's business consequent to which the Company's turnover tumbled to a level of ₹ 1210.65 Crs which represents a decline of 7.48% as compared to last year resulting to a net loss of ₹ 102.57 Crs. in the FY 2014-15.

Given the constraints and stressed industry scenario, your company decided to approach the lenders for Corporate Debt Restructuring. This was essential to ensure sustainable operations of the company and correct cash-flow mismatch that the company is currently facing. The restructuring of debt will enable your company to tide over strenuous liquidity conditions and ensure smooth running of its operations. The scheme of restructuring was approved by the CDR cell of the RBI on 23rd March, 2015 wherein the debt facilities of your company have been restructured to align repayment obligations with the sustainable cash-flows.

I would like to highlight that despite the tough working environment, your company has been able to achieve significantly higher level of capacity utilization compared to peers in the industry due to sustained efficiencies. Besides, we have also been able to maintain a lean cost structure due to our past efforts in increasing efficiencies and setting up cost-reduction mechanisms and technologies.

The current economic environment in combination with growth ambitions carries with it an evolving set of

risks. Your company, recognises that these risk need to be managed to protect its customers, employees, shareholders and other stakeholders & to achieve its business objective and enable sustainable growth. An integrated system of risk management and internal controls framework has been deployed taking into account various factors such as size and nature of the inherent risk and the regulatory environment.

Your company, realizes its responsibility towards the society in which it operates and contributes towards the society and environment. The Company has been involved in various social works such as providing clean drinking water in the areas in and around the plant location, renovation of schools, building of concrete roads, providing medical help to the poor, etc. I must acknowledge the immense contribution of the employees, shareholders, all stakeholders for their continuous trust and support to the Company.

Today, we are confident of achieving our planned objective on time, with our vibrant and dynamic Human Resources. The Management is looking forward towards a great year ahead for your company. We believe that the current government is making the right choice and taking the right steps towards creating an enabling environment for sustainable growth. With increased focus of the government of structural growth in times to come, we believe that demand conditions will improve. As infrastructure spend starts to grow, slowly but surely, the company will benefit as our systems and processes start yielding desired results.

With best wishes,

Saket Agrawal

Managing Director

Corporate Social Responsibility

Community Welfare

Providing safe drinking water by installing Tube Wells, Pumps in Beleria and HP Pump in the village, Bhuiyapali. We also undertook the charge for the renovation and setup of GYM and Badminton Court, made contributions in different cultural/social welfare, sports activities, motivational programmes in the rural area.

Infrastructural Development

We have constructed cement concrete/tarmac road in the rural areas, constructed toilets at villages such as Jamgaon, Behrapali, Sapnai, Saraipali, Kolaibahal, Bhuiyanpali, etc.

Education

Running an English medium school in Jamgaon, distribution of free school uniforms and school books, renovation of old school building and providing teaching faculty at various local schools in and around the plant site.

Health And Safety

Provides free medicines for the poor, 24 hours ambulance services, free medical check-ups and promoting health care including preventive health care by running a hospital to provide adequate and quick medical service.

Environment

Our focus is on the all-round development of the communities around our plants located mostly in distant rural areas and conservation of natural resource by making and renovating ponds, providing safe drinking water in and around its plant.

CHANGE THE WAY – THE WAY YOU WANT TO SEE THE WORLD

Activities Around Us

“Human development is the development of the future of our country”; for the youth different cultural programmes was initiated, social welfare programmes, different sports activities and motivational programmes were organised for the development in the rural area.

A Concrete / Tarmac road was constructed in Mahapali village for better transportation and communication.

Step Ahead Towards Public Welfare

MSP Group took the initiatives to step ahead for renovation and setup of GYM and Badminton court in Chakradhar Club, strives to provide efficient teaching faculty not only in its school but also to the nearby local schools.