

We Believe  
in Steel



MSP Steel & Power Limited  
Annual Report 2015-16

# MSP SYNOPSIS

MSP STEEL & POWER LIMITED is one of those manufacturers who irrespective of all the blockades is operating with better efficiency than ever before.

## M SPL PRODUCT RANGE

- \* Pellets
- \* Sponge Iron
- \* TMT Bars
- \* M.S. Billet
- \* Power

## S TRUCTURALS

- \* Joints
- \* Angles
- \* Channels
- \* Beams

## P LANT DIVISION

We have manufacturing facilities in Jamgaon , Raigarh in Chattisgarh



# FORWARD-LOOKING STATEMENT

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 the 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 realised, although we believe we have been prudent in assumptions. The achievements of results are 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. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

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# Corporate Information

## THE MANAGEMENT

<b>Chairman</b>	:	Mr. Suresh Kumar Agrawal
<b>Managing Director</b>	:	Mr. Saket Agrawal
<b>Executive Director</b>	:	Mr. Dhananjay Uchit Singh
<b>Non Executive Director</b>	:	Mr. Manish Agrawal
<b>Independent Directors</b>	:	Mr. Kapil Deo Pandey Mr. Navneet Jagatramka Mr. Ashok Kumar Soin Mrs. Priyanka Tiwari
<b>Company Secretary</b>	:	Ms. Shreya Kar
<b>Chief Financial Officer</b>	:	Mr. Kamal Kumar Jain
<b>Auditors</b>		
Statutory	:	M/s. Sunil Kumar Agrawal & Associates
Internal	:	Ernst & Young, LLP
Secretarial	:	M/s. PS & Associates
Cost	:	Mr. Sambhu Banerjee
<b>Bankers</b>	:	State Bank of India Kotak Mahindra 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
<b>CIN</b>	:	L27109WB1968PLC027399
<b>Registered Office</b>	:	1, Crooked Lane, Kolkata - 700 069 Ph. No.: (033) 2248 3795; Fax No.: (033) 2248 4138
<b>Corporate Office</b>	:	16/S, Block - 'A', New Alipore, Kolkata - 700 053 Ph. Nos.: (033) 4005 7777/ 2399 0038/ 3980 Fax Nos.: (033) 4005 7788/ 2398 2239 E-mail: investor.contact@mspsteel.com
<b>Share Registrars</b>	:	Karvy Computershare Pvt. Ltd. 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034



## VISION OF PROGRESS

- To be the most admired, continuously growing company with operational excellence, driven by innovations, technology and motivation to enhance sustainable industrial and business growth



## MISSION OF SUCCESS

- To emerge as a low cost manufacturer.
- To achieve business excellence through optimum resource utilization and spirit of entrepreneurship.
- To value the skill and integrity of employees and give priority to social welfare.



## CORE VALUES TO WORK

- **INTEGRITY**  
We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.
- **EMPATHY**  
We must be caring, show respect, compassion and humanity for our colleagues and customers around the world, and always work for the benefit of the communities we serve.
- **EXCELLENCE**  
We must constantly strive to achieve the highest possible standards including efficiency in our day-to-day work and in the quality of the goods and services we provide.
- **TEAM WORK**  
We must work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.
- **COMMITMENT**  
Working with urgency and commitment to be successful from individual and company perspectives.
- **RESPONSIBILITY/ACCOUNTABILITY**  
We must be responsible and responsive to the countries, communities and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.



## SOCIAL COMMITMENTS

MSP is a people oriented organization. The Company strongly believes that it can only prosper if its employees grow with it socially, economically and culturally. MSP helps in combating social challenges like un-education , healthcare, women empowerment, rural upliftment, and creating new work opportunities, etc, for the society.

### • EDUCATIONAL FIELD

- ✓ Running an English Medium school in Jamgaon Village
- ✓ Provided Uniforms and school books to children free of cost
- ✓ Sponsored teachers in different government schools in Raigarh

### • HEALTHCARE & SAFETY INITIATIVES

- ✓ Established a health centre for local villagers
- ✓ Conducted regular medical check-up for office staff and villagers
- ✓ Provided 24-hour ambulance services for villagers
- ✓ Provided fire fighting tanker, along with fire safety equipment

### • INFRASTRUCTURAL DEVELOPMENT

- ✓ Build school boundary and playground

### • COMMUNITY WELFARE

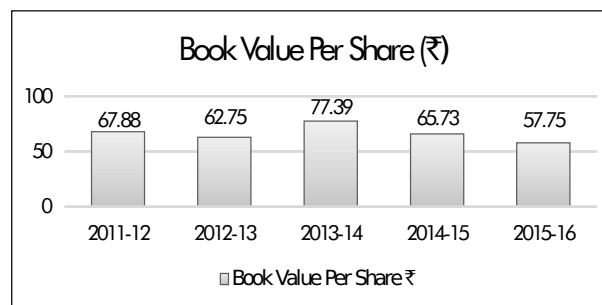
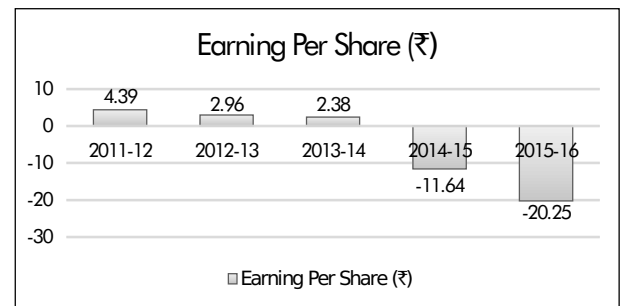
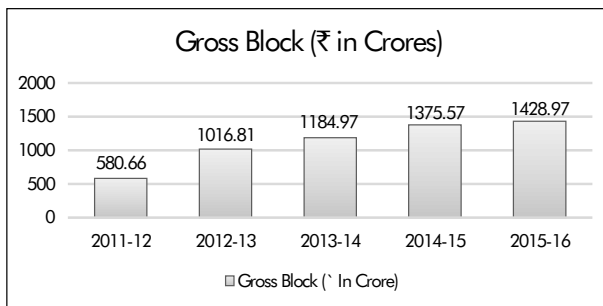
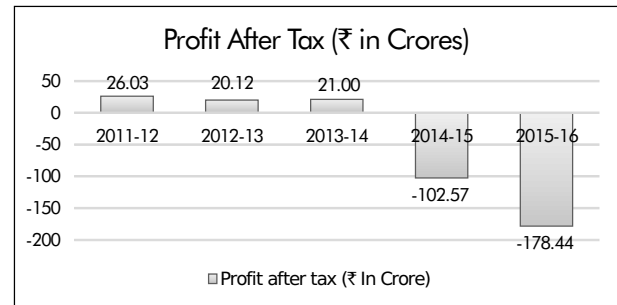
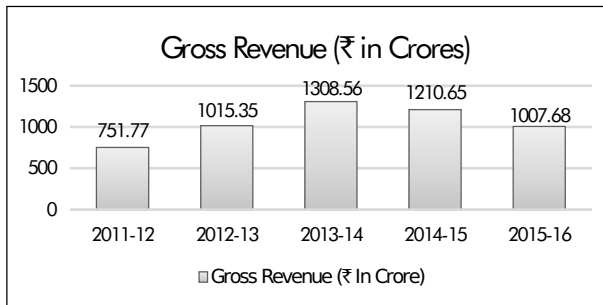
- ✓ Installed tubewells and motors in Jamgaon and adjoining villages
- ✓ Organized regular cleaning dredging of ponds
- ✓ Provided bus services to improve connectivity to Raigarh

### • ENVIRONMENT

- ✓ Planted trees in the surrounding villages and adjoining areas of the Company.



## FINANCIAL HIGHLIGHTS



## A diversified Product Portfolio

PELLETS	FY 2015-16	FY 2014-15
Sales (₹ in Crs.)	75.87	132.92

MS BILLETS	FY 2015-16	FY 2014-15
Sales (₹ in Crs.)	129.44	183.22

STRUCTURAL PRODUCTS	FY 2015-16	FY 2014-15
Sales (₹ in Crs.)	313.53	224.07

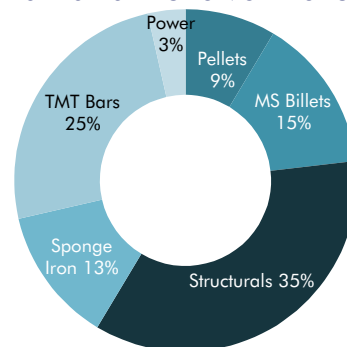
SPONGE IRON	FY 2015-16	FY 2014-15
Sales (₹ in Crs.)	113.20	171.25

TMT BARS	FY 2015-16	FY 2014-15
Sales (₹ in Crs.)	221.70	295.46

POWER	FY 2015-16	FY 2014-15
Sales (₹ in Cr.)	31.59	32.68

CAPACITY UTILISATION RATE (%)	
PRODUCT	FY 2015-16
Pellet	74.66
Sponge Iron	101.77
MS Billets	80.84
TMT Bars	85.73
Structural Products	93.62
Power	71.09

SALES DISTRIBUTION OF PRODUCTS



### OUR PERFORMANCE OVER THE LAST FEW YEARS

PARAMETERS	UNIT	2011-12	2012-13	2013-14	2014-15	2015-16
Gross Turnover	(₹ in Crs.)	751.77	1,015.35	1,308.56	1,210.65	1,007.68
Profit after tax	(₹ in Crs.)	26.03	20.12	21.00	(102.57)	(178.44)
Gross Block	(₹ in Crs.)	580.66	1,016.81	1,184.97	1,375.57	1,428.97
Earning Per Share	(₹)	4.39	2.96	2.38	(11.64)	(20.25)
Book Value per share	(₹)	67.88	62.75	77.39	65.73	57.75



## Message from the

## C H A I R M A N

Dear Stakeholders,

The Global Steel Industry was in the throes of turbulent time. The year gone by (2015-16) threw severe challenges at our Company. Excess steel capacity globally coupled with (a) sluggish investment and consumption spending and (b) historically low prices have resulted in a severe strain on the Company's operational and financial performance. Falling oil and gas related investments and the squeeze on Government spending have affected steel demand in economies dependant on oil based revenue.

With the deep integration of China in global manufacturing supply chain, this sector has slowed as a consequence of weak growth in global trade. The scenario for emerging markets and developing economies is not very encouraging either. Exports from China continue to penetrate markets all over the world, exerting downward pressure on the price of the steel in India. The Country suffered from unprecedented inflow of Steel imports from China, Japan, South Korea and Russia. In this climate, your Company will likely look to reduce debt, manage costs and implement operational improvements to weather the turbulence ahead. Your Company is looking towards 2017 for signs of recovery but bracing for a tough year in 2016. The Government of India has announced its first list of 20 smart Cities that will offer smart solutions such as assured power, water, supply, sanitation and solid waste management, efficient urban mobility robust, IT connectivity, e- governance, citizen safety, among others.

The Government's "Make in India" initiative along with other drives to improve the ease of doing business in India have been slowly leading to positive results. The emphasis has been on simplification and rationalization of the existing rules and introduction of IT to make governance more efficient and effective. India was ranked 142<sup>nd</sup> in 'Doing Business Report', 2015. The World Bank has released Doing Business Report 2016 on 27/10/15 where India ranked 130<sup>th</sup> thereby improving its Rank in starting a business dealing with construction permit and getting electricity indicators.



India's prospects are brightening due to low oil prices, the reform momentum and policies to increase infrastructure & manufacturing output. India's Steel demand will increase by 5.4% in 2017 reaching 88.3 MT in 2017. During the year 15-16, we have faced sluggish growth and on such devastating conditions we were irrepresible. We have re-organised business to optimum cost, enhance capacity efficiency and productivity of our workforce. We tried that the Company remain unflinching to counter all outlandish challenges but due to enhanced finance cost for borrowings and stagnant demand, we failed to become true beneficiaries thereby incurring loss of ` (17,844. 36) Lacs.

India's iron ore production in F.Y. 2016 reached 155 MT, registering an annual growth of 23%. A bulk of the incremental production has come from Odisha, where post the operationalisation of "The Mines & Minerals (Development & Regulation) Amendment Act, 2015," a number of mines, which were closed after the Hon'ble Supreme Court order dated 16<sup>th</sup> May, 2014, resumed production in F.Y. 2016.

During the end of this year which was a period of high ebb & flow, we hereby confirm to have a propitious upcoming year, with the strategies we have undertaken & operative measures we have taken. I thereby solicit the support & cooperation of all our Stakeholders to help us win and achieve the highest possible goals.

**Suresh Kumar Agrawal**  
Chairman

## Message from the

# MANAGING DIRECTOR

Dear Stakeholders,

The financial year 2015-16 was a year of various combinations like falling cost of Iron Ore, an international glut of finished steel and patchy domestic demand which made the year a hard year to survive for steel manufacturers. This year faced margin pressure due to imports from China, South Korea and other Countries. Dumping of steel by those countries has resulted in a decline in Net Sales Realisation for steel manufacturers in India

The Government of India, knowing the importance of the sector to the country's industrial development has taken a number of steps to further encourage investment and improve the economy. "Make in India" mission is one such long term initiative which will help India to be a "Manufacturing Hub". The Government in June made anti-dumping moves when it imposed an additional duty on imported steel (for specific categories) coming from certain Countries. In September 2015, it also slapped on a 20% safeguard duty to protect Indian Steel manufacturers from a surge of steel imports. With the introduction of MIP in Feb 2016, imports have started to decline, leading to a stabilisation of steel prices in India. This will help steel manufacturers in India.

At MSPL, we have been consistently improving technical excellence, cost and energy efficiencies in our plant at Raigarh. We are improving our internal control and reporting system to reduce administrative & other overhead expenses. We are relentlessly taking steps in areas of logistics, repairs and maintenance, stores and spares and focusing on initiatives such as yield optimization, improvement in overall equipment effectiveness, supply chain optimization and manpower productivity improvement to optimize costs to remain competitive in the coming year.

During the year, we have converted unsecured loans of ₹ 120.05 cr from promoter related companies in to 6% Non Cumulative Redeemable Preference Shares of ₹ 10/- with a premium of ₹ 90/- per share. We stabilised light structural rolling mill, which resulted in increase in production of structural items to 1.19 lac mtpa, enabling us to achieve our



targeted sales and significantly enrich our product mix. To improve our sales and realization, we are concentrating on the B2C segment, which would further push volumes and realizations.

During FY 2015-16 we achieved gross sales of ₹ 1,007 cr and incurred loss after tax of ₹ 178.44 cr. Prices of finished goods has reduced during the year but the prices of raw material has not reduced in same proportion to prices of finished goods. During the year, pellet plant operated at 75% capacity, sponge iron at 101% capacity, SMS at 80%, Rolling mill at 86% , Structural Rolling Mill at 71% and Power at 71% capacity.

Looking at the sluggish demand for pellet, we have stopped operations at our 3 lac MTPA of pellet plant during the year. We have increased utilization of hot conveyor system in to billet & rolling mill to improve efficiency and reduce cost.

The availability of iron ore is gradually improving after the reopening of several iron ore mines in Odisha in FY 2015-16. We ensured adequate and uninterrupted supply of iron ore by sourcing it from local miners. The availability of coal has also improved with the increase in production by Coal India. Coal is also easily available in international market. Besides improved rail logistics has also helped us streamline our raw material procurements.

Going forward, our focus will be to improve margins by way of operational efficiency, increased capacity utilization and financial control. We are confident in bringing profitable situation and reinforce the cash flows in coming year. I look forward to your continued support in our concerted journey to build a sustainable and value creating enterprises.

**Saket Agrawal**  
Managing Director