



AANCHAL ISPAT LIMITED

An ISO 9001 : 2008 Company

Build today, for tomorrow...



2016 - 2017
Annual Report









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Corporate Information

AANCHAL ISPAT LIMITED

CIN: L27106WB1996PLC076866

BOARD OF DIRECTORS:

- **Mr. Mukesh Goel**, Managing Director
- **Mr. Manoj Goel**, Non-Executive Director
- **Mr. Sudhir Kr. Budhia**, Independent & Non-Executive Director
- **Mr. Mukesh Agarwal**, Independent & Non-Executive Director
- **Ms. Preetee Agarwal**, Independent & Non-Executive Director

CHIEF FINANCIAL OFFICER

Mr. A. S. Nageswar Rao

E-Mail: corporate@aanchalispac.com

COMPANY SECRETARY

Ms. Priyanka Bhauwala

E-Mail: cs@aanchalispac.com

STATUTORY AUDITOR

M/s Raj Chandra & Associates
Chartered Accountants
205, Rabindra Sarani
3rd Floor, Room No. 105
Kolkata- 700 007

SECRETARIAL AUDITOR

Ms. Manisha Saraf,
Practicing Company Secretary
11, Dacres Lane,
1st Floor, Kolkata- 700069

REGISTERED OFFICE

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National Highway-6
Liluah, Howrah-711114
Tel: 03212246121
E-Mail: info@aanchalispac.com

INTERNAL AUDITOR

M/s H. Jhaveri & Associates
Chartered Accountants
34A, Metcalfe Street
Jain Centre, 6th Floor
Kolkata-700013

REGISTRAR & SHARE TRANSFER AGENT

Purva Sharegistry(India) Pvt. Ltd.

Unit no. 9, Shiv Shakti Ind.Estt.
J.R. Boricha Marg
Opp. Kasturba Hospital Lane
Lower Parel(E)
Mumbai-400 011
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BANKER

The Karur Vysya Bank Ltd

43, Strand Road, Burrabazar
(Off) 9, Ram Sevak Mullick Lane
Kolkata-700001

Management Discussion & Analysis Report

Steel Industry in India:

Steel is crucial to the development of any modern economy and is considered to be the backbone of human civilization. The level of per capita consumption of steel is treated as an important index of the level of socio-economic development and living standards of the people in any country. It is a product of a large and technologically complex industry having strong forward and backward linkages in terms of material flows and income generation. All major industrial economies are characterized by the existence of a strong steel industry and the growth of many of these economies has been largely shaped by the strength of their steel industries in their initial stages of development.

It is also one of the most important products of the modern world and of strategic importance to any industrial nation. From construction, industrial machinery to consumer products, steel finds its way into a wide variety of applications. It is also an industry with diverse technologies based on the nature and extent of raw materials used.

India's economic growth is contingent upon the growth of the Indian steel industry. Consumption of steel is taken to be an indicator of economic development. While steel continues to have a stronghold in traditional sectors such as construction, housing and ground transportation, special steels are increasingly being used in engineering industries such as power generation, petrochemicals and fertilizers. India occupies a central position on the global steel map, with the establishment of new state-of-the-art steel mills, acquisition of global scale capacities by players, continuous modernization and up gradation of older plants, improving energy efficiency and backward integration into global raw material sources.

India became the 3rd largest producer of steel and is now well on track to emerge as the 2nd largest producer after China. There is significant potential for growth given the low per capita steel consumption of 61 Kg in India, as compared to world average of 208 Kg. Indian economy is rapidly growing with enormous focus on infrastructure and construction sector. Several initiatives mainly, affordable housing, expansion of railway networks, development of domestic shipbuilding industry, opening up of defence sector for private participation, and the anticipated growth in the automobile sector, are expected to create significant demand for steel in the country. Further, while the main focus of the industry is on the domestic market, being in close vicinity of the developed west and developing east, provides it a strategic location that augurs well for the industry seeking opportunities for exports of finished goods and imports of some scarcely available raw materials.

Steel industry derives its demand from other important sectors like infrastructure, aviation, engineering, construction, automobile, pipes and tubes etc. With the Indian economy poised for its next wave of growth under the reforms being unleashed in the last one year, there lies tremendous opportunity for the Indian steel industry to prosper and grow exponentially. In India, steel has an output multiplier effect of nearly 1.4X on GDP and employment multiplier factor of 6.8X.

Global Steel Industry:

The global steel consumption grew by just 1% on a y-o-y basis to 1.52 billion tonnes in Calendar Year (CY) 2016. Although the figure declined in 1Q CY 2016, it started improving from 2Q CY 2016 and accelerated during 4Q CY 2016. This happened mainly due to an improving apparent consumption in China where the Government's mini stimulus measures drove buoyancy in infrastructure investment and the housing market. The apparent consumption in China appeared in the green than the largely expected negative. However, the statistic remained depressed in CIS, Middle East, Africa and Americas. The global crude steel production grew marginally at 0.8% y-o-y to 1.63 billion tonnes in CY 2016. China, India, Turkey and Ukraine were the

only four countries among the top 10 steel-producing nations to witness growth in steel production in CY 2016. The global crude steel output grew strongly at 3.3% y-o-y in second half of the year with increase in all major steel producing regions except South America, despite the fact that the global steel industry continues to face headwinds of overcapacity and weak demand.

(Source: World Steel Association)

Global economy is projected to grow by 3.5% in calendar year 2017. The overall macro-economic situation looks far better than previous year. While Global steel Industry continue to grapple with over capacity, weak demand growth, dumping of steel at predatory price by some countries & volatile input prices, improving growth momentum in advanced & key emerging markets & broad basing trade remedial measures will provide stability to steel industry.

Highlights of the Indian Steel Industry;

- 3rd largest producer of crude steel in the world CY 2016.
- 3rd largest consumer of finished steel in the world (2016)
- Producer of world-class steel of all major varieties and grades
- Strong economic foundation and reform centric policy approach are key factors, favoring growth of the domestic steel industry
- Domestic availability of raw materials such as iron ore and cost-effective labour
- The steel industry contributes 2% to the GDP of the nation and provides more than 6 million jobs (according to Ministry of Steel) in the country

(Source: Joint Plant Committee Report March 2017)

2016 was the year of reforms in the Indian steel industry. The timely remedial measures by the Indian Government, shielded the Indian steel sector from succumbing to external threats of dumping and uniform trade

Despite, the financial year 2016-17 threw up challenges in terms of tepid global consumption growth, trade remedial actions across countries and volatile raw material prices, steel prices recovered due to imposition of trade remedial across geographies and spike iron ore and coal prices providing relief to the steel industry.

On-going rapid urbanization in India is driving steel-intensive growth in the country. The Indian government is investing heavily in infrastructure and has laid plans to boost domestic steel capacity to 300 MT per annum by 2030.

India with its stable government, strong reforms, rising infrastructure spend & robust consumption demand will provide a platform to reach per capita steel consumption of 160 kg & total steel capacity of 300 Million tons by 2030 as envisaged by National Steel Policy 2017. Also trade remedial measures taken by the Government of India will provide level playing field to this strategic industry to revive investment cycle & create employment opportunities.

The budgetary allocation of INR 4 trillion for infrastructure, water and gas pipelines, renewable energy and road sector should fuel enhanced economic activity, and as a result, steel demand. Together with this, a normal monsoon will also augur well for the economy. Therefore, we expect the steel industry to grow at 5-6% over the medium term.

In the recent years, the steel industry, and the key raw material (iron ore and coal mining) industries have seen significant volatility. It happened largely due to a sharp fall in demand, an outcome of the global economic crisis.

Despite lack of momentum in the global economy, uninspiring demand growth in India and liquidity crunch following the Government's demonetization initiative, our company has fared better than the previous corresponding period.

National Steel Policy 2017 (NSP):

The National Steel Policy (NSP) 2017, released by the Government, aims to increase steel production. Its objective is to make India self-sufficient in steel production and projects crude steel capacity of 300 million tonnes (MnT) and per capita consumption of 160kg of finished steel by 2030-31. As a part of its focus area, the policy aims to address adequate local manufacturing to meet the demand for high-grade automotive steel, electrical steel, special steels and alloys for strategic applications by the same year.

(NSP) 2017 is also an effort to steer the industry to achieve its full potential, enhance steel production with focus on high end value added steel while being globally competitive. India's competitive advantage in steel production is driven, to a large extent, from the indigenous availability of high grade iron ore and non-coking coal – the two critical inputs of steel production. In addition, it also has a vast and rapidly growing market for steel, strong MSME sector and a relatively young work force with competitive labour costs.. Driven by the positive demand outlook and prevailing high prices of steel in the period post 2004, the Indian steel sector witnessed a wave of investments in many states of India. Substantial new capacity was created and existing plants were modernized.

The core elements of NSP are the following:

1. Building a globally competitive steel industry with a crude steel capacity of 300 MnT 2030
2. Increasing the per capita steel consumption to 160 Kgs by 2030-31
3. To domestically meet entire demand of high grade automotive steel, electrical steel, special steels and alloys for strategic applications by 2030-31
4. Increase domestic availability of washed coking coal so as to reduce import dependence on coking coal to 50% by 2030-31
5. To be net exporter of steel by 2025-26
6. Encourage industry to be a world leader on energy and raw material efficient steel production by 2030-31, in a safe and sustainable manner
7. Develop and implement quality standards for domestic steel products

Business Overview:

Our Company is engaged in manufacturing TMT bars and MS Rounds/angular, which have growing demand from infrastructure companies, Machinery Manufacturers and various other Engineering Industries. The long established relationships with esteemed buyers from these sectors and the continued emphasis of the Company on meeting the growing market demands has increased and enriched the company's product mix and sales turnover during the FY 2016-17.

Outlook

The growth momentum should rise, driven by the Government's policy initiatives in areas such as taxation (GST), foreign direct investment (FDI), and the ease of doing business, among others. Other major factors helping India stay as a bright spot in the global economic landscape include the lower global oil price, with positive impact on the country's import bill, a well-regulated monetary policy by the Reserve Bank to stabilize prices, and improving fiscal condition. The Government's endeavor to drive a bigger as well as a cleaner GDP is expected to augur well for the economy in the medium and long terms. The growth recovery has