AANCHAL ISPAT LIMITED

Annual Report

Relicon

2019-2020

CORPORATE INFORMATION

CORPORATE IDENTITY NUMBER: L27106WB1996PLC076866

DIRECTORS

1. Mr. Mukesh Goel	Managing Director
2. Mr. Manoj Goel	Non-Executive Director
3. Mr. Vijay Srivastava	Executive Director
4. Mr. Mukesh Agarwal	Independent Director
5. Ms. Nilu Nigania	Independent Director
6. Ms. Babita Kaur Bagga	Independent Director

SECRETARIAL AUDITOR
Ms. Manisha Saraf
11, Dacres Lane,1st Floor,
Kolkata- 700069

CHIEF FINANCIAL OFFICER
Mr A.S Nageswar Rao
(Resigned W.e.f 31.12.2019)

REGISTERED OFFICE
Mouza-Chamrail
National Highway-6
Liluah, Howrah-711114
Tel: 03212246121
Fax: 03212246069
E-Mail: cs@aanchalispat.com

COMPANY SECRETARY
Ms. Neha Sharma
(Resigned W.e.f 03.10.2019)
Ms. Minu Agarwal
(Appointed on 03.10.2019
Resigned W.e.f 29.10.2020)

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
Email: busicomp@vsnl.com

BANKERS
The Karur Vysya Bank Ltd
43, Strand Road, Burra bazaar
(Off) 9, Ram Sevak Mullick Lane
Kolkata-700001

STATUTORY AUDITOR
M/s Raj Chandra& Associates
Chartered Accountants

9, Weston Street, 2nd Floor, Room No. 224,
Kolkata- 700 013 (Resigned W.e.f 14.11.2019)

M/s Rajesh Jalan & Associates
Chartered Accountants
56, Metcalfe Street, 1st Floor, Room No. 1A,
(Appointed on 21.03.2020)

INTERNAL AUDITOR
SAILESH AGARWAL & ASSOCIATES LLP
4/1, Panchanan Tala Road, 1st floor,
Howrah – 711101,West Bengal, India
214 Shyam Nagar Road, Kolkata-700055

COST AUDITOR
Rana Ghosh
9-B, Arpuli Lane, Kolkata-700012
Kolkata 700 013(Appointed W.e.f 21.03.2020)

INDEX

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

In 2020 worldsteel forecasts that steel demand will contract by 6.4%, dropping to 1,654 Mt due to the COVID-19 crisis. In 2021 steel demand is expected to recover to 1,717Mt, an increase of 3.8% over 2020. This year's reduction in global steel demand will be mitigated by an expected faster recovery in China than in the rest of the world. The forecast assumes that most countries' lockdown measures continue to be eased during June and July, with social distancing controls remaining in place, and that the major steelmaking economies do not suffer from substantial secondary waves of the pandemic.

World Steel Scenario In 2019

Global Crude Steel production increased by 3.4% to reach 1,869.9 million tonnes (Mt) for the year 2019. Crude steel production contracted in all regions in 2019 except in Asia and the Middle East. Asia accounted for 1,341.6 Mt of crude steel in 2019, an increase of 5.7% compared to 2018. China's share of global crude steel production increased from 50.9% in 2018 to 53.3% in 2019. In 2017, China increased its share of Global Crude Steel Production to 51.33% compared to 50.34% in 2018. India, which is currently the world's third largest steel producing nation in 2017, India's crude steel production for 2019 was 111.2 Mt, up by 1.8% on 2018, increased its annual Crude Steel Output by 4.93% and has reached to Second Largest steel Producing nation by producing 106.5 MT in 2018. Japan produced 99.3 Mt in 2019. South Korea produced 71.4 Mt of crude steel in 2019, a decrease of 1.4% compared to 2018. The US produced 87.9 Mt of crude steel, up by 1.5% on 2018. The EU (28) also saw marginal growth in Crude Steel output by 0.18% to reach 162.50 MT in 2018 The EU produced 159.4 Mt of crude steel in 2019, a decrease of 4.9% compared to 2018.

INDIAN IRON & STEEL INDUSTRY OVERVIEW

Industry Profitability Outlook

India's steel demand is likely to face a sharp decline of 18 per cent in 2020, while global steel demand is expected to contract 6.4 per cent to 1,654 million tonnes (MT) due to the COVID-19 crisis.

India's steel demand is likely to face a sharp decline of 18 per cent in 2020, while global steel demand is expected to contract 6.4 per cent to 1,654 million tonnes (MT) due to the COVID-19 crisis, as per industry body Worldsteel. According to official figures, India consumed over 100 MT steel during 2019. "In 2020, worldsteel forecasts that steel demand will contract by 6.4 per cent, dropping to 1,654 MT due to the COVID-19 crisis," the World Steel Association (worldsteel) said in its latest Short Range Outlook (SRO), a publication on steel demand scenario.

Steel demand in developed economies is expected to decline by 17.1 per cent in 2020. Although the downturn is led by consumer and service sectors, massive dislocations in spending, labour markets, and confidence are fuelling declines in steel-using sectors, the global body said. "While,the steel demand in the developing economies excluding China is expected to fall by 11.6 per cent in 2020. India is likely to face an 18 per cent decline in steel demand in 2020, which will rebound by 15 per cent in 2021," it added.

In India, it said, the government implemented the most stringent nationwide lockdown measures in the world, bringing industrial operations to a standstill. Construction activity was halted entirely at the end of March, and recovery is expected to remain subdued due to the slow migration of labourers. Further, supply chain disruptions coupled with slower demand recovery will hit the steel-using industries like the automotive and machinery sectors.

On demand recovery, worldsteel said global steel demand is expected to recover by 3.8 per cent to 1,717 MT in 2021. The reduction in global steel demand will be mitigated by an expected faster recovery in China than in the rest of the world. In India, the government's support to rural income, as well as expected consumption related to the upcoming festive season, will help in substantial recovery of demand for consumption-driven manufacturing goods in the second half, it said.

Supported by the government stimulus, recovery in construction will be led by infrastructure investment such as railways. The demand in India will rebound by 15 per cent in 2021.

Initiatives taken by the Company

The Company is in continuous pursuit of creating more value for all its stakeholders. The Company's various functional teams have taken some initiatives to not only strengthen its profitability in near future but also gain medium to long-term competitive advantage over its peers.

OPPORTUNITIES AND THREATS

Opportunities:

- India was a net exporter of total finished steel. Growth in exports ensures greater access to far out markets.
- Intention of Government to increase funding in infrastructure, affordable housing (Prime Minister Awas Yojana), strengthening of Real Estate norms through 'Real Estate (Regulation and Development) Act, 2016' etc. will generate positive demand for steel.
- In line with Central Government's announcement of various road/rail infrastructure projects,the market for local manufacturers is expected to improve.
- India's steel production is increased to 106.15 MT in year 2018 to 128.6 MT by 2021.
- The Government has taken various steps to boost the sector including the introduction of National Steel Policy 2017 and allowing 100 per cent Foreign Direct Investment (FDI) in the steel sector under the automatic route. Between April 2000 and December 2018, inflow of US$ 11.18 billion has been witnessed in the metallurgical industries as Foreign Direct Investment (FDI).
- India's per capita consumption of steel grew to 68.9 kgs, during 2017-18. National Steel Policy 2017 aims to increase the per capita steel consumption to 160 kgs by 2030-31.

Threats:

- Improper supply-demand balance
- Depletion of high quality raw materials required for production of steel.
- Environmental concerns.
- Dumping of excess inventory in other countries by countries producing steel in abundance.
- The glut in the global steel market, which led to an influx of cheap imports into India and a series of steps by the government to protect the domestic steel industry, might not end anytime soon. In what indicates that threats of low-priced imports are here to stay, the world capacity utilization ratio of the alloy climbed upwards in the current year. So only structural reforms that will help cut costs and improve productivity could enable the domestic steelmakers to acquire competitiveness in the domestic and global markets. Rising cost of raw material, fuel, power prices coupled with unforeseen general macro economic factors may affect the industry adversely.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The Company has no other segments apart from steel business, details of which have been included in the financial performance. Hence, no separate details on segment wise or product wise performance are being reported.

OUTLOOK

Analysts are upbeat over the expected above normal monsoon and higher GDP growth. The slow pace of public and private sector projects is expected to improve with the Government of India's thrust on infrastructure projects. Further, 'Make in India' initiative has got a boost by a slew of measures aimed at improving the ease of doing business in the Country. Small and medium industry- a major employment generator for the economy- has been liberated to participate in the Nation's development in accordance with its potential. Bold measures by the Government such as improved targeting of subsidy, broadening of the tax base and expected buoyancy in tax revenue are all aimed at achieving the fiscal consolidation which had been an area of concern in the recent past.

Since the Outbreak of Covid-19 the economic impact of the same in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1 The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

According to Nomura India Business Resumption Index economic activity fell from 82.9 on 22 March to 44.7 on 26 April. By 13 September 2020 economic activity was nearly back to pre-lockdown. Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 14 crore (140 million) people lost employment while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over ₹32,000 crore (US$4.5 billion) every day during the first 21-days of complete lockdown, which was declared following the coronavirus outbreak. Under complete lockdown, less than a quarter of India's $2.8 trillion economic movement was functional. Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an "essential" is and what is not. Those in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.

Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst loses in history on 23 March 2020. However, on 25 March, one day after a complete 21-day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

On 12 May the Prime Minister announced an overall economic package worth ₹20 lakh crore (US$280 billion),10% of India's GDP, with emphasis on India as a self-reliant nation. During the next five days the Finance Minister announced the details of the economic package. Two days later the Cabinet cleared a number of proposals in the economic package including a free food grains package. By 2 July 2020, a number of economic indicators showed signs of rebound and recovery. On 24 July the Finance Secretary of India said the economy is showing signs of recovery at a faster rate than anticipated, while the Economic Affairs Secretary said that he expects a v-shaped recovery for India.

RISKS & CONCERNS

Here are some of the key risks which could emerge and the corresponding mitigation measures:

Sr.No.	Type	Impact	Mitigation Strategies
1.	Macroeconomic Risk	• Overcapacity and oversupply in global steel industry may affect steel prices. • Newer developments in competitive global business. • Cheaper imports and raw material deficiencies may lead to low capacity utilization despite of the ability of Indian steel sector to work at full capacity level.	• Diversification of product portfolio. • Development of alternate techniques to ensure better capacity utilization.
2.	Operational Risk	• Risk of limitation or disruption in the supply of raw materials.	• Establishing sources of supplies from al ternate geographies.
3.	Market Related Risk	• Excess volatility in steel and raw material markets may affect financial condition. • Competition from substitute materials may lead to change in demand pattern.	• Enhanced product development and focus on value addition.
4.	Environmental Risk	• Share of iron and steel industry in CO_2 emissions is around 7%. • Stringent international and domestic regulations relating to climate control.	• Innovation in products and methods to ensure sustainable development. • Investment in environmental related projects.
5.	Regulatory Risk	• Non-compliance to increasing stringent regulatory norms. • Removal of favorable trade measures.	• Focus on compliance and fulfilling regulatory requirements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company employs an adequate and effective system of internal control commensurate with its size and nature of business that provides for assurance of the efficiency of operations, security of Company's assets, accurate and prompt recording of transactions, efficient Management Information Systems and compliance with prevalent statutes, accounting standards.

The internal control is supplemented by an extensive review by internal auditors. The prime objective of internal audit is to test the adequacy and effectiveness of the internal controls laid down by the management and to suggest improvements.

Observations of the internal auditors are subject to periodic review and compliance monitoring. The Audit Committee of Directors reviews the significant observations made by internal auditors along with status of action thereon.

FINANCIAL PERFORMANCE

The Company had prepared its financial statements based on Indian Accounting Standard (Ind AS).The financial statements were prepared under the historical cost convention on an accrual basis. Figures of the previous years were reclassified/ regrouped to confirm the presentation requirements under Ind AS and the requirements laid down under Schedule III of the Companies Act,2013

The Company's revenues in FY2019-20 following was 35367.83 Lakhs. EBIDTA stood at Rs.1070.23 lakhs compared to Rs. 769.24 lakhs in the previous year. The Company reported a post-tax profit of Rs. 279.94 Lakhs in FY 2018-19 compare to a post-tax profit of Rs. 132.72 Lakhs in the previous year.

Key Financial Ratios

Particulars	F.Y 2020	F.Y 2019
Inventory Turnover (months)	1.01	1.04
Interest Coverage ratio	(-0.62)	1.75
Current Ratio	1.43	1.50
EBITDA/Turnover (%)	(-0.01)	1.42
EBITDA/Net Interest ratio	(-0.47)	1.88
Debt-equity ratio	1.3	1.24
Operating Profit Margin (%)	(-4.83)	1.21
Net Profit Margin	(-4.83)	0.81
Return on net worth	(-0.148)	4.46
Earnings per share(Rs)	3.99	1.38

HUMAN RESOURCE

The Company recognises the importance of human resources in realising its growth ambitions and believes in nurturing talent within the organisation to take up leadership positions. The Company believes in investing in people development and process improvements, aligned with Company's vision and values. As on March 31, 2020 the Company has 97 employees.

CAUTIONARY STATEMENT

Statements made in Management Discussion and Analysis Report describing the Company's objectives, estimates, expectations or predictions are "Forward looking Statement" within the meaning of applicable laws and regulations. They are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operation include global and Indian demand- supply condition, raw material availability, trained manpower, changes in Government regulations, tax regimes, economic development within India and the countries within which the Company conducts business and other incidental factors.

Report on Corporate Governance

1. CORPORATE GOVERNANCE PHILOSOPHY

Aanchal Ispat Limited has been practicing the principles of good Corporate Governance over the years and lays strong emphasis on transparency and proper disclosures. The Company believes that good Corporate Governance is critical for enhancing and retaining investor trust and always seeks to ensure that its performance goals are met accordingly. The Company has established systems and procedures to ensure that its Board of Directors are well informed and well equipped to fulfill its overall responsibilities and to provide management with the strategic directions needed to create and enhance a long-term shareholders value and commitment of high standard of business ethics.

The Company is in compliance with the requirements stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with regard to Corporate Governance, applicable for the Financial Year 2019-20.

This chapter of the report, along with the information given under Management Discussion and Analysis and Shareholder Information constitutes the compliance report of the Company on Corporate Governance.

2. BOARD OF DIRECTORS

In keeping with the commitment of the Management to the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

- **Composition**

The Company has a balanced mix of Executive, Non-Executive, including Independent Director which plays a crucial role in Board processes and provides independent judgement and helps the Company in improving corporate credibility and governance standards.

As on 31 March 2020, the Board of Directors of the Company comprises of 6 (Six) directors, of whom 2 (two) were Executive Director, and 4 (four) were Non-Executive, out of which 3 (three) were Independent Directors (including woman director). Independent directors are Non-Executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations. The maximum tenure of Independent Directors is in Compliance with the Companies Act, 2013.

None of the Directors of the Company's Board is a member in more in more than ten committees or act as chairperson of more than five committees across all listed entities in which he/she is a director (committees being Audit Committee, Nomination & Remuneration Committee & Stakeholders Relationship Committee). All the Directors have made necessary disclosures regarding Committee positions held by them in other Companies and do not hold office of Director in more than 10(ten) public companies as on 31st March, 2020 as specified in Section 165(1) of Companies Act, 2013.

In terms of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended w.e.f 1 April, 2019, none of the Directors of the Company held Directorships in more than 8 (eight) Listed Entities and none of the Independent Directors of the Company held Directorship in 7 (seven) Listed Entities.