AANCHAL ISPAT LIMITED

ANNUAL REPORT

Relicon

2020 - 2021

CORPORATE INFORMATION

DIRECTORS

1. Mr. Mukesh Goel	Chairman &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

REGISTERED OFFICE

Mouza-Chamrail
National Highway-6 11,
Liluah, Howrah-711114
Tel: 03212246121
Fax: 03212246069
E-Mail: cs@aanchalispat.com

CHIEF FINANCIAL OFFICER

Mr. Mukesh Kumar Agarwal
(Appointed w.e.f 01.07.2021)

SECRETARIAL AUDITOR

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

COMPANY SECRETARY

Ms. Minu Agarwal
(Resigned w.e.f 29.10.2020)
Ms. Puja Kaul
(Appointed w.e.f13.05.2021)

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: support@purvashare.com

BANKERS

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

STATUTORY AUDITOR

M/s Rajesh Jalan & Associates
Chartered Accountants
56, Metcalfe Street, 1st Floor, Room No. 1A,
Kolkata 700 013

INTERNAL AUDITOR

Sailesh Agarwal & Associates LLP
4/1, PanchananTala Road, 1st floor,
Howrah – 711101,West Bengal, India
214 Shyam Nagar Road, Kolkata-700055

COST AUDITOR

Mr. Rana Ghosh
9-B, Arpuli Lane, Kolkata-700012

CIN: **L27106WB1996PLC076866**
WEBSITE: ***www.aanchalispat.com***

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MANAGEMENT DISCUSSION & ANALYSIS REPORT

I. OVERVIEW

The objective of this report is to convey the Management's perspective on the external environment and steel industry, as well as strategy, operating and financial performance, material developments in human resources and industrial relations, risks and opportunities and internal control systems and their adequacy in the Company during the financial year 2020-21. This report should be read in conjunction with the Company's financial statements, the schedules and notes thereto and other information included elsewhere in the Integrated Report. The Company's financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') complying with the requirements of the Companies Act, 2013, ('Act') and regulations issued by the Securities and Exchange Board of India ('SEBI'), each as amended from time to time.

II. EXTERNAL ENVIRONMENT

1. Macroeconomic condition

Global GDP contracted by 3.5% in 2020 as governments in both developed and emerging economies took measures to contain the spread of the COVID-19 virus. While the decline was sharper than the global financial crisis in 2009, but the scale of the fiscal response to the COVID-19 crisis was unprecedented and three times bigger than 2008-09 financial crisis. The response by policy makers prevented a collapse that would have been at least three times worse, and the medium-term losses for the global economy are expected to be smaller than the global financial crisis.

While China is forecasted to continue its rapid growth in 2021, Latin America and the Eurozone is expected to lag behind. US saw overall GDP decline of 3.5%. India's economy rebounded quickly from one of the world's longest and most stringent lockdowns, which also came with steepest fall in GDP in Q2. Real GDP grew by 0.4% in Q3FY2021 after a contraction in the previous two quarters. Real GDP is estimated to have contracted by ~8% in FY 2020-21.

2. Economic Outlook

The accelerating rollout of COVID-19 vaccines in many advanced economies has set the stage for rapid recovery in the second half of this year and into 2022. Advanced economies will remain less affected by the virus this year and beyond, with low-income countries and emerging markets suffering more which is a contrast to 2009. While, the global economy is expected to recover to its pre-pandemic level of output in 2022,the emerging-market and developing economies are expected to take until 2023 to recover to the pre-pandemic level. Policy rates in the United States, Eurozone, United Kingdom, and Japan will remain near zero, well beyond 2021. Emerging market and developing economies may take until 2023 to recover to the pre-pandemic level. Divergent recovery paths are likely to create wider gaps in living standards across countries compared to pre-pandemic expectations.

3. Indian Economy

India witnessed a gradual resumption of economic activity from Q2FY2021. The initial recovery was driven by government spending on infrastructure, exports and rural economy. The recovery gained momentum since August 2020 with pickup in consumption demand driven by festive buying and return of urban consumption. However, the growth projections for FY 2021-22 have been revised to be below 11% due to the acute resurgence of the virus in the country, as many cities and states went into lockdown. While the growth will depend upon the trajectory of the pandemic, the overall impact on the economy is expected to be less severe than last year. India is expected to witness a full economic recovery in H2FY2022 driven by (a) ongoing vaccination supporting the current recovery momentum; (b) restart of investment cycle with significant spending on infrastructure and (c) continued recovery in consumption supported by urban demand, accentuated by work-from-home and preferences for personal mobility along with rising rural income and affordability. However, normal growth levels would be seen in FY 2022-23 only, provided no further economic disruption occurs and success of the ongoing vaccination drive.

III. STEEL INDUSTRY

1. Global Steel Industry Disruption on both demand and supply resulted in global steel demand in 2020 to fall by 0.2% against a growth of 3.7% in 2019. The total demand in 2020 was 1,772 MnT against 1,775 MnT in 2019. The impact of COVID-19 has been much more benign for the steel industry due to resurgent demand in China and better than expected post lockdown recovery globally in second half of 2020. China and Turkey were two key countries that saw an increase in finished steel demand of 9% and 13% respectively in 2020. North America and the European Union (‘EU’) have experienced strong decline in steel demand owing to the COVID-19 pandemic. Both regions experienced demand decline of around 11%-16%. India also contributed to global decline, as steel consumption in India declined by 13.7% to 88.5 MnT in 2020 against 102.6 MnT in 2019. Up to 30% of global steelmaking capacity (excluding China) was idled or production at steel mills significantly reduced in response to a pandemic-induced drop in demand. However, the recovery in automotive production and white goods manufacturing was quicker than expected when the strictest lockdown measures were lifted. The construction sector was less affected, as it was supported by government stimulus schemes in many regions. As a result, steel prices rallied in all regions in late 2020.

IV. INDIAN IRON & STEEL INDUSTRY OVERVIEW

Industry Profitability Outlook

India’s steel industry has also suffered the production loss due to lockdown last year and recovered gradually since then, initially driven by export followed by gradual recovery in domestic demand. Strong rebound in manufacturing and infrastructure development activity has led to a sharp rise in both production and consumption of steel in India. In 2021, India’s steel demand is expected to grow by 20% over 2020,taking the demand higher than the pre-pandemic level of 103 MnT, driven by strong infrastructure spending and sustained demand of automotive and consumer durables.

The key opportunities boosting the steel demand are as follows:

- Government’s focus on strengthening the domestic manufacturing base under the flagship “Atmanirbhar Bharat” programme. The Production Linked Incentive scheme has been introduced to boost the manufacturing sector in industries like automobile & auto components, consumer durables, solar equipment, telecom, etc. These are expected to boost steel consumption.

- Government has announced an investment of over ₹1trillion in infrastructure over the next 5 years. This would be key growth driver not only for steel industry but will alsobe a multiplier of growth across the sectors, boosting steeldemand from sectors such as transportation, real estateand infrastructure.

Emergence of new trends after COVID-19 such as work from home, preference to physical distancing would create additional demand for furniture, personal mobility, etc. In addition, the rise in e-commerce activity will support the growth of warehousing and light commercial vehicles.

However, the downside to these opportunities are as follows:

• Resurgence of infections leading to fresh lockdowns, both localised as well as regional / national level resulting in disruption in economic activity.

• Heavy dependence of agriculture sector on monsoon. In last 2 years, a normal monsoon has supported the growth in agriculture sector.

• Slower recovery in contact-based services, which is an integral part of Indian economy and affects lives & livelihood of service sector

Initiatives taken by the Company

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

OPPORTUNITIES AND CHALLENGES

Opportunities:

On the back of sustained domestic demand, India's steel industrywitnessed robust growth in the last 10–12 years. Since 2008,production has gone up by 75% while domestic steel demand hasgrown by around 80%. Steel-making capacity has also increasedin tandem, and the growth has been fairly organic.7The Indian government has always supported the steel industryand introduced the National Steel Policy in 2017, which envisionsthe growth trajectory of the Indian steel industry till 2030–31. Thebroad contours of the policy are as follows:

- *Steel-making capacity is expected to reach 300 million tones per annum by 2030–31.*
- *Crude steel production is expected to reach 255 million tones by 2030–31, at 85% capacity utilization.*
- *Production of finished steel to reach 230 million tonnes, assuming a yield loss of 10% for conversion of crude steel tofinished steel – that is, a conversion ratio of 90%.*
- *With 24 million tonnes of net exports, consumption is expectedto reach 206 million tonnes by 2030–31.*
- *As a result, per capita steel consumption is anticipated to riseto 160 kg.*
- *An additional investment of INR 10 lakh crore is envisaged.*

While the National Steel Policy, 2017, is a vision document of the Indian government, it nevertheless emphasises the growth potential of the Indian steel industry.

Challenges:

The growth trajectory of the steel industry has its own set of challenges. The Indian steel industry is often regarded as uncompetitive globally. In 2016, World Steel Dynamics ranked India second in terms of cost of conversion of iron ore to steel, after Ukraine. Indian mills were found to be more cost efficient in converting iron ore to steel than their counterparts in China, Japan or Korea. Most Indian integrated steel producers ranked within the top 35 steel mills globally.

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.

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 has an Internal Financial Controls ('IFC') framework, commensurate with the size, scale, and complexityof the Company's operations. The Board of Directors of the Company is responsible for ensuring that IFC have been laid down by the Company and that such controls are adequate and operating effectively. The internal control framework has been designed to provide reasonable assurance with respect to recording and providing reliable financial and operational information, complying with applicable laws, safeguarding assets from unauthorised use, executing transactions with proper authorization and ensuring compliance with corporate policies. The Company's internal financial control framework is commensurate with the size and operations of the business and is in line with requirements of the Companies Act, 2013.

The Company has laid down Standard Operating Procedures and policies to guide the operations of each of its functions. Business heads are responsible to ensure compliance with these policies and procedures. Robust and continuous internal monitoring mechanisms ensure timely identification of risks and issues. The management, statutory auditors and internal auditors have also carried out adequate due diligence of the control environment of the Company through rigorous testing.

The Internal Audit team monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures, and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action(s) in their respective area(s) and thereby strengthen the controls. Significant audit observations and corrective action(s) thereon are presented to the Audit Committee. The Audit Committee at its meetings, reviews the reports submitted by the Internal Auditor. Also, the Audit Committee at frequent intervals has independent sessions with the statutory auditor and the Management to discuss the adequacy and effectiveness of internal financial controls.

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 revenue in FY 2020-21 was Rs. 1,24,30,92,099, EBIDTA stood at Rs. (1,372,35,879) compared to Rs.(2,43,09,795)in the previous year. The Company reported post-tax loss of Rs. (5,38,62,279) in FY 2020-2021 compared to a post-tax profit of Rs. (8,28,84,141) in the previous year.

HUMAN RESOURCE

The Company recognizes the importance of human resources in realizing its growth ambitions and believes in nurturing talent within the organization 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, 2021 the Company has 95 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.

BOARD'S REPORT

To the Members,

The Board of Directors present the 26TH Integrated Annual Report of Aanchal Ispat Limited (the Company) along with the audited financial statements for the financial year ended March 31, 2021.

1. FINANCIAL RESULTS

The Company's financial performance for the year ended 31stMarch, 2021 is summarised below:

PARTICULARS	2020-2021	2019-2020
Sales and other operating Income	**1,24,30,92,099**	**1,72,23,24,148**
Earnings before Interest, Tax, Depreciation & amortization (EBITDA)	**(1,372,35,879)**	**(2,43,09,795)**
Finance costs	6,73,68,852	5,15,22,580
Depreciation and amortization expenses	61,72,106	73,87,063
Profit/ (loss) before tax	**(6,36,94,921)**	**(8,32,19,438)**
a) Current Tax	-	-
b) Current Tax Expense relating to Prior Year's	-	-
c) Deferred Tax	(98,32,642)	(3,35,297)
Profit/(loss) for the period	**(5,38,62,279)**	**(8,28,84,141)**

2. RESULTSOFOPERATIONSANDSTATEOFTHECOMPANY'S AFFAIRS:

The Company's revenue in FY2020-21 was Rs. 1,24,30,92,099, EBIDTA stood at Rs.(1,372,35,879) compared to Rs.(2,43,09,795)in the previous year. The Company reported post-tax loss of Rs.(5,38,62,279) in FY2020-2021 compared to a post-tax profit of Rs. (8,28,84,141) in the previous year.

3. TRANSFER TO RESERVES

The Company has not transferred any amount to the Reserves for the year ended 31st March, 2021.

4. DIVIDEND

The Board of Directors do not recommend the payment of any dividend on equity shares for the year ended 31st March, 2021.

5. CHANGE IN THE NATURE OF BUSINESS

The company is engaged in manufacturing of wide range of TMT Bars, MS Rounds & Structurals, besides Trading of Steel Products etc. There has been no change in the nature of business of the Company.

6. SHARE CAPITAL

The paid up Equity Share Capital as at March 31, 2021 stood at Rs. 20.85 cores. During the year under review, the Company has not issued shares or convertible securities or shares with differential voting rights nor has granted any stock options or sweat equity or warrants. As on March 31, 2021, none of the Directors of the Company hold instruments convertible into Equity Shares of the Company.

7. ANNUAL RETURN

In terms of provisions of Section 92(3) of the Companies Act, 2013 and Rule 12 of the Companies (Management & Administration) Rules, 2014, a copy of the Annual return as prescribed under Section 92 of the Companies Act, 2013 forms a part of this report and is annexed as **Annexure –"A"** and the same can also be assessed at the website of the Company at ***www.aanchalispat.com***.

8. DEPOSITS

The Company has not accepted any public deposit during the year under review and no amount against the same was outstanding at the end of the year.

9. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

The company is not having holding or subsidiary company during the year and no other company has become holding / subsidiary/ joint venture.

10. SECRETARIAL STANDARDS OF ICSI

The Ministry of Corporate Affairs has mandated SS-1 and SS-2 with respect to board/committee meetings and general meetings respectively. The Company has ensured compliance with the same.

11. REGULATORY STATEMENT

In conformity with provision of regulation 34(2)(c) of SEBI (LODR), Regulations 2015, the Cash Flow Statement for the year ended 31.03.2021 is annexed hereto. The equity shares of the Company are listed on the BSE Ltd.

12. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 134 (3) (m) of the Act read with Rule 8 of The Companies (Accounts) Rules, 2014, particulars relating to conservation of Energy, R & D, Technology absorption and foreign Exchange earnings / outgo are separately provided in the annexure to this report as **Annexure – "B"**.

13. MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As per the terms of Regulation 34(2) read with Schedule V of SEBI Listing Regulations, Management's Discussion and Analysis Report for the year under review, is presented in a separate section forming part of the Annual Report.

14. DIRECTORS AND KEY MANAGERIAL PERSONNEL

There were changes in the composition of the Board of Directors. None of the Directors are disqualified from being appointed as Directors, as specified in Section 164 of the Companies Act, 2013.

None of the Directors of the Company is disqualified for being appointed as Director, as specified under section 164(2) of the Companies Act, 2013 and Rule 14(1) of the Companies (Appointment and Qualification of Directors) Rules, 2014.

The Following director/officials of the Company have been designated as Key Managerial Personnels (KMP's) of the Company by the Board of Directors in terms of provisions of Section 203 of the Companies Act, 2013 and the Regulations: