



AANCHAL ISPAT LIMITED



ANNUAL REPORT **2021-2022**

Relicon
strength beyond steel

CORPORATE INFORMATION**DIRECTORS**

1. Mr. Mukesh Goel
2. Mr. Manoj Goel
3. Mr. Vijay Srivastava
4. Mr. Mukesh Agarwal
5. Ms. Nilu Nigania

Chairman & Managing Director
 Non-Executive Director
 Executive Director
 Independent Director
 Independent Director

REGISTERED OFFICE

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SECRETARIAL AUDITOR

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COMPANY SECRETARY

Ms. Puja Kaul

REGISTRAR & SHARE TRANSFER AGENT

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BANKERS

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STATUTORY AUDITOR

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 Chartered Accountants
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INTERNAL AUDITOR

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COST AUDITOR

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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 2021-22. 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 Annual 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. STEEL INDUSTRY 2022

1. Global Scenario

Steel demand rose 2.7% in 2021 to 1.83 billion as recovery from the pandemic was stronger than expected in a number of regions, although there had been a sharper-than-anticipated deceleration in China, world steel Economics Committee Chairman Maximo Vadoya said in a statement. For 2022 and 2023, the outlook is highly uncertain. The expectation of a continued and stable recovery from the pandemic has been shaken by the war in Ukraine and rising inflation. It was expected reduced demand growth in 2022 due to impacts from the war in Ukraine, with further downside risks from the continued pandemic, especially in China, and rising interest rates. It is expected the growth to start coming in 2023 and this is on the presumption that the war in Ukraine will come to a conclusion sometime in this year and at least the end of this year we will begin to see a recovery in the steel use in those markets.

The war was most likely to impact Europe due to its reliance on Russian energy and its geographic proximity, but other regions would see less of an impact depending on their direct trade and financial exposures to Russia and Ukraine. In the EU and the UK, steel demand was expected to fall 1.3% in 2022 to 161.5 million mt due the region's high dependence on Russian energy and refugee inflows, although demand was expected to grow 4% in 2023. In the developed world, steel demand was expected to increase by a lower 1.1% in 2022 and 2.4% in 2023, after rising 16.5% in 2021.

There was expected to be a global impact from the war causing continued supply chain disruptions, higher energy and commodity prices, especially for steel raw materials, and financial market volatility and uncertainty undermining investment. The world Steel had said that the geopolitical situation surrounding Ukraine poses significant long-term implications for the global steel industry. Among them are a possible readjustment in global trade flows, a shift in energy trade and its impact on energy transitions, and continued reconfiguration of global supply chains.

It said emerging economies outside of China would face challenges from the worsening external environment, the war, and US monetary tightening, leading to low growth of 0.5% in 2022 to 484.4 million mt and 4.5% in 2023, down from a growth of 10.7% in 2021.

2. Indian Scenario

In India, the demand for steel is expected to grow by around 10% through 2022 amid the government's continued focus on the construction of roads, railways, ports and airports, according to Moody's Investors Service. On the trade front, India's steel exports will continue to remain strong in the coming months as higher prices and regional demand motivate steel makers to divert part of their production to exports.

Input costs have been on an upswing owing to the Russia-Ukraine war & companies have been wary of the higher raw material costs gnawing into their margins. Steel prices have been no stranger to this phenomenon. The prices of iron ore and coking coal, two key components of producing steel in the commonly-used basic oxygen furnace (BOF) method, have surged recently and are expected to stay elevated as the conflict further tightens supply. Although, the steel makers with higher self-sufficiency in raw Materials are currently better positioned.

III. INDIAN IRON & STEEL INDUSTRY OVERVIEW

Industry Profitability Outlook

Steel continues to be the essential material for newer urban constructions, mobility, and renewable energy infrastructure. Key players in the Indian and global steel industry are today focused on producing value-added steel products, made in the most efficient and responsible ways. The steel industry is poised to benefit from the global spending on infrastructure and the energy transition. The World Steel Association is making notable strides in providing global leadership on all major strategic issues impacting the industry, particularly focusing on economic, environmental, and social sustainability. The future of the Indian steel industry is exciting with a steadily expanding domestic market. During FY 2021-22, Indian steel consumption grew to 106 MnT from the prepandemic level of 100 MnT. Demand is expected to grow at a healthy rate through the current decade. We view the export duties imposed on steel in May 2022 as a short-term headwind, since they have been imposed with the objective of controlling inflation. The Indian government continues to encourage manufacturing-led growth and merchandise exports from India.

The key opportunities for boosting the steel Industry are as follows:

- In January 2021, the Ministry of Steel, Government of India, signed a Memorandum of Cooperation (MoC) with the Ministry of Economy, Trade, and Industry, Government of Japan, to boost the steel sector through joint activities under the framework of India–Japan Steel Dialogue.
- In June 2021, Mr. T.V. Narendran, CII president and MD of Tata Steel, in an interview with The Telegraph, stated that steel companies have firmed their plans to invest ~Rs. 60,000 crore (US\$ 8.09 billion) over the next three years—this was the biggest private sector investment plan announced in recent times.
- In July 2021, the Union Cabinet approved the production-linked incentive (PLI) scheme for specialty steel. The scheme is expected to attract investment worth ~Rs. 400 billion (US\$ 5.37 billion) and expand specialty steel capacity by 25 million tonnes (MT), to 42 MT in FY27, from 18 MT in FY21.
- In October 2021, the government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme.
- In October 2021, India and Russia signed an MoU to carry out R&D in the steel sector and produce coking coal (used in steel making).

IV. OPPORTUNITIES AND CHALLENGES

Opportunities:

According to CARE Ratings, crude steel production is expected to reach 112-114 MT, an increase of 8-9% YoY, in FY22. This demand will be supported by economic recovery, government spending and enhanced liquidity. The Union Budget 2021-22 has a 34.5% YoY increase in allocation for capex at 5.54 lakh crore (US\$ 74.60 billion). The budget's focus is on creating infrastructure and manufacturing to propel the economy. In addition, enhanced outlays for key sectors such as defense services, railways, and roads, transport, and highways would provide impetus to steel consumption.

The broad contours of the policy are as follows:

- Steel-making capacity is expected to reach 300 million tonnes per annum by 2030–31.
- Crude steel production is expected to reach 255 million tonnes 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 to finished steel – that is, a conversion ratio of 90%.

- With 24 million tonnes of net exports, consumption is expected to reach 206 million tonnes by 2030–31.
- As a result, per capita steel consumption is anticipated to rise to 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 and few challenges faced by the steel industry in India are as follows:

- **Shortage of metallurgical coal:** Although India has huge deposits of high grade iron ore, her coal reserves, especially high-grade coking coal for smelting iron are limited. Many steel plants are forced to import metallurgical coal.
- **Power problems:** The cost of electricity in India is among the highest in the world and on top of that the supply and quality remain uncertain. This has slowed down the progress of steel making in the country.
- **GHG emissions:** The steel industry contributes to roughly 9 percent of the country's total GHG emissions, which is set to increase manifold as the government plans to double India's steel manufacturing capacity to 300 million tonnes per annum (mtpa) by 2030.
- **Low potential utilization:** The potential utilization in iron and steel is very low. Rarely the potential utilisation exceeds 80%. This is caused by several factors, like strikes, lockouts, scarcity of raw materials, energy crisis, inefficient administration, etc.

Way forward:

Green steel: It refers to a steelmaking process that lowers greenhouse gas emissions, cuts costs and improves the quality of steel. This can be done through usage of gas in place of coal, recycling steel etc. To move towards 'Green Steel', the Petroleum and Natural Gas Ministry has launched Pradhan Mantri Urja Ganga project in the Eastern India, which can provide gas to all the Steel plants, located in the area.

Digital disruption: By leveraging the emerging technologies of fourth industrial revolution, overall efficiency of steel plants can drastically be improved, which will help in reducing costs and increasing profitability across the industry. However, the introduction of new technologies will entail the development of a new talent pool with the requisite skills and the up skilling of the existing workforce.

However, Steel is going to play a stronger role into the future than in the past.

V. 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. Moreover, the group has taken distributorship for the entire West Bengal to trade Rungta Steel TMT Bars manufactured by Rungta Mines Ltd.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company has no other segments apart from the 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	<ul style="list-style-type: none"> • Overcapacity and oversupply in the 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 the ability of the Indian steel sector to work at the full capacity level. 	<ul style="list-style-type: none"> • Diversification of product portfolio. • Development of alternate techniques to ensure better capacity utilization.
2.	Operational Risk	<ul style="list-style-type: none"> • Risk of limitation or disruption in the supply of raw materials. 	<ul style="list-style-type: none"> • Establishing sources of supplies from alternate geographies.
3.	Market-Related Risk	<ul style="list-style-type: none"> • Excess volatility in steel and raw material markets may affect the financial condition. • Competition from substitute materials may lead to change in demand pattern. 	<ul style="list-style-type: none"> • Enhanced product development and focus on value addition.
4.	Environmental Risk	<ul style="list-style-type: none"> • Share of iron and steel industry in CO₂ emissions is around 7%. • Stringent international and domestic regulations relating to climate control. 	<ul style="list-style-type: none"> • Innovation in products and methods to ensure sustainable development. • Investment in environmental-related projects.
5.	Regulatory Risk	<ul style="list-style-type: none"> • Non-compliance to increasing stringent regulatory norms. • Removal of favorable trade measures. 	<ul style="list-style-type: none"> • 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 complexity of 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 the 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 2021-22 was Rs. 17,554.62 lakhs compare to Rs. 12,430.92 lakhs in the previous financial year. EBIDTA stood at Rs. 242.64 lakhs compared to Rs. 98.46 lakhs in the previous financial year. The Company reported a post-tax loss of Rs. 353.09 lakhs in FY 2021-2022 compared to a post-tax loss of Rs. 538.62 lakhs in the previous financial 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 of March 31, 2022, the Company has 93 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 presents the 27TH Integrated Annual Report of Aanchal Ispat Limited (the Company) along with the audited financial statements for the financial year ended March 31, 2022.

1. FINANCIAL RESULTS

The Company's financial performance for the year ended 31st March, 2022 is summarised below:

	(` in lakhs)	
PARTICULARS	2021-2022	2020-2021
Sales and other operating Income	17,554.62	12,430.92
Earnings before Interest, Tax, Depreciation & amortization (EBITDA)	242.64	98.46
Finance costs	656.52	673.69
Depreciation and amortization expenses	61.81	61.72
Profit/ (loss) before tax	(475.69)	(636.95)
a) Current Tax	-	-
b) Current Tax Expense relating to Prior Year's	-	-
c) Deferred Tax	(122.61)	(98.33)
Profit/(loss) for the period	(353.09)	(538.62)

2. RESULTS OF OPERATIONS AND STATE OF THE COMPANY'S AFFAIRS:

The Company's revenue in FY 2021-22 was Rs. 17,554.62 lakhs compare to Rs. 12,430.92 lakhs in the previous financial year. EBIDTA stood at Rs. 242.64 lakhs compared to Rs. 98.46 lakhs in the previous financial year. The Company reported a post-tax loss of Rs. 353.09 lakhs in FY 2021-2022 compared to a post-tax loss of Rs. 538.62 lakhs in the previous financial year.

3. TRANSFER TO RESERVES

The Company has not transferred any amount to the Reserves for the year ended 31st March, 2022.

4. DIVIDEND

The Board of Directors does not recommend the payment of any dividend on equity shares for the year ended 31st March, 2022.

5. CHANGE IN THE NATURE OF BUSINESS

The company is engaged in manufacturing of a wide range of TMT Bars, MS Rounds & Angles, 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, 2022 stood at ` 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, 2022, 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.aanchalispac.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 a holding or subsidiary company during the year and no other company has become a 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 the provision of regulation 34(2) (c) of SEBI (LODR), Regulations 2015, the Cash Flow Statement for the year ended 31.03.2022 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.

Ms. Babita Kaur Bagga (DIN: 08022280) resigned from the Independent directorship of the Company with effect from 23.08.2021.

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.

Pursuant to the provisions of Section 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Mr. Mukesh Goel, Managing Director, Mr. Mukesh Kumar Agarwal, Chief Financial Officer, and Ms. Puja Kaul Company Secretary, are the Key Managerial Personnel of the Company.