

36th Annual Report
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ARCOTECH LIMITED

CORPORATE INFORMATION

CIN : L34300HR1981PLC012151

BOARD OF DIRECTORS

Sh. Arvind Kumar Saraf	:	Chairman & Promoter
Sh. Radha Nath Pattanayak	:	Whole Time Director
Sh. R D Tayal	:	Independent Director
Sh. Sham Lal Mohan	:	Independent Director
Sh. Maninder Kohli	:	Non-Executive Director
Sh. Suresh Thakur	:	Independent Director
Smt. Sonia Dube	:	Independent Director
Sh. Rishabh Saraf	:	Non Executive Director

AUDITORS

M/S. Amit Joshi & Associates
Chartered Accountants
E-14/14 Basement, Vasant Vihar
New Delhi - 110057

REGISTRAR

Maheshwari Datamatics Pvt Ltd,
23, RN Mukherjee Road, 5th Floor, Kolkata-700001
Ph:- 033-2248 2248, Fax : 033-51410591

REGISTERED OFFICE AND WORKS

181, Industrial Growth Centre,
Sector-3, Bawal-123501
Distt. Rewari (Haryana)

WHY ARCOTECH !



EQUIPMENTS



End to End Process

MELTING



8 melting furnaces from reputed vendors. Capacity to melt more than 100MT of copper alloys per day. Both channel and coreless furnaces help manufacture different alloys in cost efficient manner

CASTING



4 different casting methods integrated at a single place--- Horizontal continuous casting, DC Casting, Mold Casting, Up casting
Flexibility in choosing the route of finished product

ROLLING



Both HOT rolling and COLD rolling facilities. Mesta Hot Rolling mill to produce Hot roll billets with thickness ranging 170mm to 16mm. High speed reversible 4 Hi Mills and Modern 20 Hi Cluster Mills with automatic gauge control.

ANNEALING, PICKLING AND SLITTING LINES



Precision slitting lines for producing narrow foils/strips upto minimum 4 mm width with close tolerances.

VMC



Arcotech uses the best technology from manufacturing Precision Tools. This is a HASS USA Vertical Machining Center

Tooling



Arcotech has Conventional Grinding and Die Fitting Setup for manufacturing Progressive Tooling

Stamping



11 High Speed Stamping Presses Ranging from 20 MT to 80 MT

Plating



3D Inspection



Integrated set-up from Melting and casting to fine foil rolling and slitting to finish precision components



DIRECTORS' REPORT

Dear Members,

Your Directors have immense pleasure in presenting the 36th Annual Report on the business and operations of the Company together with Audited Statement of Accounts of your Company for the financial year ended the 31st March, 2017.

1. FINANCIAL HIGHLIGHTS

(Rs. in Crores)

PARTICULARS	2016-2017	2015-2016
Sales	819.38	818.18
Profit Before Interest, Depreciation & Tax (PBDIT)	92.92	91.16
Less : Interest & Finance Charges	46.84	30.29
Profit Before Depreciation & Tax (PBIT)	46.08	60.87
Less : Depreciation	6.06	4.70
Profit Before Tax (PBT)	40.02	56.17
Less : Provision for Current Tax /Deferred Tax	13.61	19.70
Profit After Tax (PAT)	26.41	36.47

2. DIVIDEND

In view of the adequate profits earned by the Company, your Directors have recommended Final dividend of Re. 0.30/- per share (15%) on equity shares at the face value of Rs. 2/- each for the financial year.

GENERAL RESERVES

There was no transfer to General Reserve during the year 2016-17.

3. BUSINESS AND OPERATIONS REVIEW

During the year under review, your Company has achieved gross sales of Rs. 819 crores with a EBIDTA of Rs. 92.92 crores. Arcotech continues to be an innovative, process and system-oriented company. We have transitioned into a leading engineering company with precision products for a wide range of end segments. Arcotech is today one of India's only completely integrated company for Copper and Copper Alloy Components.

Strips and Foils

Arcotech adopts the best technology in the industry and has a 24,000 MTPA production capacity to manufacture Copper and Cu alloys like Brass, Phosphor Bronze, Leaded Brass, Cupro Nickel in the form of strips, foils, sheets, ingots, rods, profiles, bus bars and is one of the largest producers in South Asia.

It is the only company having all three casting systems facilities namely, DC Casting, Continuous Casting, Batch Mould Casting as well as extrusion / conforming lines. The company's integrated manufacturing facility comprises of melting & casting to rolling on advance 20 Hi Mills to produce wide range of strips ranging from 0.035 mm - 12 mm in thickness and from 4 mm to 406 mm in width with precise tolerances.

The company concentrates on getting the highest value addition by making consistent quality and precision products for highly critical end use applications, Arcotech also uses modern technology to make specialized alloys which give higher returns.

The company has over 150 Customers to whom the company is supplying its products consistently. Your company is proud to have leading companies of its field as its customers apart from prestigious orders from the Indian Mint and Indian Ordinance Factories.

Stamping and R&D

Arcotech has moved up the value chain and has resulted into expansion in market presence and capability to directly serve OEM and Tier 1 customers with end product for industries such as Automotive, Modular Switches, Home Appliances, Telecommunications, Switchgear, Coinage, Electronics, White Goods etc.

Arcotech has a State-of-the-Art Stamping Division with a fully equipped tool room, for manufacturing Components/ Stamped parts like Terminals, Lugs, Power Connectors, PCB Boards and Connectors, Electrical contact parts, Keys, Coin Blanks and other special components.

Arcotech has a world class R&D Center with Product and Tool Designers working on Solidworks and an in-house toolroom with machinery from Sodick Japan and Hass USA. This allows us to manufacture precise tools at excellent costing for Mass Production/ Rapid Prototyping/ Small Batch Production. We are able to manufacture complex Progressive Tools to Stage tooling depending on volumes and timelines

Arcotech is also using best in class stamping presses from Yamada Dobby Japan, Micron Taiwan and Schuler Germany. This allows high speed precision stamping for components.

Arcotech is the only vertically integrated company having Raw Material, Tool Room, Tool Design, Product Design, Plating, Quality and Validation Testing and of course stamping at an integrated facility. In addition to its leadership position in Copper & Copper alloy flat products the company has emerged as one stop solution provider for customized components. This gives Arcotech a unique and distinct advantage.

Millions of people everyday use material processed by Arcotech in various forms and by numerous manufacturers of Electronic, Electrical/ Power Transmission, Switchgear, HT Cables, Auto Components, Radiators, Keys & Locks, Zippers, Sanitary fittings, Torches, Coins and many more.

Aluminium

The company also is into Aluminum Products to manufacture packaging products from Aluminium. Arcotech has created the brands "ArcoFresh" and "SuperFresh" to manufacture and market Household Foil and Container for Wholesale and Retail usage. The brand has been well received during its launch and company expects constant growth for this segment.

4. DIRECTORS AND KEY MANAGERIAL PERSONNEL

In pursuance with the provisions of Companies Act, 2013, Shri Rishabh Saraf, Non-Executive Director of the Company who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. In terms of Regulation 36 of SEBI (LODR) Regulations, 2015, the details of the Director to be re-appointed are being provided in the notice of the ensuing Annual General Meeting.

The Board of the Company is constituted in accordance with the provisions of Companies Act, 2013 and rules made there under and Regulation 17(1) of SEBI (LODR) Regulations, 2015.

None of the directors of the Company resigned from the board of the Company during the year under review.

Change in Key Managerial Personnel:

- a) During the Year, Shri Amit Sharma resigned from the post of Chief Financial Officer of the Company w.e.f 13th February, 2017.

5. BOARD DIVERSITY AND POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION

The Company believes that building a diverse and inclusive culture is integral to its success. A diverse Board, among others, will enhance the quality of decisions by utilizing different skills, qualifications, professional experience and knowledge of the Board members necessary for achieving sustainable and balanced development. Accordingly, the Board has adopted a policy on 'Nomination, Remuneration and Board Diversity', which sets out the criteria for determining qualifications, positive attributes and independence of a Director. The detailed policy is available on the Company's website at <http://www.arcotech.in/New14/NOMINATION.pdf> and <http://www.arcotech.in/New14/Policy-on-Board-Diversity.pdf> is also provided in the Corporate Governance Report which forms part of this Report.

Annual Board Evaluation and Familiarisation Programme for Independent Directors

The statement pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) SEBI (LODR) Regulations, 2015 indicating the manner in which formal annual evaluation of the Directors, the Board and the Board level Committees are given in the report on Corporate Governance, which forms part of this Annual Report. A note on the familiarisation programme adopted by the Company is available at Company's website <http://www.arcotech.in/New14/Familiarisation-programmes-for-Independent-Directors.pdf>

Declaration by Independent Directors

The company has received necessary declaration from each independent director under section 149 (7) of the Companies Act, 2013 that he/ she meets the criteria of independence laid down in section 149(6) of the Companies Act, 2013 and Reg. 16(1) (b) and Reg. 25 of SEBI (LODR) Regulations, 2015. The Independent Directors have also confirmed that they have complied with the Company's code of conduct.

6. AUDITORS AND AUDITORS REPORT

The Auditors of the Company, M/s. Amit Joshi & Associates (FRN: 004898N) Chartered Accountants hold office until the conclusion of 40th Annual General Meeting (AGM) of the Company subject to ratification of their appointment by the Members of the Company at every AGM.

The Auditors have confirmed their eligibility to the effect that ratification of their appointment, if made, would be within the prescribed limit under the Companies Act, 2013 and that they are not disqualified for ratification of their appointment. The Board of Directors on recommendation of the Audit Committee propose the ratification of appointment of M/s. Amit Joshi & Associates (FRN: 004898N), Chartered Accountants, as Statutory Auditors of the Company at the forthcoming AGM.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

7. COST AUDITOR

The Board of your Company has appointed M/s SS Chug & Co., Cost Accountants, registration no. 101595 for conducting the audit of cost records of the Company for the financial year 2017-18.

8. SECRETARIAL AUDITOR AND SECRETARIAL AUDIT REPORT

The Board of your Company has appointed M/s A. Upadhyaya & Associates, Company Secretaries, Certificate of Practice no. 4729 for conducting the secretarial audit of the Company for the financial year 2017-18. The secretarial auditor's report for the financial year 2016-17 is attached and does not contain any qualifications, reservations or adverse remarks or disclaimers.

9. NUMBER OF MEETINGS OF THE BOARD

During the year under review, there were total 5 (Five) meetings of the Board were convened and held, the details of which are given in the Report on Corporate Governance, which is a forming part of this report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and Reg.17 (2) of SEBI (LODR) Regulations, 2015.

Audit Committee

The Composition and function of Audit Committee of the Board of Directors of the Company is disclosed in the Report on Corporate Governance, which is forming part of this report.

10. VIGIL MECHANISM

The Company has a established vigil mechanism which incorporates a whistle blower policy in terms of the listing agreement for directors and employees to report their genuine concerns. The objective of the policy is to create a window for any person who observes an unethical behavior, actual or suspected fraud or violation of Company's code of conduct. Protected disclosures can be made by the whistle blower through an email or phone or a letter to the chairman of the audit committee. The policy can be assessed from the Company's website <http://www.arcotech.in/New14/WHISTLEBLOWERPOLICY.pdf>.

11. SUBSIDIARY

The Company has framed a policy for Determining material Subsidiaries. There is no subsidiary of the company as on 31st march, 2017.

12. DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 134(3)(C) OF THE COMPANIES ACT, 2013

The Board of Directors hereby confirms, in terms of Section 134(5) of the Companies Act, 2013:

- a) That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- b) That appropriate accounting policies have been selected and applied consistently, and made judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That the Annual Accounts have been prepared on a going concern basis.

- e) That the Directors have laid down internal financial controls to be followed by the company and such internal financial controls are adequate and are operating effectively.
- f) That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

13. EXTRACT OF ANNUAL RETURN

In accordance with the provisions of section 134(3)(a) of the Companies Act, 2013 an extract of the Annual Return in Form MGT-9 is given as Annexure-B of this report.

14. FIXED DEPOSITS

During the Year under review, your Company has not accepted any fix deposit within the meaning of Section 73 and 74 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014.

15. STATUTORY STATEMENTS

A. Conservation of energy and technology absorption

The information relating to Conservation of Energy and Technology Absorption as required to be disclosed under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure - 'A' -Form A.

B. Foreign Exchange Earnings and outgo

During the year under review, your Company has dealt with foreign exchange earning and outgo, pursuant to Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014, is annexed herewith as Annexure - 'A' -Form B.

C. Particulars of Employees

Information in accordance with the provisions of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, regarding employees is given in the Annexure to the Directors' Report.

Disclosures regarding ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are as under :-

Managerial Remuneration:

- i) The Ratio of the remuneration of Directors to the Median remuneration of the employees of the Company for the year 2016-17:
 - Executive Director: Mr. RN Pattanayak - **15:1**
- ii) The percentage increase in remuneration of each Director, CFO and CS in the financial year:
There was no increase in the remuneration of any of the Director or CS during the financial year.
- iii) The percentage increase in the median remuneration of employees in the financial year: **3.63%**
- iv) The number of permanent employees on the rolls of Company: **241 employees as on 31.03.2017**
- v) Variations in the market capitalization of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate of previous year.

Particulars	As at 31st March, 2017	As at 31st March, 2016	Variation(%)
Closing Share Price	524.50	385.10	36.20
Market Capitalization (Rs in Crores)			
(Market Value per share			
*No. of Outstanding Shares)	1101.45	808.71	36.20
P/E ratio			
(Market Value per share/EPS)	41.69	22.17	88.04

- vi) average percentile increase already made in the salaries of employees other than managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: **There has been no increase in the remuneration of KMP's during the financial year.**
- vii) Comparison of the each remuneration of the Key Managerial personnel against the performance of the Company:

	WTD	CFO*	CS
Remuneration in FY 17 (Rs in Cr.)	0.42	0.118	0.069
Revenue (Rs in Cr.)	733.75		
Remuneration as % of revenue	0.057%	0.016%	0.009%
Profit before Tax (PBT) (Rs in Cr.)	40.02		
Remuneration (as % of PBT)	1.05%	0.29%	0.17%
* Mr. Amit Sharma CFO resigned w.e.f from 13th February, 2017.			

- viii) the key parameters for any variable component of remuneration availed by the Directors: There is no such variable component
- xi) The ratio of the remuneration of the highest paid director to that of the employees who are not Directors but receive remuneration in excess of the highest paid director during the year: **NONE**
- x) The Remuneration is as per the remuneration policy of the Company.

16. CORPORATE GOVERNANCE

A separate report on Board of Directors of the Company on Corporate Governance is included in the Annual Report and the Certificate from M/s A. Upadhyaya & Associates Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance as stipulated in Schedule V of SEBI (LODR), Regulations, 2015 is attached to the report on Corporate Governance.

17. RISK MANAGEMENT POLICY

The company has in place a mechanism to identify, assess, monitor and mitigate various risks to key business objectives. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed at the meetings of the board of directors of the company.

The company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by statutory as well as internal auditors.

18. CORPORATE SOCIAL RESPONSIBILITY

The Company has been committed towards the society at large. A separate note on the policy is a part of this report. The Company has duly formulated CSR policy in place. Policy can be assessed from the Company Website <http://www.arcotech.in/New14/CSR.pdf>.

19. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

The company has not given any loan, guarantee or investments under section 186 of the Companies Act, 2013

20. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY.

There have been no material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

RELATED PARTY TRANSACTIONS

During the year, the Company had not entered into any arrangement / transaction with related parties which could be considered material in accordance with the Company's Policy on Related Party Transactions and accordingly, the disclosure of Related Party Transactions in Form AOC 2 is not applicable.

The Policy on the Related Party Transactions is available on the Company's website at <http://www.arcotech.in/New14/Policy-on-Materiality-of-and-dealing-with-Related-Party-Transaction.pdf>.

Details of related party transactions have been disclosed in notes to the financial Statements.

21. MANAGEMENT DISCUSSION AND ANALYSIS**(a) Industry Scenario & Future Challenges**

During the year, Industrial Output of the economy has been sluggish; primarily because of Demonetization drive of government and higher interest rates in macroeconomic concerns. However, your Company's approach of diversification of customer base has helped it to maintain steady growth. During the year, a risk analysis assessment was conducted and no major risks were noticed, which may threaten the existence of the Company.

(b) Human Resources / Industrial Relations

Your Company acknowledges the commitment, competence and dedication of its employees at all areas of business. The Company is committed to nurture, enhance and retain best talent through investment in its people to upgrade their technical, domain and leadership capability. To retain leadership position, the Company continuously innovates and customizes its Human Resource (HR) strategy to meet changing employee need. The Company has taken initiative for safety of employees and implemented regular safety audit, imparted machine safety training, wearing protective equipment's.

(c) Adequacy of Internal Controls

The company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded, and reported correctly. Independent Internal auditors conduct audit covering a wide range of operational matters and ensure compliance with specified standards.

(d) Operating Performance, Future Outlook etc.

The foregoing paragraphs under the head - Financial Results, Operations, and Future Outlook have discussed and analyzed other requisite issues mentioned in SEBI (LODR), Regulations, 2015.

(e) Opportunities and Threats

Government focus on Non-ferrous Industry and implementation of GST will give boost to nonferrous industry. However Govt. will have to take adequate steps to provide level playing field to Indian Non-ferrous Manufacturers by taking mitigant steps to nullify the impact of inverted duty effect.

22. DISCLOSURE AS PER THE SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The company has a policy on prohibition, prevention and redressal of Sexual Harassment of women at workplace and Matters connected therewith or incidental thereto covering all the aspects as contained under "The Sexual Harassment of women at workplace (Prohibition, Prevention and Redressal) Act, 2013".

During the financial year 2016-17, no complaint was received under the policy.

23. INTERNAL FINANCIAL CONTROL

The Company has adequate internal control systems and procedures designed to effectively control the operations at Its corporate office, Head office and plants. The internal control systems are designed to ensure that the financial and Other records are reliable for the preparation of financial statements and for maintaining assets. The Company has well designed Standard Operating Procedures.

Independent Internal Auditors conduct audit covering a wide range of operational matters and ensure compliance with specified standards. Planned periodic reviews are carried out by Internal Audit. The findings of Internal Audit are reviewed by the top management and by the Audit Committee of the Board of Directors.

Based on the deliberations with Statutory Auditors to ascertain their views on the financial statements including the Financial Reporting System and Compliance to Accounting Policies and Procedures, the Audit Committee was satisfied with the adequacy and effectiveness of the Internal Controls and Systems followed by the Company.

24. ACKNOWLEDGMENT

Your Directors place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the Industry. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth. Directors also take this opportunity to thank all Investors, Banker, Clients, Vendors, Companies, Government authorities and Stock Exchange(s) for their continued support.

**On behalf of the Board
For Arcotech Limited**

**(Arvind Kumar Saraf)
Chairman
DIN : 00057323**

Place : New Delhi
Date : 20th July, 2017