

# Essar Steel India Limited

42<sup>nd</sup> Annual Report 2017 -18





**BOARD OF DIRECTORS**

Shri Prashant Ruia	<i>Director</i>
Shri Jatinder Mehra	<i>Director (upto 20-06-2017) and CEO (w.e.f. 21-06-2017)</i>
Shri V. G. Raghavan	<i>Independent Director</i>
Shri Arvind Pande	<i>Independent Director (upto 02-04-2018)</i>
Shri Parveen Kumar Malhotra	<i>Director (upto 05-05-2018)</i>
Shri Sunit V Joshi	<i>Nominee Director (SBI)</i>
Smt Gayathri Sukumar	<i>Director (upto 21-08-2017)</i>
Shri Dilip C. Oommen	<i>Managing Director &amp; Dy. CEO</i>
Shri Mahadev Iyer	<i>Director (Finance) &amp; CFO (upto 30-06-2017)</i>
Shri Rajiv Kumar Bhatnagar	<i>Director (Projects)</i>
Shri Aloke Sengupta	<i>Nominee Director (IDBI Bank) (upto 27-07-2017)</i>

**CHIEF FINANCIAL OFFICER**

Shri Suresh Jain (w.e.f. 01-07-2017)

**COMPANY SECRETARY**

Shri Pankaj S Chourasia

**REGISTERED OFFICE**

27<sup>th</sup> KM, Surat Hazira Road,  
Hazira, Dist. Surat,  
Pin - 394270, Gujarat.  
Tel. : 0261-668 2400  
Fax : 0261-668 5731  
email : estlinvestors@essar.com  
CIN : U27100GJ1976FLC013787

**CORPORATE OFFICE**

Essar House,  
11 Keshavrao Khadye Marg,  
Mahalaxmi, Mumbai - 400 034.  
Tel. : 022-66601100  
Fax : 022-23532695

**CONTENTS**

Notice	02
Board's Report	06
Report of Resolution Professional	37
Auditors' Report	38
Balance Sheet	46
Profit & Loss Account	47
Cash Flow Statement	49
Notes to Financial Statements	51
Consolidated Financial Statements	109
Proxy Form	181

**BANKERS**

Allahabad Bank  
Axis Bank Ltd.  
Bank of Baroda  
Bank of India  
Canara Bank  
Central Bank of India  
Corporation Bank  
Deutsche Bank  
Export Import Bank of India  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
Punjab National Bank  
Standard Chartered Bank  
State Bank of India  
Syndicate Bank  
UCO Bank  
Union Bank of India

**AUDITORS**

M/s. M. M. Chaturvedi & Co.,  
Chartered Accountants,  
24, Atlanta,  
Nariman Point,  
Mumbai - 400 021.

**REGISTRAR & SHARE TRANSFER AGENTS**

Data Software Research Company Pvt. Ltd.  
Unit : Essar Steel India Limited  
19, Pycrofts Garden Road, Off Haddows Road,  
Nungambakkam, Chennai - 600 006.  
Tel. : (044) 2821 3738, 2821 4487  
Fax : (044) 2821 4636  
E-mail : essar.steel@dsr-cid.in

**Visit us at our website**

<http://www.essarsteel.com>

## NOTICE TO SHAREHOLDERS

**NOTICE** is hereby given that the 42<sup>nd</sup> Annual General Meeting of the Members of Essar Steel India Limited (CIN: U27100GJ1976FLC013787), a company under Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code, 2016, will be held at Utsav Community Hall, Nandniketan Township, Hazira, Dist: Surat, Gujarat, Pin - 394270 on Friday, December 28, 2018, at 10:30 a.m. to transact, the following businesses:

### BACKGROUND:

The members are hereby informed that pursuant to the order dated August 02, 2017, of the Hon'ble National Company Law Tribunal - Ahmedabad Bench, at Ahmedabad ("NCLT Order"), Corporate Insolvency Resolution Process ("CIR Process") has been initiated for the Company in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016, ("Code") and related rules and regulations issued thereunder with effect from August 02, 2017, (Corporate Insolvency Resolution Process Commencement Date). Shri Satish Kumar Gupta was appointed as Interim Resolution Professional in terms of the NCLT Order and subsequently he was appointed as Resolution Professional by the Committee of Creditors in its meeting held on September 01, 2017 as per the provisions of the Code.

Members are further informed that pursuant to Section 17 of the Code, Corporate Insolvency Resolution Process (CIRP) was initiated against the Company w.e.f. 02.08.2017. The powers of Board of Directors of the Company stand suspended effective from the CIRP commencement date and such powers along with the management of affairs of the company are vested with the Resolution Professional, viz., Shri Satish Kumar Gupta. The Resolution Professional invited expressions of interest in accordance with provisions of the Code. The resolution plan approved by the committee of creditors is under consideration of Adjudicating Authority. In view hereof, this Meeting is being called and convened by the order of Resolution Professional.

### ORDINARY BUSINESS:

- To receive, consider and adopt:
  - the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2018, together with the Report of the Board of Directors and the Auditors thereon;
  - the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2018, together with the Report of the Auditors thereon;
- To appoint a Director in the place of Shri Rajiv Kumar Bhatnagar (DIN 07018252) who retires by rotation and being eligible, offers himself for reappointment;  
(His re-appointment on the Board is being part of compliance with section 152(6) of the Companies Act, 2013. However, the Board shall continue to remain suspended during the continuance of CIR Process. The tenure of directors will be subject to Resolution Plan as may be approved by Adjudicating Authority.
- To consider the re-appointment of M/s. M M Chaturvedi & Co., Chartered Accountants, Mumbai having Firm Registration No.112941W, as Statutory Auditors of the Company and to fix their remuneration and, if thought fit pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:  

**"RESOLVED THAT** pursuant to the provisions of Sections 139(1), 142 and other applicable provisions of the Companies Act, 2013, ("Act") and the Rules framed thereunder, as amended from time to time M/s. M. M. Chaturvedi & Co., Chartered Accountants, Mumbai (Audit Firm Registration No.

112941W) be and is hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of Annual General Meeting to be held in the year 2019 or as per tenure decided by the resolution applicant under the resolution plan to be approved by the Adjudicating Authority, whichever is earlier at the existing remuneration paid to them for the financial year ended March 31, 2018."

### SPECIAL BUSINESS:

- To ratify the remuneration of the Cost Auditors for the financial year ending 31<sup>st</sup> March, 2019.

To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 148(3) and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification or amendments thereof, for the time being in force), the remuneration of Rs.4,00,000 (Rupees Four Lakh only) plus applicable Tax thereon and reimbursement of out of pocket expenses, if any, payable to M/s Manubhai & Associates, Cost Accountants (Firm Registration M-2502), for conducting Audit of the Cost Accounting Records of the Company for the financial year from April 01, 2018, till March 31, 2019, in terms of the Companies Act, 2013 and Rules framed thereunder, be and is hereby ratified.

**RESOLVED FURTHER THAT** the Company Secretary of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution as per direction of the Resolution Professional."

The appointment of cost auditor is subject to term and conditions of resolution plan to be approved by the Adjudicating Authority.

**By the Order of Resolution Professional  
For Essar Steel India Limited**

Place : Mumbai  
Date: November 27, 2018

**Pankaj S Chourasia**  
Company Secretary

### Registered Office

Essar House,  
27 km, Surat Hazira Road,  
Dist. Surat, Gujarat – 394270  
Website: www.essarsteel.com  
Email: pankajc1@essarsteel.co.in  
Tel no. 0261-6682400, 022-66601100  
Fax no. 0261 - 6685731

### NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE FORTY SECOND ANNUAL GENERAL MEETING (THE MEETING") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder. The holder of proxy shall prove his identity at the time of attending the Meeting.

The Register of the Members and Share Transfer Books of the Company will remain closed from December 19, 2018 to December 27, 2018 (both days inclusive).

2. Corporate members intending to send their authorised representative(s) to attend the Meeting are requested to send to the Company a certified true copy of the relevant Board Resolution together with the specimen signature(s) of the representative(s) authorised under the said Board Resolution to attend and vote on their behalf at the Meeting.
3. This Notice is also being sent with Annual report along with attendance slip, proxy form and route map of the venue of the Meeting.
4. A Statement pursuant to Section 102(1) of the Companies Act, 2013 ("the Act"), relating to the Special Business to be transacted at the Meeting is annexed hereto.
5. The Company is providing facility for voting by electronic means (e-voting) through an electronic voting system which will include remote e-voting as prescribed by the Companies (Management and Administration) Rules, 2014 as presently in force and the business set out in the Notice will be transacted through such voting. Information and instructions including details of User ID and password relating to e-voting are provided in the Notice under Note No.19.
6. Shri Rajiv Kumar Bhatnagar, Director Projects is interested in Item No. 2, of the Notice with regard to his appointment / re-appointment. The relatives of such interested directors may be deemed to be interested in the said Resolutions to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Ordinary / Special Resolutions set out under remaining items of the Notice.

However, any change in the management of the corporate debtor during the Corporate Insolvency Resolution Process will be subject to the approval of the Committee of Creditors in terms of Section 28 of the Insolvency & Bankruptcy Code, 2016.

7. The Company had made application to Central Govt seeking approval for payment of remuneration to its Executive Directors. Ministry of Corporate Affairs have amended the provisions of the Companies Act, 2013 relating to payment of remuneration to Executive directors vide notification dated September 12, 2018. As the Company has already complied with the amended provisions of the Companies Act, 2013, the applications made to the Central Government under provisions of Section 197 for payment of remuneration stand abated.
8. Members / Proxies / Authorised Representatives are requested to bring to the Meeting necessary details of their shareholding, attendance slip(s) and copy(ies) of their Annual Report.
9. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
10. Relevant documents referred to in the Notice are open for inspection by the members at the Registered Office of the

Company on all working days (i.e., except Saturdays, Sundays and Public Holidays) during business hours up to the date of the Meeting. The aforesaid documents will also be available for inspection by members at the Meeting.

11. The Company's Registrars & Transfer Agents for its share registry (both, physical as well as electronic) is Data Software Research Company Private Limited ("DSRC") having its office at 19, Pycrofts Garden Road, Off Haddows Road, Nungambakkam, Chennai - 600006.
12. Members holding shares in electronic mode are requested to intimate any change in their address or bank mandates to their Depository Participants (DPs) with whom they are maintaining their demat accounts. Members holding shares in physical mode are requested to advise any change in their address or bank mandates to the Company / DSRC.
13. Members holding shares in physical mode are advised to make nomination in respect of their shareholding in the Company. Members holding shares in electronic mode may contact their respective DPs for availing the nomination facility.
14. The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2007-08, from time to time, to the Investor Education and Protection Fund (IEPF) established by the Central Government.
15. Members who hold shares in physical mode in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to DSRC, for consolidation into a single folio.
16. **Members are hereby informed that Ministry of Corporate Affairs (MCA), vide notification dated September 10, 2018, has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014 by inserting Rule 9A wherein every holder of securities of an unlisted public Company who intends to transfer such securities on or after October 02, 2018 shall get such securities dematerialised.**
17. **Members who have not registered/updated their respective e-mail addresses with DSRC, if shares are held in physical mode or with their DPs, if shares are held in electronic mode, are requested to do so for receiving all future communications from the Company including Annual Reports, Notices, Circulars, etc., electronically.**
18. Non-Resident Indian members are requested to inform DSRC / respective DPs, immediately of:
  - a) Change in their residential status on return to India for permanent settlement.
  - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
19. **Voting through electronic means**
  - i) In compliance with the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended by the Companies (Management and Administration) Amendment Rules, 2015, the Company is pleased to provide to the Members a facility to exercise their right to vote on resolutions proposed to be considered at the 42<sup>nd</sup> Annual General Meeting (AGM) by electronic means through e-Voting Services. This initiative will advance our green initiative to which your Company is committed. The facility of casting votes by the Members using an electronic voting system from a place other than venue of the AGM ('remote e-voting')



- will be provided by M/s Central Depository Services (India) Limited (CDSL).
- ii) The facility for voting through ballot paper shall be made available at the AGM and the Members attending the meeting, who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through Ballot Paper/Electronically.
  - iii) The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM, but shall not be entitled to cast their vote again.
  - iv) The voting period begins on December 24, 2018, and ends on December 27, 2018. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date December 14, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
  - v) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
    - a) Click on Shareholders / Members
    - b) Now Enter your User ID
      - a. For CDSL: 16 digits beneficiary ID.
      - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
      - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
    - c) Next enter the Image Verification as displayed and Click on Login.
    - d) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
    - e) If you are a first time user follow the steps given below:

	<b>For Members holding shares in Demat Form and Physical Form</b>
PAN	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> </ul>
	<ul style="list-style-type: none"> <li>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v b).</li> </ul>

- f) After entering these details appropriately, click on "SUBMIT" tab.
- g) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- h) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- i) Click on the EVSN of ESSAR STEEL INDIA LIMITED on which you choose to vote.
- j) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- k) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- l) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- m) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- n) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- o) If a demat account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- p) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- q) **Note for Non – Individual Shareholders and Custodians**
  - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- r) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- s) The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of December 14, 2018.
- t) Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the notice and holding shares as of the cut-off date of December 14, 2018, should follow the same procedure for e-Voting as mentioned above.
- u) **In case you have any queries or issues regarding e-voting, you may refer the Frequency Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact CDSL at its toll free no: 1800225533.**
- v) A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- w) A person, whose name is recorded in the Register of Members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- x) Shri Dinesh Kumar Deora, Practicing Company Secretary, has been appointed as Scrutinizer to scrutinize the voting and remote e-voting process in a fair & transparent manner.
- y) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which the voting is to be held, allow voting with the assistance of scrutinizer, by use of 'Ballot Paper/Electronically for all those Members who are present at the AGM but have not cast their votes by availing the "remote e-voting" facility.
- z) The Scrutinizer shall, after the conclusion of voting at the general meeting, first count the votes cast at the meeting and there after unblock the votes cast through remote e-voting in the presence of at least two witnesses, not in the employment of the Company and shall submit, not later than three days of the conclusion of the AGM, a Consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him / her in writing, who shall counter sign the same and declare the result of the voting forthwith.
- aa) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company, viz. [www.essarsteel.com](http://www.essarsteel.com).

## ANNEXURE TO NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

#### Item no. 4

M/s Manubhai & Associates, Cost Accountants, have been reappointed as the Cost Auditors of the Company to carry out cost audit pertaining to Steel Business of the Company for the year ending March 31, 2019 at a remuneration of Rs.4,00,000/- plus applicable tax and reimbursement of out of pocket expenses. In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the provisions of Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors requires ratification by the shareholders.

Accordingly, approval of the members is sought for passing an Ordinary Resolution for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2019.

The appointment of cost auditor is subject to terms and conditions of resolution plan to be approved by the Adjudicating Authority.

None of the Directors, Key Management Personnel or the Resolution Professional of the Company, or their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

**By Order of the Resolution Professional  
For Essar Steel India Limited**

Place : Mumbai  
Date: November 27, 2018

**Pankaj S Chourasia**  
Company Secretary

## BOARD'S REPORT

To,

The Members of **Essar Steel India Limited**

Your Directors have pleasure in presenting the 42<sup>nd</sup> Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2018.

The members are hereby informed that pursuant to the order dated August 02, 2017, passed by the Hon'ble National Company Law Tribunal - Ahmedabad Bench, at Ahmedabad ("NCLT Order"), Corporate Insolvency Resolution Process ("CIR Process") has been initiated for the Company in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016, ("Code") and the related rules and regulations issued thereunder with effect from August 02, 2017, (Corporate Insolvency Resolution Process Commencement Date). Shri Satish Kumar Gupta was appointed as Interim Resolution Professional in terms of the NCLT Order and subsequently, he was appointed as Resolution Professional by the Committee of Creditors in its meeting held on September 01, 2017. During the continuation of Corporate Insolvency Resolution Process (CIRP) the powers of the Board of Directors of the Company stand suspended effective from the CIRP Commencement Date and such powers along with the management of affairs of the Company are vested with the Resolution Professional, viz., Shri Satish Kumar Gupta.

### 1. FINANCIAL STATEMENTS & RESULTS:

#### A) FINANCIAL RESULTS

(₹ in Crore)

Particulars	Standalone		Consolidated	
	FY 2017-18	FY 2016-17	FY 2017-18	FY 2016-17
Gross Revenue	26,027.67	21,959.74	27,419.49	23,332.32
Expenses	23,134.27	19,118.95	24,482.24	20,341.00
Profit before Finance Costs, Exchange Variation and Derivative Losses, Depreciation /Amortisation, Exceptional Items and Tax	2,893.40	2,840.79	2,937.25	2,991.32
Less: Finance Cost	7,377.62	5,607.79	7,946.87	5,957.60
Less: Exchange variation and Derivative Losses (net)	(18.19)	193.49	(15.35)	185.39
Less: Depreciation / Amortization	1,879.68	1,903.06	1,927.42	2,063.43
Profit /(Loss) before Exceptional Items and Taxation	(6,345.71)	(4,863.55)	(6,921.69)	(5,215.10)
Less: Exceptional items Expenses	6,007.22	1,918.40	2,343.82	1,921.28
Profit /(Loss) before Taxation	(12,352.93)	(6,781.95)	(9,265.51)	(7,136.38)
Tax Expense/ (Benefit)	4,489.82	(1,584.39)	4,458.64	(1,552.06)
Add: Share in Profit / (Loss) of Associates (Net)	-	-	(516.17)	(35.87)
Less: Non Controlling Interest	-	-	(0.01)	0.16
<b>Profit /(Loss) after taxation before Other Comprehensive Income</b>	<b>(16,842.75)</b>	<b>(5,197.56)</b>	<b>(14,240.31)</b>	<b>(5,620.35)</b>
Other Comprehensive Income	1.50	(22.94)	0.25	(22.94)
<b>Profit /(Loss) after taxation</b>	<b>(16,841.25)</b>	<b>(5,220.50)</b>	<b>(14,240.06)</b>	<b>(5,643.29)</b>
Add: Balance brought forward from previous year	(14,337.91)	(9,257.08)	(17,596.39)	(12,092.77)
Add : Balance value of assets transfer from Assets as per Companies Act 2013 (Net of deferred tax)	-	-	-	-
Less: Transfer to Hedging Reserve	-	6.53	-	6.53
Less: Transfer from Revaluation Reserve	132.28	133.14	132.28	133.14
Balance carried forward to next year	(31,046.88)	(14,337.91)	(31,704.17)	(17,596.39)

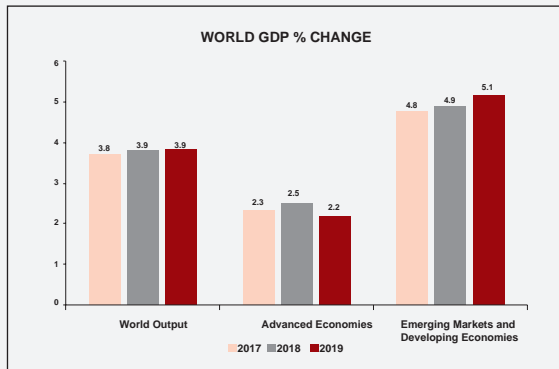


## B. OPERATIONS

### GLOBAL SCENARIO

The global economy, according to International Monetary Fund (IMF), strengthened in 2017 to 3.8 percent growth from the previous year's 3.2 percent. The growth was the strongest since 2011 and was led by recovery in investment in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe and recovery in commodity exports. Resurgent investment spending in advanced economies and an end to investment decline in some developing and emerging markets with growth in manufacturing activities were the key drivers of increased global economic growth in 2017.

The growth in 2018 and 2019 is expected to be a notch higher at 3.9 percent supported by strong momentum, improved market sentiment, favourable financial conditions and the domestic & international effects of expansionary fiscal policies in the United States.



Source: IMF – World Economic Outlook (April 2018)

The global growth projections for 2018 & 2019 are mainly driven by the growth in emerging markets & developing economies and resilient growth in advanced economies.

In the United States, the firmer external demand and positive impacts of macroeconomic tax reforms are anticipated to stimulate economic activities in the country. The economy is forecasted to grow from 2.3 percent in 2017 to 2.9 percent in 2018 and thereafter moderate to 2.7 percent in 2019.

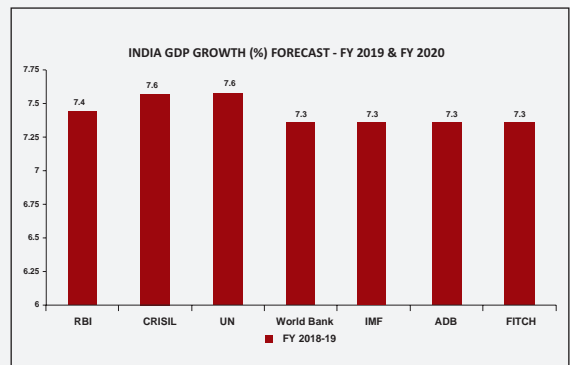
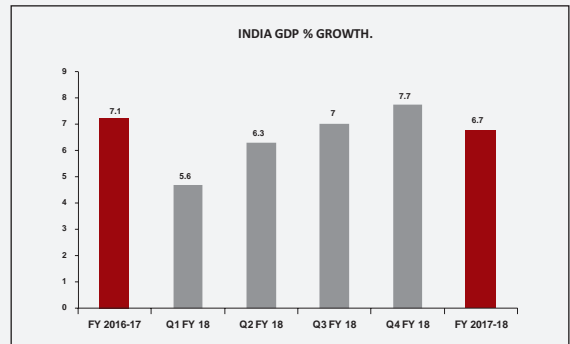
The Euro area is forecasted to see stronger than expected domestic demand across the currency area amidst better supportive monetary policies. The growth in the Euro area is projected to pick up from 2.3 percent in 2017 to 2.4 percent in 2018 and is expected to moderate to 2.0 percent in 2019. In Japan, the downside risks to favourable external demand prospects is expected to lower growth from 1.7 percent in 2017 to 1.2 percent in 2018 and to 0.9 percent in 2019 with some support from rising private investment and favourable supplementary budget for 2018.

In China, growth is projected to soften from 6.9 percent in 2017 to 6.6 percent in 2018 and thereafter to 6.4 percent in 2019 as the economy continues its move towards consumption led economy and from industry to services.

### INDIAN SCENARIO

According to the International Monetary Fund (IMF), India emerged as the fastest growing major economy in the world.

The country's quarterly GDP grew each quarter with Q4 FY 2017-18 clocking a growth of 7.7 percent. The increasing growth in each of the quarters reflects rebounding of the economy post demonetization and patchy implementation of Goods and Services Tax regime in the country. The fiscal year's growth aggregated to 6.7 percent in 2017-18 according to Central Statistical Organization (CSO). The growth was driven by steady consumption and continued recovery in investment.



Source: CSO

Source: RBI, CRISIL, UN, WORLD BANK, IMF, ADB, FITCH

In FY 2018-19, the economy is projected to grow between 7.3-7.6 percent, significantly higher than 6.7 percent growth in FY 2017-18. The economic growth is expected to rebound in FY 2018-19 and the country is soon expected to become the fifth-largest economy in the world. The increased foreign direct investment, steady improvement in world demand and turnaround in domestic industrial production & vehicle sales are some of the key factors for the higher growth performance. However, the path to recovery and growth will face significant headwinds which include rising crude oil prices, current account deficit and inflation. On the whole, the economic growth is expected to stay its course on consumption and favourable exports and corrective measures by the government are put in place from time to time.

**STEEL INDUSTRY****Global Overview****Global Crude Steel Production and Demand**

Region/ Country	Crude Steel Production (Mt)			Steel Demand (Mt)			Steel Demand Growth (%)	
	2016	2017	Growth (%)	2017	2018(f)	2019(f)	2018/17 (%)	2019/18 (%)
World	1604	1673	4.3*	1587.4	1616.1	1626.7	1.8	0.7
China	808	832	2.9*	736.8	736.8	722.1	0.0	-2.0
India	96	101	6.0	87.2	92	97.5	5.5	6.0
Japan	105	105	-0.1	64.4	64.5	64.9	0.2	0.6
USA	79	82	3.8	97.7	100.3	102.3	2.7	2.0
S. Korea	69	71	3.6	56.4	57.0	57.5	1.1	0.9
EU	162	168	3.8	162.3	165.6	166.9	2.0	0.8

Source: World Steel Association – April 2018

\*A special note on China: China closed most of its outdated induction furnaces in 2017, a category which was generally not captured in official statistics. With closure of the induction furnaces, the demand from this sector of the market is now satisfied by mainstream steel makers and therefore captured in the official statistics in 2017. Consequently, the nominal growth rate for steel demand in China increased to 12.4% or 765.7 Mt. Disregarding this statistical base effect World steel expects that the underlying growth rate of China's steel demand for 2017 will be 3%, which will make the corresponding global growth rate 2.8%.

World Steel Association (WSA) forecasts global steel demand to grow by 1.8 percent year on year to 1616.1 million tonnes in 2018.

In 2017, the stimulus measures by the Chinese government provided some boost to construction activity which includes infrastructure & real estate and accounts for 2/3<sup>rd</sup> of steel consumption in the country. But investment continued to decelerate and steel demand showed only moderate increase despite the stimulus. In 2018, with the deceleration in economic growth and focus on shifting towards consumption led growth, the steel demand is expected to remain flat. In 2019, the demand is expected to contract by 2% on anticipated slowdown in construction activity.

The US steel demand outlook continues to remain strong on account of increased consumption and investment on rising income, low interest rate and higher confidence. In EU, stronger momentum across all the countries had helped boost steel demand. Investment continues to be supported by strong demand and is a major growth driver in the region. Both the US and the EU are forecasted to record healthy growth in 2018, but monetary tightening will have a decelerating effect on growth in 2019. In Japan, the steel demand growth will remain limited on account of limiting consumption. It is anticipated that South Korea will see a restricted demand growth due to high consumer debts, weakening construction sector and depressed shipbuilding sector.

**Domestic Overview**

The steel demand in India continues to be driven by government investment initiatives with little private investment coming in. The steel demand nevertheless recovered post demonetization and GST implementation and is expected to accelerate gradually as the economy stabilizes.

The World Steel Association forecasts steel demand in India to be 92 million tonnes in 2018 with a growth rate of 5.5 percent. It is forecasted to grow to 97.5 million tonnes in 2019 with growth rate of 6.0 percent on year basis.

**SALES AND MARKETING**

The steel recovery which began in 2016 gained further momentum in 2017. Despite global trade barriers in place, the steel demand grew 4.7 percent year-on-year to 1616 million tonnes in 2017 aided by reduction in overcapacity in China and its sustained growth momentum. Global crude steel production grew by 3.8 percent year on year to 1689 million tonnes during 2017.

In China, the government's stimulus measures boosted construction activity, but investment showed deceleration resulting in steel demand growing moderately to 736.8 million tonnes a growth of 8.3<sup>1</sup> percent. Crude steel production was 831.7 million tonnes in 2017 compared to 807.6 million tonnes in 2016, a growth of 3 percent. Increased crude steel output growth was recorded beginning August 2017 when crude steel production increased to a record 2.5 million tonnes per day.

<sup>1</sup> As per World Steel Association China closed most of its outdated induction furnaces in 2017, a category which is generally not captured in official statistics. With the closure of the induction furnaces, the demand from this sector of the market is now satisfied by mainstream steel makers and therefore captured in the official statistics in 2017. Consequently the nominal steel growth rate in China increased to 8.3% or 736.8 Mt. Disregarding this statistical base effect, worldsteel expects that the underlying growth rate of China's steel demand for 2017 will be 3.0%, which will make the corresponding global growth rate 2.4%.