

# 12th ANNUAL REPORT 2014-2015



**FACOR STEELS LIMITED**

**COPORATE INFORMATION****Board of Director**

**Narayandas Saraf**  
Chairman

**M. D. Saraf**  
Vice-Chairman & Director

**Vinod Saraf**  
Managing Director

**Anurag Saraf**

**A. S. Kapre**

**M. B. Thaker**

**Mohandas S. Adige**

**K.A. Pardhi**

**Champaka Rangachari**

**Bankers**

Bank of India

Central Bank of India

State Bank of India

Syndicate Bank

State bank of Bikaner & Jaipur

Indian Overseas Bank

**Solicitors**

Mulla & Mulla ans Craige Blunt &  
Caroe

**Auditors**

SALVE & Co.  
Chartered Accountants

**Internal Auditors**

M. M. Jain & Associates  
Chartered Accountants

**Cost Auditors**

S.K. Phatak & Co.  
Cost Accountants

**Registrars & Share Transfer Agents**

(for Both Physical & Electronic)

**Link Intime India Pvt. Ltd.**

C-13 Pannalal Silk Mills

Compound, LBS Marg,

Bhandup (W),

MUMBAI-400 078

Phone No. 022-2594 6970

Fax No, 022-2594 26970

E-mail:

rnt.helpdesk@linkintime.co.in

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**Notice to Members**

Notice is hereby given that the **TWELFTH ANNUAL GENERAL MEETING** of the Members of the Company will be held at the Registered Office of the Company at 46 A & B, MIDC, Industrial Estate, Hingna Road, Nagpur- 440 028 on Monday the 28<sup>th</sup> of September, 2015 at 2.30 P.M to transact, with or without modification as may be permissible, the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31<sup>st</sup> March 2015, including Audited Balance Sheet and Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in the place of Mr. Narayandas Saraf (DIN: 00006260), who retires from Office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. Anurag M. Saraf (DIN: 00009691), who retires from Office by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

**“RESOLVED THAT** in accordance with the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactments therefore for the time being in force), appointment of M/s Salve & Company, Chartered Accountants, (Regn. No. 109003W), as Statutory Auditors of the Company, which was approved by the shareholders for a period 3 years from the conclusion of the 11<sup>th</sup> Annual General Meeting held on 11<sup>th</sup> September, 2014 be and is hereby ratified at this 12<sup>th</sup> Annual General Meeting of the Company and they are, therefore, to continue to hold office from the conclusion of this Annual General Meeting till the conclusion of the 14<sup>th</sup> Annual General Meeting of the Company at such remuneration plus service tax as applicable and reimbursement of expenses incurred by them incidental to their functions, as shall be fixed by the Board of Directors of the Company. The appointment of the Auditors shall be subject to ratification by members in every subsequent Annual General Meeting till the conclusion of the 14<sup>th</sup> Annual General Meeting.”

**SPECIAL BUSINESS:**

5. 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 Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, Mrs. Champaka Rangachari (DIN No. 00701676), a non-executive Independent Woman Director of the Company, who has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for

appointment and was appointed as an Additional Director w. e. f. 30<sup>th</sup> March, 2015 pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Woman Director of the Company, to hold office for 5 (five) consecutive years with effect from 30<sup>th</sup> March, 2015 up to 29<sup>th</sup> March, 2020.”

**Registered Office:**

46 A & B, MIDC,  
Industrial Estate,  
Hingna Road,  
Nagpur – 440028

Dated: 5<sup>th</sup> August, 2015  
Place: Nagpur

**By ORDER OF THE BOARD**

**Vinod Saraf**  
Managing Director

**NOTES:**

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Item no. 5 at the meeting, is annexed hereto.
2. The Register of Members and the Share Transfer books of the Company will remain closed from Tuesday, 22<sup>nd</sup> September, 2015 to Monday, 28<sup>th</sup> September, 2015 (both days inclusive) for annual closing.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority, as applicable.
4. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.
5. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.

6. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part Report on Corporate Governance. The Directors have furnished the requisite declarations for their appointment/re-appointment.
7. Electronic copy of the Abridged Annual Report for 2014-2015 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Abridged Annual Report for 2014-2015 is being sent in the permitted mode. Complete copy of the Annual Report for 2014-2015 shall be provided on request to members.
8. In accordance with the Companies Act, 2013 read with the Rules framed there under Electronic copy of the Notice of the 12<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the 12<sup>th</sup> Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
9. Members may also note that the Notice of the 12<sup>th</sup> Annual General Meeting and the Annual Report for 2014-2015 will also be available on the Company's website [www.facorsteel.com](http://www.facorsteel.com) and [www.facorgroup.in](http://www.facorgroup.in) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Nagpur for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: [investors@facorsteel.com](mailto:investors@facorsteel.com)
10. **Voting through electronic means**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, and also 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote at the 12<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited

The instructions for e-voting are as under:

  - (i) The voting period begins on 25<sup>th</sup> September, 2015 at 9:00 a.m. and ends on 27<sup>th</sup> September, 2015 at 6:00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 21<sup>st</sup> September, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
    - (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
    - (iii) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
    - (iv) Click on "Shareholders" tab.
    - (v) Now, select the electronic voting sequence number (EVSN) 150804028 alongwith "FACOR STEELS LIMITED" from the drop down menu and click on "SUBMIT"
    - (vi) 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.
    - (vii) Next enter the Image Verification as displayed and Click on Login.
    - (viii) 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.
    - (ix) 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*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <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 last 8 digits of the demat account/folio number in the PAN field.</li> <li>In case the folio 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 folio number 100 then enter RA00000100 in the PAN field.</li> </ul>
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <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 filed as mentioned in instruction (vi).</li> </ul>

- (x) After entering these details appropriately, click on "SUBMIT" tab.
- (xi) Members holding shares in physical form will then reach directly 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.
- (xii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xiii) Click on the EVSN No. 150804028 for Facor Steels Limited.
- (xiv) 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.
- (xv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xvi) 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.
- (xvii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xviii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xix) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xx) 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 <https://www.evotingindia.co.in> and register themselves as Corporates.
  - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity 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 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.
  - Any person, who acquires shares of the Company and become Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. 21<sup>st</sup> September, 2015 may follow the same instructions as mentioned above for e-Voting.
  - 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)

In case of members receiving the physical copy:

- (A) Please follow all steps from Sl. no. (i) to sl. no. (xx) above to cast vote.
- (B) 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.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com), as aforesaid.
- (C) The e-voting period commences on 25<sup>th</sup> September, 2015 (9:00 am) and ends on 27<sup>th</sup> September, 2015 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 21<sup>st</sup> September, 2015 may cast their vote electronically. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (D) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of 21<sup>st</sup> September, 2015, as referred in preceding clause..
- (E) Mr. Pradeep S. Chenna., Company Secretaries, (Membership No. FCS 6265 and C. P. No.7138) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (F) The Scrutinizer shall within a period not exceeding



three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.

- (G) The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.facorgroup.in](http://www.facorgroup.in) within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

11. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company on all working days during normal business hours (9.00 am to 5.00 pm) except Saturdays, Sundays and Holidays up to and including the date of the Annual General Meeting of the Company.

**Registered Office:**

46 A & B, MIDC,  
Industrial Estate,  
Hingna Road,  
Nagpur – 440028

**By ORDER OF THE BOARD**

**Vinod Saraf**  
Managing Director

Dated: 5<sup>th</sup> August, 2015

Place: Nagpur

**ANNEXURE TO THE NOTICE**

**EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No. 5**

Mrs. Champaka Rangachari joined the Board of Directors of the Company on 30<sup>th</sup> March, 2015. Mrs. Champaka Rangachari, aged 82 years is a retired Professor. She has done her PhD in Zoology from Delhi University and has published a number of papers in National and International journals on Zoology. She is associated with various management organizations and has conducted various seminars on leadership, motivation and communication. She has rich experience in Corporate advertising work and she started Admas Advertising in 1976 and was its CMD till 2010.

As per the provisions of Section 149 of the Companies Act, 2013 which has come into force w.e.f. 1<sup>st</sup> April, 2014, an Independent Director shall hold office for a term up to 5 consecutive years on the Board of a company and is not liable to retire by rotation. Mrs. Champaka Rangachari has given declaration to the Board that she meets the criteria of Independence as provided under Section 149(6) of the Act. The matter regarding appointment of Mrs. Champaka Rangachari as Independent Director was placed before the Nomination and Remuneration Committee, which commends her appointment as an Independent Director from 30<sup>th</sup> March, 2015 to 29<sup>th</sup> March, 2020.

In opinion of the Board, Mrs. Champaka Rangachari fulfils the conditions specified in the Act and the Rules made there under for appointment as Independent Woman Director and She is independent of the management. In Compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Mrs. Champaka Rangachari, as an Independent Woman Director, is now being placed before the Members in General Meeting for their approval.

Copy of the Draft letter of appointment of Mrs. Champaka Rangachari would be available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on all working days upto the AGM date.

None of the of the Directors or Key Managerial Personnel (KMP) or relatives of directors and KMP, except Mrs. Champaka Rangachari are interested or concerned in the Resolution concerning her appointment proposed in Item No. 5 of the Notice.

The Board recommends the Ordinary Resolution set out at Item No.5 of the Notice for approval of the members.

The information as required in terms of Clause 49 of the Listing Agreement is given in Corporate Governance Report annexed to the Directors' Report.

**Registered Office:**

46 A & B, MIDC,  
Industrial Estate,  
Hingna Road,  
Nagpur – 440028

**By ORDER OF THE BOARD**

**Vinod Saraf**  
Managing Director

Dated: 5<sup>th</sup> August, 2015

Place: Nagpur

## **DIRECTORS' REPORT TO THE MEMBERS**

Your Directors submit the **TWELFTH ANNUAL REPORT** on the business and operations of the Company and the Audited Statements of Accounts for the year ended 31<sup>st</sup> March, 2015.

### **FINANCIAL RESULTS**

Particulars	For the year ended 31.03.2015	(` in lacs) For the year ended 31.03.2014
Gross Profit/(Loss)	<b>(2623.80)</b>	(2267.52)
Depreciation / Amortization	<b>469.38</b>	537.29
Profit /(Loss) before exceptional items & Tax	<b>(3093.18)</b>	(2804.81)
Exceptional items	<b>1842.11</b>	0.00
Profit/(Loss) before tax for the year	<b>(1251.07)</b>	(2804.81)
Provision/(Credit) for MAT/DEF. TAX /WT	<b>0.00</b>	0.00
Profit/(Loss) after tax for the year	<b>(1251.07)</b>	(2804.81)

### **OVERALL PERFORMANCE**

Your Company's performance during the financial year 2014-15 was badly affected due to the closure of the plant operations with effect from 30/05/2014 due to consensus lockout declared as per agreement reached with the workforce. This closure was necessitated due to adverse market conditions with subdued demand for Alloy and Stainless Steel resulting in lower utilization of capacity. The lay off is still continuing due to no change in the situation.

During the year under review, your Company reported total income of ` 3043.78 Lacs as against ` 6636.74 Lacs of previous year. After making a provision of ` 781.29 Lacs towards interest and ` 469.38 Lacs towards depreciation, the loss for the current financial year amounts to ` 1251.07 Lacs as against net loss of ` 2804.81 Lacs reported in the previous year. The net loss of ` 1251.07 Lacs of the current year has been arrived after considering exceptional items of ` 1842.11 Lacs, details of which has been given in Note 32 of on Financial Statement.

There are no significant material orders passed by the Regulators/ Courts which would impact the going concern status of the Company and its future operations. A detailed Management Discussion and Analysis Report forms part of this report is annexed as **Annexure-1**.

### **OUTLOOK FOR 2015-16**

The lay off at Company's plant is continuing and it is unviable to operate the plant under present business conditions. In our effort to revive operations, the Company and its Promoters have been engaged in scouting for tie-ups with Potential Investors/ Strategic Partners who can introduce newer value added product portfolios in the market and infuse capital in the Company.

### **DIVIDEND**

In the absence of profit, your directors are unable to declare any dividend for the year 2014-15.

### **BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION**

As the accumulated losses of the Company at the Financial year

ended 31<sup>st</sup> March, 2014 exceeded its net worth, the Company has made reference to the Board for Industrial and Financial Reconstruction (BIFR) under section 15 of the Sick Industrial Companies (Special) Provisions Act, 1985. The reference has been registered vide Case No. 74/2014 by BIFR and proceedings have started.

### **PARTICULAR OF LOANS, GUARANTEES OR INVESTMENT**

There are no loans, Guarantees and Investments made under the provisions of Section 186 of the Companies Act, 2013 during the year under review. Details of Loans, Guarantees and Investments as at the year end are given in the notes to the Financial Statements.

### **RELATED PARTY TRANSACTION**

There are no contracts or arrangement with related parties referred to in Section 188 (1) by the Companies Act, 2013. The details of other transactions entered into with the related parties are given in Note 43 to the Financial Statement.

The Policy on Related Party Transactions approved by Board is uploaded on the Company's Website.

### **DEPOSITS**

The Company has not accepted deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposits) Rules, 2014.

### **CAPITAL STRUCTURE**

Authorised Capital of the Company is ` 60,00,00,000/- and there was no change in the authorised capital of the company during the year under review.

Paid up capital of the company is ` 53,43,23,679/- comprising of 20,65,23,679 equity shares of ` 1/- each and 32,78,000 5% Redeemable Cumulative Preference Shares of ` 100/- each. During the year under review there was no change in the paid up capital of the company.

### **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:**

In view of the continuing losses, the company is not in a position to make any expenditure under Corporate Social Responsibility as per the Provisions of Companies Act, 2013.

### **INDUSTRIAL RELATIONS**

The Company has declared Consensus lock out as per the agreement reached with its work force effective from 30<sup>th</sup> May, 2014. Since then Company has separated 50 officers of the Company. Further 282 staff and workers have been separated through Voluntary Separation Scheme. The general industrial relation situation is cordial.

### **EXTRACT OF ANNUAL RETURN**

The extract of the Annual Return in Form MGT 9 is annexed herewith as **Annexure- 2**

### **NUMBER OF BOARD MEETINGS HELD**

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year Seven Board Meetings, Five Audit Committee Meetings, One Stakeholders Relationship Committee Meeting & Three Nomination and Remuneration Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

### **CORPORATE GOVERNANCE**

The report on corporate governance as per the requirement of the

listing agreement with stock exchange forms part of this report is annexed as **Annexure-3**. The Company has complied with all the requirements of corporate governance. The certificate from the Auditors of the Company confirming compliance to the conditions of the corporate governance requirements is also annexed.

### **DIRECTOR RESPONSIBILITY STATEMENT**

The Directors' Responsibility Statement referred in Section 134(5) of Companies Act, 2013, it is hereby stated.

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent 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 loss of the company for that period;
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors have prepared the annual accounts on a going concern basis; and
- (e) the directors, have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors have devised proper systems to ensure compliance with the provisions of all applicable Laws and that such system were adequate and operating effectively.

### **INFORMATION ON REMUNERATION**

Information as per the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed as **Annexure-4** and **Annexure-5** to this report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as **Annexure-6** and **Form A** which forms part of this Report.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

### **FINANCE**

Company's banks accounts have been classified as NPA by all banks during the year under review due to non payment of interest and the

considerable reduction in the drawing power due to suspension of production activities. Company has also received notices from certain banks under Section 13(2) of SARFAESI Act. The company has replied to the said notices. Company has received a letter from Central Bank of India on 12/06/2015 informing the bank has assigned all the rights, title and interest in financial assistance granted to the company in favour of Invent Assets Securitisation & Reconstruction Private Limited (INVENT) vide assignment agreement dated 01/06/2015. Hence INVENT has become the secured lender and all the rights, title and interest of Central Bank of India has been vested with INVENT in respect of the above financial assistance.

The company is in receipt of winding up petition filed by some of the unsecured creditors from the Nagpur Bench of the Hon'ble High Court of Mumbai. The company is in the process of responding to the same.

### **AUDITORS**

#### **STATUTORY AUDITOR**

M/s Salve & Company, Chartered Accountants hold office upto the conclusion of the ensuing 12<sup>th</sup> Annual General Meeting. Based on the recommendation of the Audit Committee, the Board of Directors of the Company have proposed the appointment of M/s Salve & Co., Chartered Accountants, as the Auditors of the Company from the conclusion of the forthcoming 12<sup>th</sup> Annual General Meeting till the conclusion of the 14<sup>th</sup> Annual General Meeting (subject to ratification by shareholders at every Annual General Meeting). M/s Salve & Co., have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 141 of the Companies Act, 2013.

Your Directors request you to ratify the appointment of M/s Salve & Company, Chartered Accountants (Registration No.109003W) as Statutory Auditors of the Company at the ensuing 12<sup>th</sup> Annual General Meeting and to fix their remuneration.

#### **COST AUDITOR**

Pursuant to Section 141 & 148 of the Companies Act, 2013 read with The Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its activity is required to be audited. Your Directors had, on the recommendation of the Audit Committee, appointed M/s S. K. Phatak & Co. to audit the cost accounts of the Company for the financial year 2014-15. The members have given the approval for the appointment of M/s S.K. Phatak as cost auditors for the financial year 2014-15 in the Eleventh AGM held on 11<sup>th</sup> September, 2014.

Your Directors had, in accordance with the General Circular from the Ministry of Corporate Affairs appointed M/s S. K. Phatak & Co., Cost Accountants, as Cost Auditors for Financial Year ended 31<sup>st</sup> March, 2015, for which Central Government approval had been received by the Company. The report on Cost audit for Financial Year ended 31<sup>st</sup> March, 2015 would be filed with Central Government before 30<sup>th</sup> September, 2015.

#### **SECRETARIAL AUDITOR**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s P. S. Channe & Co., a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company for financial Year 2014-15. M/s P. S. Channe & Co., have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said



appointment would be in conformity with the provisions of Section 141 of the Companies Act, 2013. The Report of the Secretarial Audit Report is annexed herewith as **Annexure-7**. There are no qualifications or observations or remarks made by Secretarial Auditor in his report.

**DECLARATION BY INDEPENDENT DIRECTORS:**

Shri A. S. Kapre, Shri M. B. Thaker, Shri Mohan S. Adige, Shri K. A. Pardhi and Mrs. Champaka Rangachari are Independent Directors on the Board of your Company. In the Opinion of the Board and as confirmed by the these Directors, they fulfill the conditions specified in Section 149 of the Companies Act, 2013 and the rules made thereunder about their status as Independent Directors of the Company.

**DIRECTORS:**

Mr. N. D. Saraf and Mr. Anurag Saraf shall retire by rotation at the ensuing 12<sup>th</sup> Annual General Meeting and, being eligible, offer themselves for re-appointment in accordance with the provisions of the Companies Act, 2013 and in terms of the Memorandum and Articles of Association of the Company.

The Company has formulated a code of conduct for all members of the Board and Senior Management Personnel. All concerned members/executives have affirmed compliance with the said code.

The Board of Directors had appointed Mrs. Champaka Rangachari as Additional Directors of the Company in the category of Independent Directors with effect from March 30, 2015. The above mentioned appointment is regularized in this Annual General Meeting of the Company. Information about the Directors proposed to be appointed / reappointed as stipulated under Clause 49 of the listing agreement with the Stock Exchange in India are provided in the report on Corporate Governance forming part of this report.

Shri M. D. Saraf resigned as Managing Director of the Company with effect from the close of business hours on 25<sup>th</sup> May, 2015 and continues to be the Vice Chairman and Director of the Company.

The Board has placed on record its appreciation for the outstanding contributions made by Mr. Rajkamal Rao and Mr. Arye Berest during their tenure.

**KEY MANAGERIAL PERSONAL:**

Shri C. V. Raghavan, the Chief Finance Officer and Shri Amit G. Pandey, the General Manager(Legal) and Company Secretary have resigned from the service of the Company with effect from the close of business hours on 1<sup>st</sup> June, 2015.

**NOMINATION AND REMUNERATION POLICY**

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report.

**AUDIT COMMITTEE**

Audit Committee of the Company comprises of Mr. A. S. Kapre, Mr. M. B. Thaker, Mr. M. S. Adige and Mr. Anurag Saraf, Except Mr. Anurag Saraf, who is a Promoter Director of the Company, rest all members of the Audit Committee are Independent Directors. The committee has been constituted in strict compliance with the provisions of Clause 49 of the Listing agreement and assumes all responsibilities provided therein, discharging their duties diligently with transparency and

accountability as their sole motivation.

You are requested to appoint Auditors for the current year and to fix their remuneration.

**AUDITOR'S REPORT**

The report by Auditors is self explanatory. Further, in view of consensus lockout at plant and preparation of Accounts on going concern basis, the Auditors have made some observations under "Emphasis of matter appearing in the Auditors Report which management has responded in Note (b) and 28 to the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2015

**PARTICULARS OF EMPLOYEES**

In terms of the provisions of section 197(12) of the Companies Act, 2013, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. Having regard to the provisions of section 136 of the said Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company.

**DISCLOSURE WHERE COMPANY IS REQUIRED TO CONSTITUTE NOMINATION AND REMUNERATION COMMITTEE:**

The Company has constitute a Nomination & Remuneration Committee under Clause 49 of the Listing Agreement & Company has Nomination & Remuneration Policy for appointment and remuneration of Directors Under Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement. All the appointments of Directors is as per the Nomination & Remuneration Policy of the Company, which were also approved by the Committee.

**DISCLOSURE OF VIGIL MECHANISM IN BOARD REPORT:**

The Company have adopted the Vigil Mechanism Policy for the Company in its duly held Board Meeting on 14<sup>th</sup> February, 2015 and the same is available on the website of the Company.

**DISCLOSURE ABOUT ESOP AND SWEAT EQUITY SHARE**

Company has not issued any share under ESOP or Sweat Equity Shares during the year.

**DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMAN AT WORK PLACE (PREVENTION , PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place a policy for Prevention of Sexual harassment in accordance with the requirements of the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013. All employees (Permanent, Contractual, temporary, trainees) are covered under this policy. The Company did not receive any complaint during the year 2014-15.

**ACKNOWLEDGEMENTS**

Directors of the Company wish to thank the Central and State Governments for their continued support and co-operation extended towards the business as well as the company's social functions. The Management also thanks the shareholders, Business Associates, Financial Institutions & Banks, Customers and Suppliers for the faith reposed in the Company. The Board expresses its sincere appreciation to the dedicated and committed team of employees and workmen of your Company.

On behalf of Board of Directors,

Nagpur

**Vinod Saraf**

**Anurag Saraf**

Dated : 5<sup>th</sup> August, 2015

Managing Director

Director

## **Annexure-1 to the Directors Report**

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

The overall global economic growth conditions continued to remain suboptimal since 2012 at level of 3.2% to 3.4%, down from the earlier level of 4%. The global economic growth in calendar year 2013 was at same level of 3.4% even in calendar year 2014.

The World Economic Outlook (World Bank) has forecasted growth in world economy, advanced economies and emerging / developing Economies for 2015 at 3.5%, 2.4% and 4.3% respectively. As per the report, the average global growth will improve to 3.8% and that of Emerging and Developing countries at about 4.7% in 2016.

During the year under review, the Indian economy registered a GDP growth rate of 7.4% as per the economic survey tabled by the Government. The Index of Industrial Production in the year 2014-15 was higher at 2.8% compared to (-) 0.1% in the previous year. The growth recorded in the various sectors of the Indian economy has been detailed here below.

#### **Domestic GDP Growth**

	<b>FY-13</b>	<b>FY-14</b>	<b>FY-15</b>
Agriculture	1.2%	3.7%	1.1%
Industry & Infrastructure	2.4%	4.5%	5.9%
Manufacturing	6.2%	5.3%	6.8%
Mining	0.2%	5.4%	2.3%
Services	8.0%	9.1%	10.6%
Overall	5.1%	6.9%	7.4%

India is the fourth largest producer of steel in the world accounting for a production of 88.12 Million Tons of finished steel in the year under review. The domestic steel industry is unable to reap full benefits from this upturn as there is a huge import especially from China, South Korea, Japan and Russia. This is evident from the fact that import of finished steel has increased in the second half of the year under review.

Since our company is engaged in the production of special and alloy steel long products, we will discuss about those industries whose fortunes are directly affecting the alloy and stainless steel long product industry.

The Indian Automobile growth story remains somewhat, intact the overall sales across various automobile segments grew by 7%, while exports grew by 14%. Sales of passenger cars and commercial vehicles increased marginally in the year under report, while the sales of two and three wheelers were a meager 3% on account of slow growth in rural markets.

According to the society of Indian Automobile manufactures, revenues of the Indian Automobile industry will raise five fold to hit the USD 300 Billion mark by the end of the financial year 2026 i.e. in the next 10 years the annual growth is expected to be around 24%.

The year witnessed softening of almost all raw material prices required for steel making. Prices of Nickel, Moly Oxide, Ferro Chrome, Shredded Scrap and Furnace Oil have all eased during the year under review. Further, over production by China and continued export from China contributed to fall in global steel prices.

Steel market needs fresh policy and initiative to ensure the industry follows a path that is sustainable when it comes to capacity addition, environment, raw material sources, quality of steel products and the use of technologies in steel making.

During the year under review, the company could achieve the sale turnover of ` 32.57 Crores as compared to ` 71.72 Crores in the previous year. It is to be noted that the company has declared a consensus lockout at its plant effective from 30/05/2014 as per the agreement reached with its workforce. Hence the performance of the company was adversely affected due to this closure which is continuing till date.

In order to revive the operations, the company has been engaged in scouting tie-ups with potential investors / strategic partners who can introduce newer product portfolio in the market and infuse capital in the company. The company is also restructuring and rationalizing manpower and other fixed costs. The company is planning to submit a rehabilitation package to the BIFR for revival of the company.

The financial performance outlook for the financial year 2015-16 and status on Human resources / industrial relations are given in the Directors Report.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

Considering the size and nature of its business your company has an adequate internal control system. The internal audit of the company is carried out by an independent agency which submits its report to the Audit Committee which reviews and submits its findings to the Board of Directors on quarterly basis. The company has an adequate system of internal control implemented by the Management towards achieving efficiency in operations, optimum utilization of resources, and effective monitoring thereof and in compliance with all applicable regulations. Your company also takes quarterly compliance certificates in respect of applicability of various laws from the concerned departmental heads and executives and the same is placed before the Board of Directors for its observation, review and suggestions, if any.

### **CAUTIONARY STATEMENT**

Statement in the Management Discussion and Analysis describing the Company's projections and estimates are forward looking statements and progressive within the meaning of applicable securities laws and regulations. Actual results may defer materially from those expressed or implied, depending upon economic conditions, Government policies and other incidental factors.