

ANNUAL REPORT

2019-20

ISMT LIMITED

Solutions You Can Trust

History

1977- 1980

ISMT began life as 'The Indian Seamless Metal Tubes Limited'. Incorporated on 29th July 1977 as a public limited company, raised Rs. 45 lacs through Initial Public Offering and commenced production of Seamless Tubes in the year 1980 with an installed capacity of 15,000 MTPA.

1985

Seamless Tube manufacturing capacity increased to 30,000 MTPA.

1992

Seamless Tube manufacturing capacity further increased to 50,000 MTPA.

Promoted 'Indian Seamless Steels and Alloys Ltd.' (ISSAL) to produce 1,50,000 MTPA Alloy Steel giving the Company better control over product quality as well as deliveries.

Successfully completed Public Issue of ISSAL which was hugely oversubscribed.

1993-1994

Rights issue of Rs. 28 Crore in the year 1993 followed by rights issue of Rs. 58 Crore, for modernization and technology upgradation of Seamless Tube plant.

Seamless Tubes & Technologies (India) Ltd, a group Company amalgamated with the Company.

'Indian Seamless Steels and Alloys Ltd.' (ISSAL) commenced commercial production of Steel Rounds.

1998

Steel manufacturing capacity at ISSAL increased to 190,000 MTPA.

1999

Merged into Kalyani Seamless Tubes Ltd., (KSTL), a competing Seamless Tube manufacturer with 90,000 MTPA capacity. The combined entity, which retained the name The Indian Seamless Metal Tubes Ltd., not only had a larger capacity (1,58,000 MTPA) but also a much wider size range (from 6 mm to 273 mm).

2004-2005

Steel manufacturing capacity at ISSAL increased from 190,000 MTPA to 250,000 MTPA.

'The Indian Seamless Metal Tubes Ltd.' and 'Indian Seamless Steels and Alloys Ltd.' merged to form 'ISMT Ltd'.

Exports cross Rs. 100 Crore mark.

2006 - 2007

Raised USD 20 Million through Foreign Currency Convertible Bonds issue.

Acquired Structo Hydraulics AB (based in Storfors, Sweden), Europe's leading supplier of tubes and engineering products for the hydraulic cylinder industry.

2010

ISMT added a PQF Mill, increasing its tube making capacity to 465,000 MTPA.

Simultaneously, Steel making capacity was increased from 250,000 MTPA to 350,000 MTPA.

2011

Exports cross Rs. 500 Crore mark.

Redeemed Foreign currency convertible Bonds (FCCB's) amounting to USD 20 Million along with redemption premium.

2012

Commissioned 40 MW Captive Power Plant located at Chandrapur district (Maharashtra).

2013

Raised long term working capital loans of Rs. 235 Crore.

2014

Operations of Captive Power Plant were suspended due to non-availability of coal & denial of energy banking facilities by MSEDCL.

Levy of Safeguard Duty on imports of seamless tubes into India.

JLF approved and disbursed Corporate Term Loans of Rs. 405 Crore under corrective Action Plan

2016

Levy of Anti-Dumping Duty for a period of 5 years on imports of seamless tubes from China.

COMPANY INFORMATION

Board of Directors

| | | |
|----------------|---|-------------------------|
| O P Kakkar | - | Chairman |
| B R Taneja | - | Managing Director |
| Rajiv Goel | - | Chief Financial Officer |
| Deepa Mathur | - | Director |
| Shyam Powar | - | Director |
| Kanakraj M | - | Director |
| R Poornalingam | - | Director |

Company Secretary

Chetan Nathani

Statutory Auditors

M/s D N V & Co., Chartered Accountants

Cost Auditors

M/s. Dhananjay V. Joshi & Associates, Cost Accountants

M/s. Parkhi Limaye & Co., Cost Accountants

Bankers / Lenders

Indian Overseas Bank
Bank of Baroda
ICICI Bank Ltd.
Andhra Bank
Central Bank of India

IKB Deutsche Industrie Bank AG
Edelweiss Asset Reconstruction Co. Ltd.
Asset Reconstruction Co. (India) Ltd. (ARCIL)
SC Lowy Primary Investments, Ltd.

Registered Office

Panama House,
(Earlier known as Lunkad Towers),
Viman Nagar, Pune - 411014
Tel: +91-20-4143 4100/ 26630144
Fax: +91-20-26630779
E-mail ID: secretarial@ismt.co.in
Website: www.ismt.com
CIN: L27109PN1999PLC016417

Works

Tube - MIDC Industrial Area, **Ahmednagar** - 414111
MIDC Industrial Area, **Baramati** - 413133
Structo Hydraulics AB, Storfors, **Sweden** (Structo)
Steel - Jejuri - Morgaon Road, **Jejuri** - 412303
Power-Village Kurla, Warora, **Chandrapur** - 422910

Registrar & Share Transfer Agent

KFin Technologies Pvt. Ltd.
(Formerly known as Karvy Fintech Pvt. Ltd.)

Board's Report**To the Members of ISMT Limited**

Your Directors present herewith the Twenty Second Annual Report & Audited Financial Statements of the Company for financial year ended March 31, 2020.

FINANCIAL HIGHLIGHTS**Rs. in Crore**

| Particulars | Financial Year | |
|---|-----------------|----------|
| | 2019-20 | 2018-19 |
| Gross Sales | 1675.09 | 2423.39 |
| Income from Operations | 1304.29 | 1825.10 |
| Earnings before Finance Cost, Depreciation, Amortization & Tax (EBIDTA) | 89.03 | 119.87 |
| Cash Profit/ (Loss) | (179.40) | (154.35) |
| Net Profit/ (Loss) | (240.43) | (228.78) |
| Total Comprehensive income | (243.12) | (229.62) |

FINANCIAL PERFORMANCE

This was a difficult year with net sales dropping sharply by 29%. Contraction in Automobile industry, slow down in capex cycles & the COVID-19 shut down in last quarter were largely responsible for this decrease.

DIVIDEND

Your Directors are unable to recommend dividend for the year ended March 31, 2020 in view of the losses.

RESERVES

No amount is proposed to be transferred to Reserves.

IMPACT OF COVID-19

Operations at all plants of the Company were suspended from March 22, 2020 on account of COVID-19 outbreak and subsequent lockdown. Operations resumed at various locations, in a phased manner from April 28, 2020 onwards after obtaining the necessary permissions from local authorities. COVID-19 crisis is still unfolding and full assessment of the impact of the same will only be possible once the pandemic starts settling down.

OPERATIONS

There has been a sharp drop in the capacity utilization at Steel Plant from 50% to 34%. Tube Plant utilization also went down from 48% to 45%. However, the gross margins were maintained despite the low production.

Tube Sales came down by 25% from Rs. 1,317 Crore to Rs. 982 Crore while Steel Sales slumped by more than 35% from Rs. 478 Crore to Rs. 298 Crore.

FINANCE

As a result of drop in Sales, EBIDTA also slipped by 1/3rd from Rs. 119.87 Crore to Rs. 89.03 Crore. However, through better product mix and cost reduction, EBIDTA margin was sustained despite lower volumes. The Company continued to be EBIDTA positive which enabled it to meet all statutory obligations, essential capex, need based working capital & payment to lenders as per the agreed plan.

DEBT RESOLUTION

In terms of the Resolution Plan, Banks holding 74% of the debt have assigned the debt to Asset Reconstruction Companies with ARCIL acquiring 70% of the debt. ARCIL and other Lenders have signed an Inter Creditor Agreement during the year for restructuring debt of the Company. However, the same could not get concluded before the COVID-19 outbreak.

ENERGY BANKING

Captive Power Plant continued to be inoperative throughout the year in absence of banking facility from Maharashtra State Electricity Distribution Company Ltd. (MSEDCL). The Company's appeal against wrongful denial of banking facility is pending in Supreme Court.

IMPORTS

The present anti dumping duty on imports from China is in force until May, 2021. On account of continuing large imports from China adversely impacting the industry, the industry is seeking renewal of the same for 5 years.

There are large imports from various countries as Defectives at very low prices accounting for more than 25% of total imports. The industry will pursue with the Government for suitable safeguards in this regard.

Imports from other parts of the world are still substantial & needs to be addressed. The Industry has sufficient capacity & capability to meet most of the import requirements.

PSU BUSINESS

Despite having a track record of decades in supplying to ONGC & other PSUs, the Company today is not able to participate in their tenders because of its negative net worth thereby losing out on substantial business. While the Company is pursuing with the lenders for net worth correction, the Company has also made suitable representations to respective authorities for relaxing the net worth requirement.

SCRAP AVAILABILITY

In the absence of the policy for scrapping old commercial vehicles, the country pays for higher pollution and also suffers forex outgo on account of high cost imports. Implementation of this policy will increase domestic availability of scrap at competitive prices & considerably enhance the viability of electric steel making.

ENERGY COST

The Company is entirely dependent on high cost power from the State grid. Availability of power at competitive rates is key to success of Atmanirbhar Bharat and suitable steps need to be taken at both Central and State Governments levels to facilitate -

- (a) Special tariff for EAF route;
- (b) Free market for sale of power across India; and
- (c) Removal of cross subsidy and other State levies.

Board's Report (Contd.)

NON CORE ASSETS

The Company and its Lenders have identified Captive Power Plant, land held by Tridem Port and Power Company Pvt. Ltd., Wholly Owned Subsidiary and Surplus land in Jejuri Plant as non core assets. The COVID-19 crisis will both elongate the time frame and lower the realization from disposal of these assets.

RESEARCH & DEVELOPMENT

Details of R&D activities undertaken are enumerated in Annexure 'B' attached to this Report

DIRECTORS & KEY MANAGERIAL PERSONNEL

In accordance with the provisions of the Companies Act, 2013 ('Act') and the Articles of Association of the Company, Mr. B R Taneja retires by rotation and being eligible, offers himself, for re-appointment.

The term of Mr. Rajiv Goel as Whole-time Director expired on September 30, 2019. He was further re-appointed as such upto September 30, 2020.

Five (5) meetings of the Board of Directors were held during the year. Detailed information is given in the Corporate Governance report.

Independent Directors have given Declaration pursuant to Section 149(7) of the Companies Act, 2013 (Act) & Regulation 25(8) of SEBI (LODR), Regulations 2015, stating that they meet the criteria of independence.

The Board is assured that the Independent Directors of the Company possess adequate proficiency, experience, expertise and integrity.

The Company has devised a Policy for annual performance evaluation of the Board, its Committees & individual Directors which include criteria for performance evaluation of the non-executive & executive directors.

Chairman evaluates the performance of the Board and of the Independent Directors. While Independent Directors evaluate the performance of the Committees and of Non-Independent Directors.

The above evaluations have been carried out once during the year.

The details of familiarization Programme of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at www.ismt.co.in

AUDITORS REMARKS

In respect of the Audit observations on the Financial Statements, it has been explained in the Notes forming part of the Financial Statements i.e. Note Nos. 1.32- Remuneration to Executive Directors, 3.12-Minimum Alternate Tax, 3.16-Investments & Receivables - Structo Hydraulics AB, Sweden, 3.17-Investment in Tridem Port & Power Company Pvt. Ltd., 3.18-Going Concern, 3.19- Interest on Loans, 3.20(i)-Recoverability from MSEDCL, 3.20(ii)-Investments in Captive Power Plant & 3.33 - Impact of COVID-19 on operations which are self-explanatory & therefore do not call for any further comments.

The Auditors have discussed the key matters for each of the qualifications.

COST AUDITORS

The Company is required to maintain cost records as specified u/S 148(1) of the Act and accordingly such accounts and records are made and maintained by the Company.

Pursuant to Section 148 of the Act read with Rules framed there under, your Directors had, on recommendation of the Audit Committee, approved the appointment & remuneration of the following Cost Auditors of the Company for FY2019-20:

- (i) M/s Dhananjay V. Joshi & Associates; and
- (ii) M/s Parkhi Limaye & Co.

The payment of remuneration for FY2019-20 to aforesaid Cost Auditors is subject to ratification by the Members at the ensuing Annual General Meeting.

The Cost Audit Report for FY2018-19 was filed within the prescribed time limit as per the Companies (Cost Record and Audit) Rules, 2014.

SUBSIDIARIES

As on date of this report, the Company has ten direct & indirect subsidiary companies. In accordance with Section 129(3) of the Act, a statement containing salient features of the financial statements of subsidiaries in Form AOC-1 is provided separately in this Annual Report. A report on performance & financial position of each of the subsidiaries is provided in financial statements forming part of this Annual Report. The Company has also framed a Policy for determining Material Subsidiaries which is available on website: www.ismt.com.

On account of continuing weakness of European economy, Structo, on consolidated basis, recorded a contraction in Sales from Rs. 149.30 Crore to Rs. 106.14 Crore and incurred loss of Rs. 4.55 Crore in FY2019-20 against profit of Rs. 3.80 Crore in FY2018-19. The COVID-19 crisis has made turnaround of the business more challenging in the short term.

During FY2019-20, the Company acquired stake in its step down subsidiary viz. Structo Hydraulics AB, Sweden (Structo) by acquiring 40,73,627 shares (95.1%) pursuant to conversion of debt as approved by Reserve Bank of India. Accordingly, Structo became a direct subsidiary of the Company.

FIXED DEPOSITS

The Company has not accepted any deposits from the public.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE REPORT

Pursuant to SEBI (LODR) Regulations, 2015 (Listing Regulations), a separate section on Management Discussion & Analysis & Corporate Governance' Report is forming part of this Report.

The Managing Director & CFO have certified to the Board with regard to the financial statements & other matters as required under Regulation 17(8) of the Listing Regulations.

Certificate from Auditors of the Company regarding compliance of conditions of Corporate Governance is also annexed to this Report.

Board's Report (Contd.)**EXTRACT OF ANNUAL RETURN**

The extract of Annual Return in Form MGT-9 is forming part of this Report as Annexure 'A'.

Latest Annual Return of the Company in Form MGT-7 is placed on website www.ismt.com

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information required under Section 134(3)(m) of the Act is forming part of this Report as Annexure 'B'.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, your Directors make the following statement:

- i) That in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) That the Directors have selected such accounting policies & applied them consistently & made judgments & estimates, that are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at end of financial year March 31, 2020 and of the Loss of the Company for that period;
- iii) 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;
- iv) That the Directors have prepared the annual accounts on a going concern basis;
- v) That the Directors had laid down internal financial controls to be followed by the Company & that such internal financial controls are adequate & were operating effectively; and
- vi) That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

NOMINATION & REMUNERATION POLICY

The Nomination & Remuneration Policy of the Company on director's appointment & remuneration including criteria for determining qualifications, positive attributes, independence of a director & other matters is available on website www.ismt.com.

The criteria for performance evaluation as laid down by NRC have been defined in the Nomination & Remuneration Policy.

Details pertaining to Section 197(12) of the Act read with Rules framed thereunder form part of this Report as Annexure 'C'.

A statement showing details of employees in terms of Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this Report.

However, in terms of Section 136 of the Act, the Annual Report excluding the aforesaid information is being sent to the members and others entitled thereto. The said statement is available for inspection by the Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing AGM. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

SECRETARIAL AUDIT REPORT

Pursuant to Section 204 of the Act & Rules made thereunder, the Board has appointed M/s. KMDS & Associates, Company Secretaries as Secretarial Auditors to undertake Secretarial Audit of the Company for the period ended March 31, 2020.

The Report of the Secretarial Auditors in Form MR-3 is forming part of this Report as Annexure 'D'.

In respect of the Audit observations, following are the comments of the Board:

i. Delay in submission of Financial Results:

Submission of financial results for FY2018-19 got delayed by 2 weeks due to delay in financials of foreign subsidiaries.

ii. Delay in submission of Shareholding Pattern:

Submission of Shareholding Pattern with NSE for quarter ended June, 2019 got delayed by 3 weeks due to technical issues.

iii. Promoter shareholding not in demat form:

One Promoter Shareholder (holding 0.02% shares in physical form) was classified as such by virtue of being related to a former promoter of the Company, who passed away in April, 2013.

The Company has requested the said shareholder from time to time to Demat the shareholding.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of Loans, Guarantees and Investments covered under Section 186 of the Act have been mentioned in the Notes to the Financial Statements forming part of this Annual Report.

RISK MANAGEMENT

The Company has constituted a Risk Management Committee to address organization wide risk including credit, security, property, regulatory and other risks. The Committee is assisting the Board in ensuring that there is adequate risk management policy in place capable of addressing those risks.

INTERNAL FINANCIAL CONTROLS

The Company has an internal financial control framework which is commensurate with the size, scale and complexity of its operations. The Statutory Auditors of the Company review the same on periodical basis.

Board's Report (Contd.)

CORPORATE SOCIAL RESPONSIBILITY

Pursuant to Section 135 of the Act, a CSR Committee has been constituted by the Board which consists of three directors including two independent directors.

Pursuant to Section 135 of the Act, no profits were available for spending on CSR activities.

AUDIT COMMITTEE & VIGIL MECHANISM

Pursuant to Section 177 of the Act, an Audit Committee constituted by the Board consists of at least three directors with independent directors forming a majority.

The Whistle Blower Policy/ Vigil Mechanism of the Company was established by the Board & available on website www.ismt.com.

CONTRACTS & ARRANGEMENTS WITH RELATED PARTIES

During the year under review, the Company has not entered into any contract/ arrangement/ transaction with related parties which were either not at an arm's length or not in the ordinary course of business & further could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Hence, there is no information to be provided in Form AOC-2 while particulars of Related Party Transactions in terms of Ind AS-24 are forming part of the enclosed financial statements.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on website www.ismt.com

GENERAL

1. No significant or material orders were passed by Regulators or Courts or Tribunals which impact the going concern status & Company's operations in future.
2. The Company has complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 and during the year under review, there were no cases filed under the said Act.
3. The Company has complied with the applicable secretarial standards.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express its sincere gratitude for continued support & co-operation received by the Company from Government of India, Government of Maharashtra, Reserve Bank of India, Stock Exchanges, other regulatory agencies & shareholders. The Board would also like to acknowledge continued support of its bankers, vendors, clients & investors. The Directors also wish to place on record their appreciation to all employees for their dedication & team work.

**For and on behalf of
the Board of Directors**

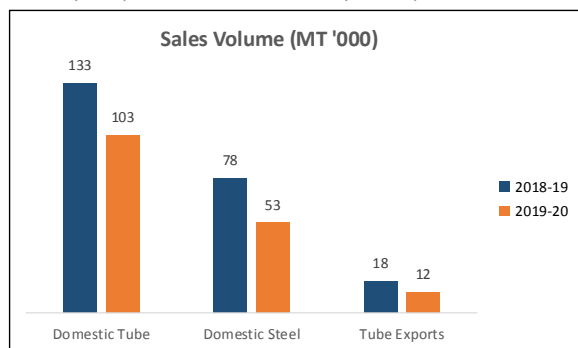
Pune
July 31, 2020

**O P Kakkar
Chairman**

Management Discussion and Analysis

Company Performance:

| | |
|---------------------------|---------------------|
| Total Revenue | : Rs.1313.99 Crore |
| EBIDTA | : Rs.89.03 Crore |
| Cash Profit / (Loss) | : Rs.(179.40) Crore |
| Profit / (Loss) after Tax | : Rs.(240.43) Crore |



Sales of Domestic and Export seamless tubes and pipes dropped by 24% and 35% respectively in the current year over previous year. Steel sales were lower by 38% against previous year.

Slow down in Automobile sector and downturn in domestic economy resulted into drop in sales.

Rs. in Crore

| Particulars | 2019-20 | 2018-19 | Change |
|------------------|-------------|---------|--------|
| Net Sales | 1280 | 1795 | (29%) |
| Domestic | | | |
| -Tube | 855 | 1122 | (24%) |
| -Steel | 298 | 478 | (38%) |
| Tube Exports | 127 | 195 | (35%) |

INDUSTRY STRUCTURE AND DEVELOPMENTS

Seamless Tubes Industry

Seamless Tube is a capital intensive industry and deploys high end technology. While the industry competes with other types of pipes and tubes in certain applications, it clearly is a preferred choice when it comes to better surface finish, machine-ability, strength to weight ratio and longer life. Seamless Tubes find applications in Oil and Gas exploration industry, Power Sector, Automotive, Construction Equipment, Bearing, Material handling equipment, Structural Components and host of other Mechanical applications. The Seamless Tube consumption is largely dependent on economic developments and with expected long term economic growth, the Company is assured of a secular market in future.

Steel Industry

ISMT has integrated Steel Plant which uses the Electric arc furnace technology to produce Steel.

ISMT is predominantly engaged in the manufacturing of specialty alloy and bearing Steel.

The end user segments are largely Bearing, Automotive, Engineering and Forging Customers apart from some customers requiring steel for specialized application. The fortunes of the speciality and alloy steel products is closely linked to automotive and auto component industry.

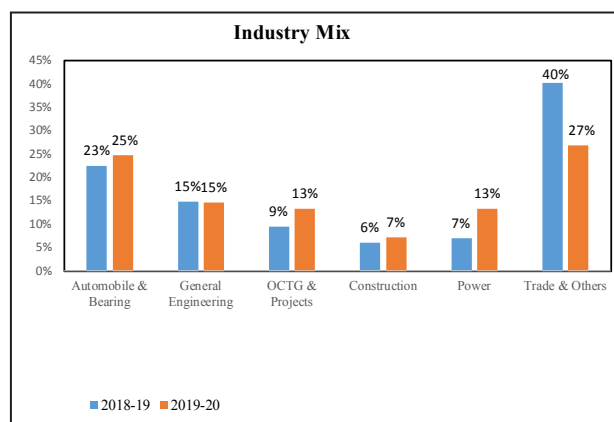
Captive Power Plant

The operations of the Captive Power Plant remained suspended during the year under review on account of non-availability of energy banking facility from Maharashtra State Electricity Distribution Company Limited (MSEDCL).

MARKET

ISMT is a diversified value added Seamless Tube supplier catering to following major industries:

- Oil and gas : As casings & Tubings during oil/ gas exploration.
- Power : In Boilers & Heat Exchangers
- Construction Equipment : In mining & earth moving equipment
- Automotive & General Engineering : Applications in two wheeler to four wheeler as front forks, axel, Steeling columns, Air bag system etc.
- Bearings : Inner & outer races of Bearings
- Others : In green field projects for fluid transportation, Construction of Stadiums & airports, gas cylinders, crane booms etc.



Replacement demand and PSU capex during the year led to increase in sales to Power and Project sectors respectively while dependence on Trade has come down..

OPPORTUNITIES & THREATS

Opportunities

Revival of demand post lifting of lock down in the second half of the FY2020-21 & the Government's thrust on "Atmanirbhar Bharat" is likely to give opportunities for domestic seamless manufacturers.

Management Discussion and Analysis (Contd.)

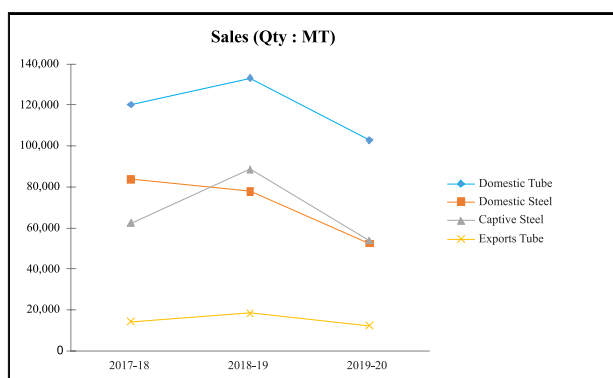
The realignment in the geopolitics and trade practices post COVID-19 pandemic may also create new opportunities in export market.

Threats

The imposition of anti-dumping duties from developed countries remains threat. Also a start of great awareness in environment safety may lead to technological changes. The outbreak of COVID-19 pandemic and subsequent lockdown has distorted market conditions and created a scenario of uncertainty in near to midterm.

SEGMENT/ PRODUCT INFORMATION

Your Company is engaged in manufacturing Seamless Tubes and Engineering Steels. Seamless Tube accounted for 77% of ISMT's sales while Steel accounted for the balance 23%. Captive consumption of steel reduced marginally to 52% as compared to that of 53% for previous year.



Automotive sector is a vital segment which accounts for almost 25% of the seamless tube volume. Similarly the steel volume is directly or indirectly cent percent linked to automotive sector. As FY 2019-20 has been the worst year for automotive sector in last one decade, this along with general slowdown in the economy has affected the sales volume of both seamless tubes and steel products of the Company.

For manufacturing of seamless tubes, your Company uses internal steel from its Steel plant and also purchases few grades of steel from outside market depending upon price dynamics and availability. This dynamics in sourcing of steel also affects the volume of captive steel consumption.

OUTLOOK

The spread of COVID-19 leading to lockdown worldwide is expected to lower the manufacturing activities across the globe. As a result the demand of seamless tubes and steel in midterm is likely to be adversely impacted. At the same time, supply chain issues and uncertainty in import of seamless tubes may also create opportunity for the demand of seamless tubes and steel in domestic market.

RISKS & CONCERNS

Your Company regularly evaluates and reviews potential risks on account of various factors such as government policies, natural/man-made disasters, and political risks.

Apart from above, the Company is exposed to changes in foreign exchange rates and commodity prices. Any change in laws & regulations, whether domestically or internationally could affect the business and financial condition of your Company. The sudden emergence of Covid-19 pandemic is a great concern for the growth in short term.

For the long term success, the Company has adequate risk management system towards identification and evaluation of potential risks and the same are evaluated and reviewed regularly by the management so as to minimize/ eliminate the adverse impact if any.

INTERNAL CONTROL SYSTEMS

The Company has adequate and effective internal control systems and processes in place, which are designed to provide reasonable assurance with regards to recording and providing reliable financial and operational information, safeguarding the assets, statutory compliance, executing transactions with proper requisite approvals and ensuring compliance with applicable laws and regulations. The Audit Committee on a periodic basis reviews the effectiveness and adequacy of the internal control systems and processes and suggests improvements if any.

FINANCIAL PERFORMANCE

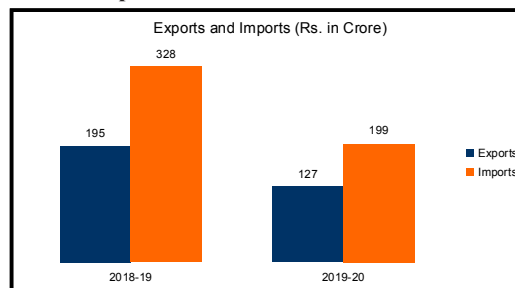
Some of the key financial parameters are as under:

Finance Cost

The Finance cost for the year was almost same as that for previous year at Rs. 274 Crore and stood at 21% of Net Revenue. Most of the finance cost is only a provision towards interest on Term Loans and Working Capital Loans which are under restructuring with lenders.

The Company's forex exposure is managed both through a natural hedge and by contracting import consignment on high sea on INR term factoring therein the premium on exchange rates under the board approved risk management policy framework. The forex risk is reviewed periodically and managed in line with the objectives laid in the policy.

Exports and Imports



Majority of the import represents the import of Shredded and Heavy Metal Scrap. The import of scrap depends on price dynamics of various imported scrap and other raw materials. During the year consumption of imported raw material, consumable other items decreased to Rs. 199 Crore from Rs. 328 Crore in the previous year. The decrease is in line with decrease in sales volume and the Company strategy for import of raw materials.

Management Discussion and Analysis (Contd.)

Exports are down primarily due to slowdown in USA and Tariff policies of various countries. Export for the last quarter of FY 2019-20 got impacted due to spread of COVID-19 in various part of the world.

Working Capital

The Company lost substantial sales in the last quarter due to sudden lockdown in Maharashtra and across India. Huge inventory of finished goods and Work in Progress remained unsold as on 31st March 2020 raising the level of inventory in absolute value terms as well as holding period thereby affecting the inventory turnover ratio.

Though the debtors in absolute terms were lower than the previous year on account of lower sales, the debtors turnover ratio has dropped marginally from 6.09 in FY 2018-19 to 5.37 in current financial year.

Creditors turnover increased from 12.48 times in FY2018-19 to 8.17 times, to match the cash flow gaps.

Rs. In Crore

| Particulars | 2019-20 | 2018-19 |
|---------------------------|---------|---------|
| Inventory | 379 | 341 |
| Stock Turnover(times) | 3.38 | 5.27 |
| Debtors | 238 | 295 |
| Debtors Turnover(times) | 5.37 | 6.09 |
| Creditors | 106 | 100 |
| Creditors Turnover(times) | 8.17 | 12.48 |

The Company is presently relying on its internal cash flows for meeting all its working capital requirement.

Energy Cost

Energy Cost accounted for 18% of the Company's net revenues at Rs. 234 Crore. In the current financial year, operations of the Captive Power Plant remained suspended.

| Particulars | 2019-20 | 2018-19 | Change |
|--|---------|---------|--------|
| Power consumption (KWH/Ton of Production) | | | |
| -Steel Division | 869 | 884 | (3%) |
| -Tube Division | 624 | 558 | 12% |
| Avg. Electricity Rate per Unit From MSEDCL (Rs./KWH) | 9.04 | 8.44 | 7% |

While power consumption per unit of steel division decreased by 3%, same for tube division increased by 12% as compared to previous year. Better planning & block closure of steel unit helped reduce per unit power consumption. In case of tube plants, lower capacity utilization resulted in higher power consumption per unit.

Your Company is consistently focused on achieving higher energy efficiency across value chain and is simultaneously committed towards utilizing environment friendly means in the process.

| Particulars | 2019-20 | 2018-19 | Change |
|---|---------|---------|--------|
| Furnace oil Consumption (KLtrs/Ton of Production) | | | |
| -Steel Division | 35 | 32 | 9% |
| -Tube Division | 72 | 72 | 0% |
| Avg. Furnace Oil rate Rs. Per Litre | 32.66 | 36.00 | (9%) |

There was a drop in average international oil prices resulting in reduction in furnace oil rate per litre.

There was a 9% increase in furnace oil consumption per Metric Ton of production of steel division over previous year while there was no change in furnace oil consumption of tube divisions.

KEY FINANCIAL RATIOS

Some of the key financial ratios for current year as compared to previous year are as under:

| Particulars | 2019-20 | 2018-19 | Change |
|-------------------------|---------|---------|----------|
| Debtors Turnover | 5.37 | 6.09 | (11.82%) |
| Inventory Turnover | 3.38 | 5.27 | (35.86%) |
| Interest Coverage Ratio | 0.09 | 0.17 | (47.06%) |
| Current Ratio | 0.22 | 0.25 | (12%) |
| Debt Equity Ratio | -ve | -ve | NA |
| Operating Profit Margin | 7.0% | 6.7% | 4.5% |
| Net Profit Margin | -ve | -ve | NA |
| Return on Net Worth | -ve | -ve | NA |

The outbreak of COVID-19 pandemic towards end of the year led to higher inventory and receivable as on Balance Sheet date which resulted into lower turnover ratio against previous year. Same finance cost as that of previous year with lower Earnings before Interest and Taxes (EBIT) than previous year has had an adverse impact on interest coverage ratio. Increase in current liabilities on account of interest provisioning led to lower current ratio.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The Industrial relations continued to remain peaceful throughout the year. The personnel expenses increased marginally by 2% during the year over previous year on account of yearly increments. The Company continues to believe that the culture of sharing knowledge within the employees and involving them to be part of the solution, enables the Company curtail costs and excel. In the current economic scenario, the focus was on aligning HR to support cost control and conserve cash, while ensuring organizational confidence and employee motivation, to enable the Company sail through the current challenges and prepare itself for the future opportunities.