

# WE BELIEVE IN STEEL

ANNUAL REPORT  
2018-19

## **MSP SYNOPSIS**

MSP STEEL & POWER LIMITED is amongst those manufacturers who irrespective of all the blockades is emerging stronger than ever before, thereby being a prototype amongst the steel manufacturers.

## **MSPL PRODUCT RANGE**

- Pellets
- Sponge iron
- TMT Bars
- Billet
- Power

## **STRUCTURALS**

- Joints
- Angles
- Channels
- Beams

## **PLANT DIVISION**

We have manufacturing facilities in Jamgao, Raigarh in Chattisgarh

## **Forward-looking statement**

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements- written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a



## Vision

**To be an Admired & Leading Steel Producer**

## Mission

**We endeavour to build a strong nation by believing in ourselves to provide the best quality steel at affordable prices and creating value for all our stakeholders.**



# CORE COMMITTEE

## CHAIRPERSON

**Mr. Suresh Kumar Agrawal**

## BOARD OF DIRECTORS

**Mr. Saket Agrawal**  
Managing and Executive Director

**Mr. Dhananjay Uchit Singh**  
Non- Independent Executive Director

**Mr. Manish Agrawal**  
Non-Independent Non Executive Director

**Mr. Kapil Deo Pandey**  
Non- Executive Independent Director

**Mrs. Suneeta Mohanty**  
Non- Executive Independent Director

**Mr. NavneetJ Agatramka**  
Non- Executive Independent Director

**Mr. Ashok Kumar Soin**  
Non- Executive Independent Director

**CHIEF FINANCIAL OFFICER**  
Mr. Kamal Kumar Jain

**COMPANY SECRETARY**  
Ms. Shreya Kar

**CHIEF RISK OFFICER**  
Mr. Amit Agarwal

**AUDITORS**  
**STATUTORY AUDITORS**  
M/s Singhi & Co.

**COST AUDITOR**  
Mr. Sambhu Banerjee

**SECRETARIAL AUDITOR**  
M/s PS & Associates

## BANKERS

State Bank of India  
Kotak Mahindra Bank  
Syndicate Bank  
UCO bank  
Indian Overseas Bank  
Allahabad Bank  
Corporation Bank  
DBS Bank Limited  
ICICI Bank Limited  
Union Bank of India  
Dena Bank  
Oriental Bank of Commerce

## REGISTRAR & SHARE TRANSFER AGENT

Karvy FintechPrivate Limited (KFPL),  
Karvy Selenium Tower-B, Plot No.-31 & 32,  
Gachibowli, Financial District,  
Nanakramguda, Serilingampally,  
Hyderabad-500032,  
Ph. No.: (040) -6716-2222/3321-1000  
Fax No.: (040)-2300-1153  
E-mail:compliance.kfpl@karvy.com  
einward.ris@karvy.com  
Website: www.karvyfintech.com

## REGISTERED OFFICE

1, Crooked Lane,  
Kolkata – 700 069  
Ph.No.:033-22483795;  
Fax No.: 033 22484138

## CORPORATE OFFICE

16/S, Block-A, New-Alipore  
Kolkata – 700 053  
Ph.Nos.: 033-4005 7777/2399 0038/39/80  
Fax Nos.:033-40057788/23982239  
E-mail: investor.contact@mspsteel.com



# CONTENTS

<b>MD's Statement</b>
<b>Chairman's Statement</b>
<b>MDAR</b>
<b>Director's Report</b>
<b>Corporate Governance Report</b>
<b>Independent Auditors Report</b>
<b>Financials</b>



## MD's Statement

*"Finding Opportunity is a matter of believing it's there"*

This is great pleasure to intimate to you all that the Company having completed 15 years of operations at its Raigarh unit and we reflect on our performance for the last year, we feel a sense of pride in what we have been able to achieve.

**Were you happy with the Company's Working in 2018-19?**

A: I was pleased with the way we conducted ourselves during the year under review for one good reason: The steel industry passed through a challenging year marked by declining margins and erratic realisations; however, at MSP, we achieved the highest turnover in the history of MSP. Our turnover was Rs. 1672 Crs. this is on account of increase of EBITDA to Rs 131.83 Crs. and increase in revenues by 44% during the period under report.

**What did the Company do differently in 2018-19 that translated into this industry outformance?**

A: A number of Competencies came together to make even a challenging 2018-19 a record year of our Company. We enhanced our asset utilization across number of plants, enabling us to cover our fixed cost better. We have focused on de-bottlenecking at every stage of production process to ensure highest capacity utilization of the existing facilities. The Cumulative impacts of these initiatives translated into a superior performance. The Turnover of the Company along with its production have been humongous. Highest production of pellets, sponge, billets and rolled products has been achieved in the history of MSP.

**What are the key elements that have driven FY 2019 to be represented as one of the successful years in the "history of MSP"?**

A: At MSP, we are not obsessed with the growing revenues for the sake of growth, but to grow profitably as well. The numbers are our evidence; we grew EBITDA margin from Rs 124.58 Crs. in 2017-18 to Rs. 131.83 Crs. in FY 2018-19. This followed with a priority to mitigate our limitation on the one hand and maximize our strengths on the other hand. Amongst 12 Consortium of Lenders (Bankers), 10 Bankers have made our Company's Accounts as Standard from NPA (Non-Performing Asset) after successful implementation of a restructuring scheme introduced by RBI.

**What is the rationale for investing in upstream first and downstream assets thereafter?**

A: The Steel industry is passing through a 'cascading margins phenomenon', where once the steel price rises, the immediately preceding input (billets) rises in cost as well and thereafter the next available raw material (DRI) and finally increases the cost of ore. At MSP we recognized that our competitiveness would be derived from progressive investments that we made in ore ownership at one end and supported by downstream linear (DRI < Billets) and lateral investments (captive generations).

**What are the key elements that are going to derive "the innovations in steel" statement for FY 2020?**

A: There have been a lot of T&D activities which are taking place in the Company for betterment of Customer and product. Various Sales strategies are being implemented for which consultancies such as Vector, have already been appointed. Technologies such as BI (Business Intelligence) tools and AI (Artificial Intelligence) and pilot projects launched by our Company are making marking difference amongst the other leading steel industries in India. We are facing a lot of digital Challenges yet our perseverance to achieve our vision of being one of the most admired steel industry are making us industrious.

**With various Government initiatives how has the**

**company been benefited, what is the Company Outlook for FY 2020?**

A: Various Government initiatives made the interim Union Budget for 2019-20 was announced by Mr Piyush Goyal, Union Minister for Finance, Corporate Affairs, Railways and Coal, Government of India, in Parliament on February 01, 2019. It focuses on supporting the needy farmers, economically less privileged, workers in the unorganized sector and salaried employees, while continuing the Government of India's push towards better physical and social infrastructure. According to IMF estimates, India's economy grew 7.1% in FY19, lowest in the last five years and is expected to accelerate to 7.3% growth this fiscal and to 7.5% in FY21. Indian economy grew 7% in FY19. IMF expects growth to recover in the current fiscal and the next. Due to general election weak growth and political uncertainty will be a negative overhang in 2019, but political stability post elections in Q2 2019 has been able to subsidize the aforementioned issues. Due to existing market conditions of steel industry which are aggressive in nature many of the large companies are backing out of their commitments. The Company is of the view that sustainability should also include not only environmental security but also the protection of capital and interest of all the stakeholders, including existing companies that are stressed in the steel industry. Hence subdued rates and election results, amendments in the finance bill in the FY20, might give opportunities to the Company to explore.

**What is the propitious segment that the company should be looking forward to in the coming years?**

A: The Company is concentrating majorly in digitalization where by various pilot projects have now been started for customers to order online their choice of products thus focusing on optimizing value in O2C Cycle (order to cash) cycle. Hence customer can now give orders and derive information about their ledger, accounting spheres and for all other requirements of the customer there by constructing strong relationship between customer and seller. The Company have also introduced new ERP System which are more



advanced for propelling the company vision and mission.

**What can shareholders expect in the FY 2019-20?**

A: there have been some outperforming execution of various tools and introduction of strategic tools along with artificial intelligence in our business models to monitor the customer and seller relationship. The result is that we expect to increase our turnover. Shareholders will witness the impact of our aggressive digitalization in our EBITDA margins in the upcoming years. The Company have completed 15 years of operations and is counted amongst a handful of companies in the country depending of the Market Capitalisation in the Fy 2019, this has only been possible due to support of our employees, customers, contractors, shareholders, bankers and all other stakeholders who have supported the Company in its long journey. The Company's major achievement has been maintaining long relationships with its key stakeholders be it shareholder, customer and employees.

We hope that this support prevails with us and we can achieve our vision and be one of the most admired steel Company.

**Saket Agrawal**

In Building a Better India  
we begin by building better lives

## CORPORATE SOCIAL RESPONSIBILITY

We begin by building better lives

### Making a Difference

MSP is a people oriented organization. The Company strongly believes that it can only prosper if its employees grow with it socially, economically and culturally. MSP helps in combating to social challenges like education, healthcare, women empowerment, rural upliftment and creating new work opportunities etc., for the society.





## Chairman's Statement

"It is not Strongest people who survive or the most intelligent ones. The People who survive are those who are responsive to change."

This gives us immense pleasure to share with you all that Our Company have completed 50 years of Operations which have given us the courage to excel further in our future endeavours. Amid the somber backdrop of the challenging and sluggish macro environment, India has still managed to replace Japan as the world's second-largest steel producing country. India has emerged as fastest growing major economy despite a visible slowdown in the fourth quarter FY2018-19 Indian Economy grew at 6.8%.

In this report you would be able to find out our 50 years of hard work and determination to thrive for excellence. This have been inline with our vision of being a Leading Steel Producer. Market intelligence and customer loyalty are two things we need to re-engage in. We also need targeted customer orient approach. We have achieved the aforementioned innovation in our organization. The Company is always looking to create new business verticles and get into business areas with the sector that would be relevant in the future and therefore de-risking itself from any regulatory and technology. The Company continuously engages in cost and operating efficiency improvement programmes across its facilities, which results in lower operating costs, better quality and higher profitability.

**Speaking about the Global Economy**

During the initial months of the CY 2018, Global economic activity continues to strengthen, the

pickup in growth has been broad based, with notable upside surprises in Europe and Asia. With continuous two years of strong steel cycle, an increase in supply along with trade actions led to a fall in steel prices globally towards the end of Q3 Quarter. Global growth forecasts for 2018 and 2019 have been revised upward by to 3.9 percent, reflecting increased global growth momentum and the expected impact of the recently approved section 232 by U.S. in their tax policy changes led to the diversion of steel exports in India by steel surplus countries like Japan, South Korea and China. This combination of lower steel prices and high imports weighed on domestic steel as well. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. Moreover natural disaster in Japan have also been one of the reason to hurt the global economy. Trade tensions took a also worsened the situations and sentiments of financial markets. India's foreign exchange reserves were US\$ 405.64 billion in the week up to March 15, 2019, according to data from the RBI. There have been various investments in various sectors of the economy. Various Government initiatives was made the Interim Union Budget for 2019-20 was announced by Mr. Piyush Goyal, Union Minister for Finance, Corporate Affairs, Railways and Coal, Government of India, in Parliament on February 01, 2019. It focuses on supporting the needy farmers, economically less privileged, workers in the unorganised sector and salaried employees, while continuing the Government of India's push towards better physical and social infrastructure. According to IMF estimates, India's economy grew 7.1% in FY19 slowest in the last five years and is expected to accelerate to 7.3% growth this fiscal and to 7.5% in FY21. Indian economy grew 7% in FY19, IMF expects growth to recover in the current fiscal and the next. Due to general election weak growth and political uncertainty will be a negative overhang in 2019, but political stability post elections in Q2 2019 has been able to subsidize the aforementioned issues. In Jan-May 2019, the world crude steel

production reached 764,072 million tonnes (mt) and showed a growth of 5.03% over Jan-May 2018. World Steel Association has projected Indian steel demand to grow by 7.1% in 2019 while globally, steel demand has been projected to grow by 1.3% in 2019. Asia produced 312.5Mt. crude steel, an increase of 7% over the first quarter of 2018. North America's crude steel production in the first three months of 2019 was 30.7 Mt. an increase of 4.0% compared to the first quarter of 2018. China's crude steel production for March 2019 was 80.3 Mt. an increase of 10% compared to March 2018. India produced 9.4Mt. of crude steel in March 2019, down 1% on March 2018. Japan produced 9.1Mt of crude steel in March 2019, unchanged from what it produced in March 2018. South Korea's crude steel production stood at 6.3Mt. up 2.8% on March 2018. According to World Steel Association India has replaced Japan as the world's second-largest steel producing country, while China is the largest producer of crude steel, accounting for more than 51 percent of production. The outlook for India's manufacturing sector, which has been lagging behind the service sector as a growth driver, should improve, via Make in India initiative, which aims to transform into a global design and manufacturing hub and also to develop ancillary industries and automotive industries.

**Strengthening Governance Practices**

No overview will be complete without a mention of our governance commitment. We adhere to the best global practices in the areas of governance and transparency. We organized monthly/quarterly meets to move closer to customers, suppliers and investors, and share with them our vision for the future and invite them to participate in our growth story.

**A Word of Thanks**

I take this opportunity to acknowledge the efforts of all those who contributed to our growth – our shareholders, customers, employees, partners, suppliers and community members. The Company will continue to enhance value for all those who depend on us, work with us and invest in us.





# **MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2018-2019**



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT 2018-2019

### OVERVIEW

The Report hereunder have been made in order to derive a better understanding about the Management's decision taken during the year and the fluctuations in the Market which had affected the Steel Sector for the Financial Year 2018-19. The Company's financial and operating performance during the period under review have been conveyed in this report. The Company has its plant in Raigarh and carries out manufacturing and production process via following plants:

- Pellet plant
- Sponge Iron Division
- Billets
- TMT
- Structural TMT
- Light Structural TMT
- Power – Captive Consumption.

The Company continuously engages in cost and operating efficiency improvement programmes across its facilities, which results in lower operating costs, better quality and higher profitability. The report should be along with the Company's Financial Statements, schedules and notes thereto and other information included in the report. The Company's financial statements have been prepared in accordance with the Indian Accounting Standards ('IND AS') complying with the requirements of the Companies Act, 2013 as amended and regulations issued by SEBI from time to time.

This report forms an important part of the Board's Report. Discussions on Industry structure and developments, outlook, risks, internal control systems and their adequacy, industrial relations have been covered in the Board's Report. This sections gives vivid details on the performance of the Company.

### ECONOMIC REVIEW

#### GLOBAL

During the initial months of the CY 2018, Global economic activity continues to strengthen, the pickup in growth has been broad based, with notable upside surprises in Europe and Asia. Global growth forecasts for 2018 and 2019 have been revised upward by to 3.9 percent, reflecting increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes. The global economic upswing that began around mid-2016 has become broader and stronger. Global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an

increase in trade tensions with the United States. Moreover natural disaster in Japan have also been one of the reason to hurt the global economy. Trade tensions took a also worsened the situations and sentiments of financial markets.

#### OUTLOOK

The International Monetary Fund expects that the global economy growth might slow down from 3.6 % in 2018 to 3.3% in 2019, before returning to 3.6% in 2020. It is under the notion that the global economy would settle in first half of 2019 and indurate in the second half. Improved momentum for emerging market and developing economies is projected to continue into 2020, primarily reflecting developments in economies currently experiencing macroeconomic distress—a forecast subject to notable uncertainty. The bottom line outlook for Asia seems favourable with a slow growth rate for China and hence convergence in frontier economies towards higher income levels. For other regions, the outlook is complicated by a combination of structural bottlenecks, slower advanced economy growth and, in some cases, high debt and tighter financial conditions. If the global growth rate removes all trade indifferences it might help in strengthening investor's sentiments and hence help in balancing the risk of downfall.

#### INDIAN ECONOMY

India has emerged as fastest growing major economy despite a visible slowdown in the fourth quarter FY2018-19. Indian Economy grew at 6.8% . India's foreign exchange reserves were US\$ 405.64 billion in the week up to March 15, 2019, according to data from the RBI. There have been various investments in various sectors of the economy. Various Government initiatives was made the interim Union Budget for 2019-20 was announced by Mr Piyush Goyal, Union Minister for Finance, Corporate Affairs, Railways and Coal, Government of India, in Parliament on February 01, 2019. It focuses on supporting the needy farmers, economically less privileged, workers in the unorganised sector and salaried employees, while continuing the Government of India's push towards better physical and social infrastructure. Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. Few more initiatives are given as below:

- Village electrification in India was completed in April

2018. Universal household electrification is expected to be achieved by March 2019 end.

- Around 1.29 million houses have been constructed up to December 24, 2018, under Government of India's housing scheme named Pradhan Mantri Awas Yojana (Urban).
- In February 2019, the Government of India approved the National Policy on Software Products – 2019, to develop the country as a software hub.

#### OUTLOOK

According to IMF estimates, India's economy grew 7.1% in FY19 slowest in the last five years and is expected to accelerate to 7.3% growth this fiscal and to 7.5% in FY21. Indian economy grew 7% in FY19,. IMF expects growth to recover in the current fiscal and the next. Due to general election weak growth and political uncertainty will be a negative overhang in 2019, but political stability post elections in Q2 2019 has been able to subsidize the aforementioned issues.

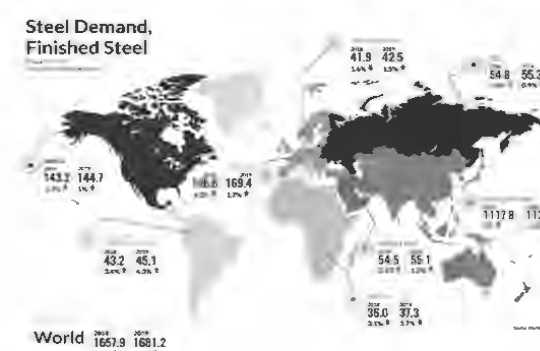
#### STEEL INDUSTRY

##### GLOBAL STEEL INDUSTRY

In Jan-May 2019, the world crude steel production reached 764.072 million tonnes (mt) and showed a growth of 5.03% over Jan-May 2018. World Steel Association has projected Indian steel demand to grow by 7.1% in 2019 while globally, steel demand has been projected to grow by 1.3% in 2019. Asia produced 312.9Mt. crude Steel , an increase of 7% over the first quarter of 2018. North America's crude steel production in the first three months of 2019 was 30.7 Mt. an increase of 4.0% compared to the first quarter of 2018. China's crude steel production for March 2019 was 80.3 Mt. an increase of 10% compared to March 2018 . India produced 9.4Mt. of crude steel in March 2019, down 1% on March 2018. Japan produced 9.1Mt of crude steel in March 2019 , unchanged from what it produced in March 2018 . South Korea 's crude steel production stood at 6.3Mt. up 2.8% on March 2018.

##### OUTLOOK OF GLOBAL STEEL INDUSTRY

Steel demand in the developed economies grew by 1.8% in



2018 following a resilient 3.1% growth in 2017. We expect demand to further decelerate to 0.3% in 2019 and 0.7% in 2020, reflecting a deteriorating trade environment. In 2019 and 2020, steel demand is likely to contract slightly due to a moderation of construction activities and decelerating exports despite the support provided by public projects. Steel demand is expected to continue declining in 2019 due to toughened real estate market measures and a deteriorating export environment. A mild recovery is expected in 2020. Having overcome the shocks of demonetisation and the Goods & Services Tax (GST) implementation, the Indian economy is now expected to achieve faster growth starting in the second half of 2019 after the election. While the fiscal deficit might weigh on public investment to an extent, the wide range of continuing infrastructure projects is likely to support growth in steel demand above 7% in both 2019 and 2020. Steel demand in developing Asia excluding China is expected to grow by 6.5% and 6.4% in 2019 and 2020 respectively, making it the fastest growing region in the global steel industry. In the ASEAN region, infrastructure development supports demand for steel.

#### INDIAN STEEL INDUSTRY

The country in February 2019 reported a rise of 2.3 per cent to 8.74 MT as against 8.54 MT in the year-ago month. India's steel production fell by about 0.3 per cent to 27.33 million tonne (MT) during the first quarter of the calendar year 2019, according to data from the World Steel Association. In May 2017, the Union Cabinet also approved two policies, including the National Steel Policy 2017 that envisaged Rs 10 lakh crore investment to take capacity to 300 million tonne by 2030-31, to give a boost to the domestic steel sector.

According to World Steel Association India has replaced Japan as the world's second-largest steel producing country, while China is the largest producer of crude steel, accounting for more than 51 percent of production.

#### OUTLOOK OF INDIAN STEEL INDUSTRY

The January to November crude steel production statistics released by worldsteel on 20 December 2018 show that India has become the second largest steel producer in the world, overtaking Japan for the second month in a row, with a growth rate of 4.9%. India's apparent steel use per capita for finished steel products stood at 66.2 kg, way below the world average of 212.3 kg in 2017, which suggests that India has a huge unrealised potential for steel demand growth. In India there have been various reforms agenda specially in the fields of infrastructure to clear institutional bottlenecks. A worldsteel study of India, conducted in collaboration with the Indian Steel Association and the support of Indian member companies, identifies the construction sector as a



pan-India steel demand driver on the back of strong infrastructure development and housing demand, especially affordable housing. The Smart Cities Initiatives will further boost urban infrastructure investment. There are currently 99 smart cities planned across India. The outlook for India's manufacturing sector, which has been lagging behind the service sector as a growth driver, should improve, via Make in India initiative, which aims to transform into a global design and manufacturing hub and also to develop ancillary industries and automotive industries.

## BUSINESS OVERVIEW

### Performance review of the Company

The operational and financial performance of the Company improved from the last financial year i.e 2018. Its brief financial performance for 2018-19 is given below:

Particulars	Stand-alone		Consolidated	
	F.Y. 18-19 ₹ In Lacs	F.Y. 17-18 ₹ In Lacs	F.Y. 18-19 ₹ In Lacs	F.Y. 17-18 ₹ In Lacs
Revenue from Operations	166880.19	118794.72	166880.19	118794.72
Other Income	200.17	261.85	200.17	261.85
Total Income	167080.36	119056.57	167080.36	119056.57
Total Expenses (D)	167921.26	125686.68	167921.26	125686.68
Profit/(Loss) Before Tax (E-C-D)	(140.90)	(6682.09)	(140.90)	(6682.09)
Add/(Less): Exceptional Items(P)	(53.99)	476.24	(53.99)	476.24
Loss: Tax Expenses (Q)				
Income Tax for Earlier Years	252.86	-	252.86	-
Deferred Tax	1611.88	(585.27)	1611.88	(585.27)
Profit/(Loss) for the Year (E+F-G)	(2068.93)	(5870.52)	(2068.93)	(5870.52)
Share of Profit/(Loss) of Associates		N/A		1.74

### Consolidated

The Company reported a consolidated revenue from operations and net profit after tax of Rs.16.69 Crs & Rs.(20.60) Crs. The Company's consolidated financial statements include the financial performance of the following subsidiaries and joint ventures.

### Subsidiaries

1. MSP CEMENT LIMITED

### Associates

2. AA ESS TRADELINKS PVT. LIMITED

### Joint Venture

3. MADANPUR SOUTH COAL LIMITED

### Own Funds

Networth of the Company was Rs.682.74 Crs as on 31st March 2018 to Rs.665.42 Crs as on 31st March 2019

### Risk Management Cycle



The current economic environment in combination with growth ambitions carries with it an evolving set of risks. MSP recognises that these risk need to be managed to protect its customers, employees, shareholders and other stakeholder to achieve its business objective and enable sustainable growth. An Integrated system of risk management and internal controls framework has been deployed taking in to account various factors such as size and nature of the inherent risk and the regulatory environment. The risk management framework undergoes continuous improvement to allow management to optimize its management of risk exposures while taking advantage of business opportunities.

The financial situation in the steel sector is very fragile. Large liabilities have been weighing on steelmakers' balance sheets, reducing their margin of manoeuvre to restructure as needed. Continued subdued financial performance in a context of already very fragile balance sheets pose serious risks to the steel sector and could affect other parts of the economy.

Demand growth is mostly consumption-driven as investment continues to be weak, despite the low interest rate environment. Risks to the outlook include economic growth deceleration in some regions, mounting geopolitical uncertainties, increased corporate debt, and low oil price momentum.

A predominant risks in the construction sector, is very much visible in the year.

## INTERNAL CONTROLS AND SYSTEMS

The Company's Board of Directors operates an extensive system of internal control. It includes the organisation's plans and policies to ensure orderly and efficient business conduct. The Board has also set up appropriate processes to monitor the relevant external and internal risks. The Company follows the COSO model of internal control system to deal efficiently and effectively with all the five components of Internal Control System, namely:

- Risk assessment
- Control environment
- Control activities
- Information and communication
- Monitoring the activities of the different levels of the organisation

The Company's Internal audit is carried out effectively, leading to an independent and systematic assessment of its data, records, performances, and so on with a pre-determined objective. It has the potential to be one of the most influential and value-added services available to the Board. It emphasises on:

- Operational effectiveness and efficiency
- Resource protection
- Reliability of internal and external reporting
- Compliance with applicable laws, regulations and internal policies

Internal audit works as a catalyst for improving an organisation's effectiveness, thus providing insight and recommendations based on analysis and assessments of data and business processes. With its commitment to integrity and accountability, internal audit provides value to governing bodies and senior management as an objective source of independent advice. The organisation promotes independent examination of its plans and the policies, subject to the overall control environment supervision by the Board Level Audit Committee. This leads to accountability and transparency of operations and promotes independent examination. During the year, the Company focused on encouraging independent decision making, documentation of shortcomings of the various processes and departments, and correction of the work processes.

It is supplemented by well-documented policies, guidelines, procedures and regular reviews, which are carried out by the Company's Internal Audit Department. The reports containing significant audit findings are periodically submitted to the Company's management and its Audit Committee.

## FINANCIAL MANAGEMENT

The senior management personnel periodically monitors the capital budgeting and subsequent progress of the under-implemented projects. The projects are funded by borrowing from a consortium of banks at competitive rates; the balance is covered by internal accruals and promoter contribution.

The Company's well-trained and highly efficient professionals are responsible for overseeing factory operations as well as the functions of the accounting and finance department. The team ensures that the established organisational procedures laid down by the senior management at a strategic level are followed and translated even in financial results and periodic management reports. Regular audits are conducted to ensure that the proper controls are in place.

## STATUTORY COMPLIANCE

The Company's various units offer confirmation to ensure compliance with all statutory requirements. A declaration is then made by the Managing Director at each Board Meeting regarding compliance with the provisions of the various statutes. The Company Secretary, as Compliance Officer, ensures compliance with the SEBI regulations and provisions of the listing agreements.

## INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Human Resources Department (HRD) works continuously for maintaining healthy working relationships with the workers and other staff members. Prudent people practices lie at the core of MSP Steel's activities. The workforce is created, developed and motivated with a customer-centric, process-based, transparent and agile work culture. The Company's work culture is responsive to business needs and challenges, but gives them a sense professional ownership. It also elicits innovative responses from all. This has made MSP Steel's human resource an admirable and competitive workforce that not only epitomizes the Company's long term vision, but also owns the skills to realise it.

Senior management is easily accessible for counselling and redressal of grievances. HRD continuously strives to maintain and promote harmony and co-ordination among workers, staff and members of the senior management.

## CAUTIONARY STATEMENT

Statements made in this report describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied.