

ANNUAL REPORT 2018 - 2019



Prakash Industries Limited

People.. Prosperity.. Progress..

PRAKASH INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri V. P. Agarwal	Chairman
Shri Vikram Agarwal	Managing Director
Shri Kanha Agarwal	Joint Managing Director
Shri M.L. Pareek	Whole - time Director & CEO
Shri P.L. Gupta	Whole - time Director & CFO
Shri Y.N. Chugh	Independent Director
Shri M.R. Agarwal	Independent Director
Smt. Purnima Gupta	Independent Director
Shri Sunil Kumar	Independent Director
Dr. S.C. Gosain	Independent Director

COMPANY SECRETARY

Shri Ashwini Kumar

STATUTORY AUDITORS

Chaturvedi & Co.
Chartered Accountants

BANKERS

Corporation Bank
Kotak Mahindra Bank

PRAKASH INDUSTRIES LIMITED

REGISTERED OFFICE

15 Km. Stone, Delhi Road,
Hissar - 125044 (Haryana)

CORPORATE OFFICE

SRIVAN

Bijwasan,

New Delhi - 110 061

WORKS

Champa (Chhattisgarh)

Raipur (Chhattisgarh)

Koira, Distt. Koenjhar (Odisha)

Muppandal (Tamil Nadu)

WEBSITE

www.prakash.com

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 38th Annual Report on the business & operations of the Company together with the Audited Statement of Financial Accounts for the year ended 31st March, 2019.

FINANCIAL RESULTS

	(₹ in Crores)	
	For the year ended 31st March, 2019	For the year ended 31st March, 2018
Net Sales	3587.51	2934.81
Other Income	7.57	14.81
Total Income	3595.08	2949.62
EBITDA	793.65	595.89
Depreciation	133.98	120.94
Financial Expenses	100.53	86.61
Profit before exceptional item and tax	559.14	388.34
Exceptional Items	389.05	-
Less: Transferred from		
General Reserve	(382.56)	6.49
Provision for Taxes	13.43	2.09
Profit after tax	539.22	386.25
Other Comprehensive Income	(4.09)	(2.39)
Total Comprehensive Income	535.13	383.86

PERFORMANCE

During the year under review, the Company's Net Sales registered growth of 22% to ₹3588 crores as against ₹2935 crores in the previous year. The EBITDA for the year was ₹794 crores in comparison to ₹596 crores in the previous year reflecting a growth of 33%. After providing for interest, depreciation and tax, the profit after tax of the Company grew by more than 39% to ₹535 crores as against ₹384 crores in the previous year, which resulted in EPS of ₹33.41 in the current year as against ₹25.58 in the previous year. Your Directors have immense pleasure in informing that subsequent to the sanction by the Hon'ble National Company Law Tribunal, Chandigarh vide order dated 14th March, 2019, the PVC Pipe Undertaking had been demerged from your Company into the resulting Company i.e. Prakash Pipes Limited (PPL) with effect from the appointed date i.e. 1st April, 2018. This is expected to provide better focused strategy for both steel and PVC pipe business. In view of this Demerger, the figures of the year under review are exclusive of PVC Pipe Undertaking and are not comparable

with those of the previous year. During the year under review, the PVC pipe Undertaking, which now forms part of Prakash Pipes Limited had achieved Net Sales of ₹341 crores, EBITDA of ₹43 crores and PAT of ₹28 crores.

OPERATIONAL REVIEW

Your Directors are pleased to inform that the performance of the Company, both financial and operational, has attained significant growth during the year under review. As a result of capacity addition and buoyant steel demand, the sales volumes have grown by more than 20% as compared to the previous year. The average sales realization has also improved by over 12% over last year. The operating margins have improved to more than 22% against 20% in the previous year. During the last quarter of the year under review, the Company modernized its fourth Rolling Mill at Raipur, Chhattisgarh with a vision to improve the production of value added products i.e. wire rods. Also, the Company continued to improve the operational efficiencies in the Steel Melting Shop by setting up new energy efficient furnaces and also modernizing some of the existing furnaces. Further, the Long term supply arrangements entered into by the Company with its suppliers for the key inputs i.e. coal and iron ore, ensured uninterrupted supplies at stable prices, thereby insulating its margins against the vagaries arising out of the volatility of their prices.

FUTURE PROSPECTS

The Indian steel industry is expected to grow by 7-8% annually in the coming years at the back of strong demand from vital sectors like construction, infrastructure, automobile among others. In order to benefit from the continuing favorable scenario in the industry, the Company has taken up capacity addition with higher focus on backward integration. In this direction, the Company has completed the installation of another 0.2 mn tpa Sponge Iron kiln along with 15 MW power co-generation and the commercial production is expected from the end of July, 2019. This will almost fully integrate the present steel operations and eliminate the Company's dependence on market sponge iron for its steel making. Further, the Company's iron ore mine in the state of Odisha has now largely received all statutory approvals and the Company is making all out efforts to operationalize the same very soon. All these steps for backward integration are expected to give a boost to the profitability margins of the Company in future years.

DIVIDEND

Based on Company's performance, the Directors have recommended a dividend of ₹1.20 per share for financial year

PRAKASH INDUSTRIES LIMITED

2018-19. If approved by the members, would involve a cash outflow of ₹2,363 lakhs including dividend distribution tax.

ENVIRONMENT

Company has always emphasised on installation of the effective Pollution Control Systems with latest technology alongwith the production units as well as other Environmental measures to ensure a healthy Environment for its employees as well as people in the surroundings. The Pollution Control equipments installed by the Company includes Bag Filters, Electro Static Precipitators (ESP), Ventury Scrubber, Dust Suppression Systems etc. Company has also installed latest Online Pollution Monitoring Systems in the Stacks as per the Statutory Guidelines. Company has always complied with all statutory norms which has resulted in providing a safe & healthy work places to its employees. Various production units of the Company has been certified with Integrated Management Systems consisting of ISO - 14001 Environment Management System, ISO - 9001 Quality Management System & OHSAS - 18001 Occupational Health & Safety Management System which shows commitment of the Company towards its Environmental Protection Responsibility as well as production of the quality products with safety. Company has taken all required steps to control Pollution in the Plant. Extensive Plantation has been carried out alongwith Plant Boundary, in open areas in the plant premises and also at the road side near the plant. Company has also made Corporate Environmental Policy and has trained all employees to contribute towards making the Environment Healthy, Green & Safe. Company has maintained Zero Discharge of waste by recycling. No water is allowed to flow outside the factory premises, as per statutory guidelines. No water is allowed to be discharged outside the factory premises. All waste water is treated in the Effluent Treatment Plant before reusing it. A well equipped Environmental Laboratory is also set up in the Plant alongwith experienced Environmental team to ensure timely implementation of Environmental measures.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There were no material changes and commitments affecting the financial position of the Company between the end of the financial year of the Company to which the financial statements relate and the date of the report.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

The Hon'ble National Company Law Tribunal, at Chandigarh vide its order dated 14th March, 2019, sanctioned the

Scheme of Demerger between Shareholders, Secured Creditors and Unsecured Creditors of Prakash Industries Limited and Prakash Pipes Limited. Accordingly the Scheme becomes effective w.e.f. 15th April, 2019. The appointed date of Scheme is 1st April, 2018.

CHANGE IN NATURE OF BUSINESS, IF ANY.

During the year the Company had started PVC flexible packaging business under its PVC business segment which is now transferred to Prakash Pipes Limited consequent upon demerger of the Company.

DETAILS OF SUBSIDIARY COMPANIES, JOINT VENTURES AND ASSOCIATE COMPANIES

Prakash Pipes Ltd. has ceased to be subsidiary Company of Prakash Industries Ltd. consequent upon demerger order dated 14th March, 2019 of National Company Law Tribunal during the Financial Year Ended 31st March, 2019

The Company's policy for determining material subsidiaries is available at www.prakash.com.

AMOUNT CARRIED TO ANY RESERVE (IF ANY)

The Company had not carried any amount to any reserve from its Profit & Loss account for the current financial year.

CORPORATE SOCIAL RESPONSIBILITY AND GOVERNANCE COMMITTEE

The Company recognizes the need and importance of a focused and inclusive social and economic development, especially of the industries and communities within which it operates. A Board level Committee of CSR has been constituted. The details of membership of the Committee & the meetings held are detailed in the Corporate Governance Report, forming part of this Report. The Corporate Social Responsibility Policy is available on the website of the Company at the link http://prakash.com/pdfs/CSR_Policy.pdf

The Annual Report on Corporate Social Responsibility activities is annexed to this report as Annexure 1.

BOARD EVALUATION

During the year, the annual evaluation of the performance of the Board, its committee and of individual Directors has been made under the provisions of the Act, relevant Rules and the Corporate Governance requirements as prescribed under Regulation 17 of Listing Regulations, 2015 and the circular issued by SEBI with respect to Guidance Note on Board Evaluation from time to time.

In a separate meeting of Independent Directors, performance of Non Independent Directors and performance of the Board as a whole was evaluated. Further, they also evaluated the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-executive Directors.

NUMBER OF MEETINGS OF THE BOARD

The details of the Board Meetings and other Committee Meetings held during the financial year 2018-19 are given in the separate section of Corporate Governance Report.

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declaration from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

FAMILIARISATION PROGRAMME FOR THE INDEPENDENT DIRECTORS

In compliance with the requirements of Regulation 25(7) of the Listing Regulations, 2015, the Company has put in place a Familiarisation Programme for the Independent Directors to familiarise them with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model etc.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

The following three persons are the Key Managerial Personnel of the Company as per the provisions of Section 203 of the Companies Act, 2013.

- i) Shri M.L. Pareek, Chief Executive Officer
- ii) Shri P.L. Gupta, Chief Financial Officer
- iii) Shri Ashwini Kumar, Company Secretary

In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Shri M.L. Pareek retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Dr. Satish Chander Gosain has joined as an Independent Director of the Company with effect from 13th August, 2018. Shri K.C. Mehra, Independent Director on the Board of the Company since 1985 left for his heavenly abode on 4th June, 2018. The Board would like to place on record the invaluable contribution made by him during his tenure on the Board.

Further, the Board of Directors has reappointed Shri Y.N. Chugh, Shri Mamraj Agarwal and Smt Purnima Gupta for the second term of 5 (Five) consecutive years on the Board of the Company with effect from 1st April, 2019.

BOARD COMMITTEES

All Committees of the Board of Directors are constituted in line with the provisions of the Companies Act, 2013 and

applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DEPOSITS

Company has not accepted any deposits during the year under review.

TRANSFERS TO THE INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to applicable provisions of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund ("IEPF" or "Fund") established by the Central Government, after completion of seven years from the date of dividend becoming unpaid / unclaimed. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the members for seven consecutive years or more, shall also be transferred to the demat account created by the IEPF Authority.

The Company had sent individual notices and also advertised in the newspapers seeking action from the members who have not claimed their dividends for seven consecutive years or more. Accordingly, the Company has transferred such unpaid or unclaimed dividends and corresponding shares to IEPF, up to the financial year ended 31st March, 2011.

Members/claimants whose shares and/or unclaimed dividend, have been transferred to the IEPF Demat Account or the Fund, as the case may be, may claim the shares or apply for refund by making an application to the IEPF authority in Form IEPF-5 (available on <http://www.iepf.gov.in>) along with requisite fee as decided by the IEPF authority from time to time.

Details of shares/shareholders in respect of which dividend has not been claimed, are provided on our website at www.prakash.com. The shareholders are encouraged to verify their records and claim their dividends of all the earlier seven years, if not claimed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (5) of the Companies Act, 2013 (Act), the Board of Directors, to the best of their knowledge and ability, confirm that:

- I. in the preparation of the annual accounts, the applicable standards have been followed and there are no material departures,
- II. they 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

PRAKASH INDUSTRIES LIMITED

and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period,

- III. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities,
- IV. they have prepared the accounts on a going concern basis,
- V. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- VI. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

STANDALONE ACCOUNTS

The Standalone financial statements for the year ended 31st March, 2019 have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 together with the comparative period data as at and for the previous year ended 31st March, 2018.

AUDITORS & AUDITORS REPORTS

i) Statutory Auditors

The Company's Auditors, M/s Chaturvedi & Co., Chartered Accountants, (FRN:302137E), were appointed as the Statutory Auditors of the Company for a period of five years at the 35th Annual General Meeting of the Company, upto the conclusion of the 40th Annual General Meeting of the Company, subject to ratification by members at every Annual General Meeting of the Company, if so required under the Companies Act, 2013. The requirement to place the matter related to appointment of auditors for ratification by the members at every AGM has been done away by the Companies (Amendment) Act, 2017 w.e.f. 7th May, 2018.

The Auditors in their Report to the members, have given two qualified opinions and the explanations of Board with respect to it in pursuant to section 134(3)(f) of Companies Act 2013 is as follows:

Explanations to note on Basis for Qualified opinion of Independent Auditors Report

- a) The net deferred tax liability computed in terms of Ind AS-12 "Income Tax" amounting to ₹ 1,446 Lakhs has been adjusted against Securities

Premium Account. This has been in terms of Hon'ble Punjab & Haryana High Court order dated 23rd August, 2007. In case the Company is not able to utilise Minimum Alternate Tax (MAT) credit within the time limit prescribed under the Income Tax Act, the same is set off against the retained earning as Tax credit pertains to an earlier year..

- b) The expenditure amounting to ₹ 38,256 Lakhs incurred on a power project which is on hold, has been written off by withdrawing an equivalent amount from General Reserve.

Observations other than above made by the Statutory Auditors in their report for the Financial year ended 31st March, 2019 read with the explanatory notes therein are self-explanatory and therefore, do not call for any further explanation or comments from the Board under section 134(3) of the Companies Act, 2013.

ii) 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 Mr. Pradip Kumar Muduli, Practicing Company Secretary to undertake the Secretarial Audit of the Company. The Secretarial Audit Reports are annexed herewith as Annexure 2 in prescribed format MR-3 as per Companies Act, 2013 and as Annexure 2A as per prescribed format under SEBI Listing Regulations. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

iii) Cost Auditors

Pursuant to Section 148(1) of the Companies Act, 2013 Company is required to maintain cost records as specified by the Central Government and accordingly such accounts and records are made and maintained.

Accordingly the Board of Directors in its meeting held on 21st May, 2019 has appointed M/s. Rakshit & Associates, (FRN : 101951) Cost & Management Accountants, on the recommendation of the Audit Committee, for auditing the cost records of the Company for the Financial Year 2019-20. Appropriate resolution seeking your ratification of the remuneration of Cost Auditors, is included in the Notice convening the 38th AGM of the Company.

CHANGES IN CAPITAL STRUCTURE

During the financial year 2018-19, the Company had allotted 1979255 Equity Shares fully paid-up of the face value of ₹ 10 per share at a premium of ₹ 200.18 per share on conversion of convertible equity warrants and 4484039 equity shares fully paid up value of ₹ 10 per share at a

PRAKASH INDUSTRIES LIMITED

premium of ₹ 90 per share after receiving of Conversion Notices from various FCCB holders. Accordingly, the paid-up Equity Share Capital of the Company increased from ₹ 156.88 crores to ₹ 163.35 crores.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Particulars of loans, guarantees, investments made and securities provided by your Company pursuant to Section 186 of the Act, if any, are given in the notes to the financial statements, which form part of the Annual Report.

RELATED PARTY TRANSACTIONS [RPT]

All the related party transactions that were entered during the financial year were in the ordinary course of the business of the Company. There were no materially significant related party transactions entered by the Company with its promoters, Directors, Key Management Personnel and other persons which may have a potential conflict with the interest of the Company.

All the related party transactions are placed before the Audit Committee for approval review on a quarterly basis. For the business transactions with the related parties which are of repetitive nature as well as for the normal business transactions which cannot be foreseen prior omnibus approval from the Audit Committee are obtained and accordingly required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee. The Company, during the financial year, entered into contracts or arrangements with related parties, which were in the ordinary course of business and on arm's length basis.

The Policy on materiality of related party transactions and dealing with related party transactions are available on the Company's website at the link at <http://www.prakash.com/policy-related-party-transactions>.

The details of the related party transactions as required under Section 134(3)(h) r/w Rule 8 (2) of the Companies (Accounts) Rules, 2014 and under Regulation 34(3) & 53(f), Para A of Schedule V of SEBI (LODR) Regulations, 2015 is attached as Annexure 3.

VIGIL MECHANISM AND WHISTLE BLOWER POLICY

To create enduring value for all stakeholders and ensure the highest level of honesty, integrity and ethical behaviour in all its operations, the Company has adopted a 'Whistle Blower Policy'. The details of the Vigil Mechanism and Whistle Blower Policy are available on the website of the Company.

NOMINATION AND REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection, appointment and remuneration of Directors & Senior Management.

The Board has framed a Nomination and Remuneration policy which is available on the Company website at the link <http://www.prakash.com/policies>.

RISK MANAGEMENT AND ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has set up a Risk Management Committee. Risk Assessment is also discussed in the Management Discussion and Analysis attached to this report. The Company maintains an adequate and effective internal control system commensurate with its size and complexity. These internal control systems provide, among other things, a reasonable assurance that transactions are executed with management authorization and that they are recorded in all material respects to permit preparation of financial statements in conformity with established accounting principles and that the assets of the Company are adequately safe-guarded against significant misuse or loss. An independent internal audit function is an important element of your Company's internal control system. The internal control system is supplemented through an extensive internal audit programme and periodic review by management and Audit Committee. The Company has in place, adequate internal financial controls with reference to financial statements.

EXTRACT OF ANNUAL RETURN

The annual return of the Company as required under the Companies Act, 2013 will be available on the website of the Company at www.prakash.com.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided as Annexure 4A to this Report.

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules forms part of this Annual Report and is attached as Annexure 4.

PREVENTION OF SEXUAL HARASSMENT AT WORKPLACE

Company has a policy on prohibition, prevention and redressal of Sexual Harassment of women at work place and matters connected therewith. During the year ended 31st March, 2019, no complaint was received under the policy.

PRAKASH INDUSTRIES LIMITED

CORPORATE GOVERNANCE

The Company is in compliance with the Corporate Governance guidelines, as laid out in the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Report on Corporate Governance and Certificate of Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated in Part C of Schedule V of the Listing Regulations, 2015 with the Stock Exchanges, are enclosed with report as Annexure 5.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis on the operations of the Company as prescribed under Part B of Schedule V read with regulation 34 (3) of the Listing Regulations, 2015 is provided in a separate section and annexed as Annexure 6.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to conservation of energy, technology absorption, research & development and foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided as Annexure 7

ACKNOWLEDGMENTS

Your Directors wish to thank all stakeholders, employees and business partners and Company's bankers for their continued support and valuable co-operation. The Directors also wish to express their gratitude to investors for the faith that they continue to repose in the Company.

By Order of the Board

Place :New Delhi	P. L. Gupta	Kanha Agarwal
Dated :21 st May, 2019	Whole-time Director	Jt.Managing Director
	DIN:00048868	DIN:06885529