



Vardhmān

VARDHMAN SPECIAL STEELS LIMITED



Annual Report 2010-2011

PROCESS FLOW



Raw Material



30 Ton UHP Electric Arc Furnace



Bloom Caster



Vacuum Degassing



Ladle Refining Furnace (Secondary Metallurgy)



Bloom Conditioning



Rolling Mill



(Optional) Heat Treatment



Delivery



Testing & Inspection



(Optional) Bright Bars

BOARD OF DIRECTORS

Mr. Prafull Anubhai – Chairman
Mr. Rajinder Kumar Jain
Mrs. Ramni Nirula
Mr. Rajeev Gupta
Mr. Mukund Choudhary
Mr. Sanjeev Pahwa
Mrs. Suchita Jain
Mr. B. K. Choudhary
Mr. Sachit Jain – Managing Director

GENERAL MANAGER

Mr. Naresh Bansal

COMPANY SECRETARY

Mr. Mohan Singh

AUDITORS

M/s. S.S. Kothari Mehta & Co.
Chartered Accountants
Panchkula

BANKERS

State Bank of India
HDFC Bank Limited
Bank of Baroda

REGISTERED OFFICE

Vardhman Premises, Chandigarh Road
Ludhiana - 141 010
Phones : (0161) 2228943 - 48
Fax : (0161) 2601048, 2602710 & 2222616
E-mail: secretarial.lud@vardhman.com
Web site: www.vardhmansteel.com

WORKS

Vardhman Special Steels Limited Unit-I, Ludhiana
C-58, Focal Point,
Ludhiana - 141 010

BRANCHES

- Plot No. 264,
Sector 24, N.I.T.
Faridabad - 121 005
- 422 & 423, 4th Floor,
B Wing, Jai Ganesh Vision, Akurdi,
Pune - 411 033
- Gate No. 153, Pune-Nashik Highway,
Kuruli, Chimbli Phata, Chakan
Pune - 411 033
- D-8, Industrial Estate,
Opp. Tansi Building, Guindy,
Chennai - 600 032
- New No. 1/55E, Old No. 1/73
Kamarjar, Salai, Nazaratpet, Poonamallee
Chennai - 600 032
- SPL - 1, Phase - I,
Industrial Area, Bhiwadi,
Distt.- Alwar - 301 019
- Arisht Spinning Mills,
Sai Road,
Baddi

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NOTICE

NOTICE is hereby given that the FIRST ANNUAL GENERAL MEETING of Vardhman Special Steels Limited will be held on Saturday, the 23rd day of July, 2011 at 12.00 noon at the Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended on that date, together with Report of Auditors' and Directors' thereon.
2. To appoint a Director in place of Mrs. Suchita Jain, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers herself for re-appointment.
3. To appoint Auditors for the year 2011-2012 and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and if thought fit to pass, with or without modification(s), the following resolutions as Ordinary Resolutions:-

- (a). "RESOLVED THAT Mr. Prafull Anubhai, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
- (b). "RESOLVED THAT Mr. Rajinder Kumar Jain, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
- (c). "RESOLVED THAT Mrs. Ramni Nirula, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
- (d). "RESOLVED THAT Mr. Rajeev Gupta, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the

Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."

- (e). "RESOLVED THAT Mr. Mukund Choudhary, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
 - (f). "RESOLVED THAT Mr. Sanjeev Pahwa, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
 - (g). "RESOLVED THAT Mr. B. K. Choudhary, who was appointed as an Additional Director by the Board of Directors under Section 260 of the Companies Act, 1956, to hold office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company, liable to retire by rotation, under the Articles of Association of the Company."
5. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution :-
"RESOLVED THAT pursuant to the provisions of Section 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Members of the Company be and is hereby given to the fixation of the sitting fee payable to the Directors for attending each meeting of the Board of Directors and the Committee of Directors as Rs.15,000/- and Rs. 10,000/- respectively."

BY ORDER OF THE BOARD

PLACE : NEW DELHI
DATED : 27th APRIL, 2011

(MOHAN SINGH)
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE

COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.

2. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item No. 2 and 4 (a) - (g) of the notice is also being annexed hereto separately and forms part of the Notice.
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 12th July, 2011 to 23rd July, 2011.**
4. The Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Transfer Agent/Company. However members, holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
5. Members desiring any information, as regards Accounts, are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the management to keep the information ready.
6. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
7. Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/Registrar and Transfer Agent.
8. The Ministry of Corporate Affairs ("MCA") has vide Circular Nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively, taken a 'Green Initiative in Corporate Governance', by allowing paperless compliances through electronic mode, allowing to send documents such as Notice convening General Meetings, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and any other notice/documents, henceforth in electronic form in lieu of the paper form. In case you wish to support your Company's concern to prevent global environment degradation, you are requested to please register your E-mail ID with your DP, if you hold the Company's shares in electronic form, under intimation to the Registrar & Transfer Agent through your registered E-mail ID. However, if you hold the shares in physical form then you may register your E-mail ID with the Registrar & Transfer Agent of the Company by sending a letter under your Registered signature at the below mentioned address.

M/s Alankit Assignments Limited,
2E/21, Alankit House, Jhandewalan Extension,
New Delhi-110 055
Phone: (011) 41540060-63,
Fax: (011) 41540064,
E-mail: rta@alankit.com

BY ORDER OF THE BOARD

**PLACE : NEW DELHI
DATED : 27th APRIL, 2011**

**(MOHAN SINGH)
COMPANY SECRETARY**

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 4 (a)-(g) OF THE SPECIAL BUSINESS.

The Board of Directors had appointed Mr. Prafull Anubhai, Mr. Rajinder Kumar Jain, Mrs. Ramni Nirula, Mr. Rajeev Gupta, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. B. K. Choudhary as Additional Directors on the Board of the Company in its Meeting held on 15th March, 2011 pursuant to Article 105 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956.

The Company has received notices from the members of the Company u/s 257 of the Companies Act, 1956, together with the requisite deposit, proposing the candidature of Mr. Prafull Anubhai, Mr. Rajinder Kumar Jain, Mrs. Ramni Nirula, Mr. Rajeev Gupta, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. B. K. Choudhary as the Directors of the Company.

MEMORANDUM OF INTEREST

None of the Directors except Mr. Prafull Anubhai, being the appointee himself in Item No. 4(a), Mr. R. K. Jain being the appointee himself and Mr. Sachit Jain & Mrs. Suchita Jain, being the relatives of Mr. Rajinder Kumar Jain, in Item No. 4(b), Mrs. Ramni Nirula, being the appointee herself, in Item No. 4(c), Mr. Rajeev Gupta, being the appointee himself, in Item No. 4(d), Mr. Mukund Choudhary, being the appointee himself, in Item No. 4(e), Mr. Sanjeev Pahwa, being the appointee himself, in Item No. 4(f) and Mr. B. K. Choudhary, being the appointee himself, in Item No. 4(g) are concerned or interested in the respective resolutions.

ITEM NO. 5 OF THE SPECIAL BUSINESS.

Article 96 of the Articles of Association of your company provides for payment of sitting fee to every director for attending a meeting of the Board or its Committee subject to such maximum fee as may be prescribed by the Central Government from time to time. In terms of Circular No. G. S. R. 580 (E) dated 24.07.2003 issued by the Central Government, your Company can pay a maximum amount of Rs. 20,000/- as sitting fee for each meeting of the Board or any Committee thereof. Keeping in view the contribution to be made by the Directors in framing progressive policies and also giving their valuable guidance/suggestions from time to time to the Company, the Board of Directors of the Company in its meeting held on 2nd April, 2011 has fixed the sitting fee of Rs. 15,000/- and Rs. 10,000/- per meeting for attending the Board Meeting and Committee Meeting respectively, subject to the consent of the Members. Accordingly, your approval is solicited.

Information pursuant to Corporate Governance Clause of the Listing Agreement(s)

Name of the Director	Mr. Prafull Anubhai	Mr. Rajinder Kumar Jain	Mrs. Ramni Nirula
Date of Birth	20-01-1938	07-02-1939	27-05-1952
Date of Appointment	15 th March, 2011	15 th March, 2011	15 th March, 2011
Expertise in specific functional area	Mr. Prafull Anubhai is an Industrialist and business consultant having experience of more than 38 years.	Mr. Rajinder Kumar Jain is an Engineer and has retired as a General Manager from Indian Railways.	Mrs. Ramni Nirula is a retired banker.
Qualification	B.Com, B.Sc (Eco.)-London	Chartered Mechanical Engineer, London	M.B.A.
Directorships of other Companies as on 31 st March, 2011	<ol style="list-style-type: none"> 1. Unichem Laboratories Ltd. 2. Vardhman Textiles Ltd. 3. Gruh Finance Ltd. 4. Torrent Cables Ltd. 5. The EMSAF-Mauritius 6. Management Structure & Systems Pvt. Ltd. 7. Baker Oil Tools (India) Pvt. Ltd. 8. Birla Sun Life Trustee Co. Pvt. Ltd. 9. Centre for Science, Technology and Policy (CSTEP) (Section-25 Company) 	NIL	<ol style="list-style-type: none"> 1. Haldia Petrochemicals Limited 2. Usha Martin Limited 3. Jubilant Foodworks Limited 4. PI Industries Limited 5. Utkarsh Microfinance Limited 6. IKPG Knowledge Park
Chairman/Member of Committees of other Companies as on 31 st March, 2011	Audit Committee <ol style="list-style-type: none"> 1. Gruh Finance Ltd. (Member) 2. Torrent Cables Ltd. (Member) 3. Unichem Laboratories Ltd. (Chairman) 4. Birla Sun Life Trustee Co. Pvt. Ltd. (Chairman) 5. Vardhman Textiles Ltd. (Chairman) Investors' Grievance Committee <ol style="list-style-type: none"> 1. Gruh Finance Ltd. (Member) 2. Torrent Cables Ltd. (Member) 	NIL	Audit Committee <ol style="list-style-type: none"> 1. Utkarsh Microfinance Limited (Member) Investors' Grievance Committee <ol style="list-style-type: none"> 1. Jubilant Foodworks Limited (Chairman) 2. PI Industries Limited (Chairman)
No. of shares held	NIL	NIL	NIL
Relationship with other Director(s)	Not related to any Director	Mr. Sachit Jain is the son and Mrs. Suchita Jain is the daughter-in-law of Mr. Rajinder Kumar Jain	Not related to any Director

regarding the Directors seeking appointment/re-appointment in the Annual General Meeting

Mr. Rajeev Gupta	Mr. Mukund Choudhary	Mr. Sanjeev Pahwa	Mrs. Suchita Jain	Mr. B. K. Choudhary
19-03-1958	22-08-1971	26-12-1966	21-03-1968	27-06-1951
15 th March, 2011	15 th March, 2011	15 th March, 2011	13 th December, 2010	15 th March, 2011
Mr. Rajeev Gupta has experience in Financial and Investment activities. He has been the Managing Director of Carlyle Asia Partners.	Mr. Mukund Choudhary has more than 15 years of Industrial experience.	Mr. Sanjeev Pahwa has about 20 years experience in the field of bicycle/ automobiles tyres & tubes industry and bicycle components industry.	Mrs. Suchita Jain has a rich experience of more than 18 years in Textile Industry.	Mr. B. K. Choudhary has more than 30 years of experience in the Steel Industry.
B.Tech, M.B.A.	B.Com	B. Tech.	M.Com	M.B.A.
1. Cosmo Films Limited	1. Himalayan Crest Power Pvt. Ltd. 2. CLC & Sons Pvt. Ltd. 3. CLC Power Ltd. 4. CLC Enterprises Ltd. 5. CLC Textile Park Pvt. Ltd. 6. Spentex Industries Ltd. 7. Spentex (Netherlands) B.V 8. Spentex (Mauritius) Pvt. Ltd. 9. Ramya Agrotech Pvt. Ltd.	1. Ralson (India) Ltd. 2. Ram Commercial Enterprises Ltd. 3. Kosani Finance & Investments Pvt. Ltd. 4. Shivansi Investments Pvt. Ltd. 5. Ralco Finance & Investments Pvt. Ltd. 6. Ralco Tyres Pvt. Ltd. 7. Ralson Communication Technologies Pvt. Ltd.	1. Syracuse Investment & Trading Co. Pvt. Ltd. 2. Srestha Holdings Ltd. 3. Anklesh Investments Pvt. Ltd. 4. Pradeep Mercantile Co. Pvt. Ltd. 5. Plaza Trading Co. Pvt. Ltd. 6. Marshall Investment and Trading Co. Pvt. Ltd. 7. Santon Finance & Investment Co. Ltd. 8. Flamingo Finance & Investment Co. Ltd. 9. Ramaniya Finance and Investment Co. Ltd. 10. Vardhman Holdings Ltd. 11. Vardhman Spinning & General Mills Ltd. (Formerly known as Vardhman Linen Ltd.) 12. Vardhman Textiles Ltd.	1. Vardhman Acrylics Ltd. 2. Bharuch Eco-Aqua Infrastructure Ltd.
Audit Committee 1. Cosmo Films Limited (Member)	Audit Committee 1. Himalayan Crest Power Pvt. Ltd. (Member) Investors' Grievance Committee 1. Spentex Industries Ltd. (Member)	NIL	NIL	Investors' Grievance Committee 1. Vardhman Acrylics Ltd. (Member)
NIL	NIL	NIL	52,266 (including 1 share held as a nominee of Vardhman Textiles Ltd.)	NIL
Not related to any Director	Not related to any Director	Not related to any Director	Mr. Sachit Jain is the husband and Mr. R. K. Jain is the Father-in-law of Mrs. Suchita Jain	Not related to any Director

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 1st Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the period ended, 31st March, 2011.

As you are aware, pursuant to the Scheme of Arrangement & Demerger between Vardhman Textiles Limited (VTXL) and Vardhman Special Steels Limited (VSSL) and their respective shareholders & creditors as approved by the Board of Directors and Shareholders of respective Companies and sanctioned by the Hon'ble High Court of Punjab & Haryana at Chandigarh under Section 391-394 vide its Order dated 12th January, 2011, the Steel Business Undertaking of VTXL has been demerged into VSSL w.e.f 1st January, 2011. Therefore the figures given herein include operational figures in respect of said Steel Business Undertaking for a period of 3 months i.e. from 1st January, 2011 to 31st March, 2011.

1. FINANCIAL RESULTS:

The financial results for the period are as under:-

(Rs. In Crores)

PARTICULARS	2010-2011
Turnover	124.55
Profit before Depreciation, Interest & Tax (PBDIT)	12.72
Interest and Financial expenses	1.04
Profit before Depreciation and Tax (PBDT)	11.68
Depreciation	0.95
Profit before Tax (PBT)	10.73
Provision for Tax	3.86
- Current	
- Deferred Tax	(0.09)
Profit after Tax (PAT)	6.96
Surplus carried to Balance Sheet	6.96
Earnings per share (Rs.)	
- Basic	11.95
- Diluted	11.95

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A) STEEL INDUSTRY - GLOBAL AND INDIAN PERSPECTIVE:

The global steel industry has grown rapidly from the year 2002, helped to a great extent by China, whose spectacular economic growth and rapidly-expanding infrastructure led to soaring demand for steel, which its domestic supply could not meet. At the same time, recoveries in major markets took place, reflected by increase in production, recovery of prices, return of profitability, emergence of new markets, lifting of trade barriers and finally, rise in steel demand globally.

The situation has been no different for the Indian steel industry, with emphasis on intensive R&D activities and adoption of measures to increase domestic per capita steel consumption, which is only 49 kg against the world average of 182 kg. India was the 5th largest producer of crude steel in the world in 2010, based on rankings released by the World Steel Association. From a negligible global presence, the Indian steel industry is now globally acknowledged for its product quality.

B) OUTLOOK:

Indian steel industry has just come out of the slowdown that affected its performance during 2008-09. Domestically, 2010 ended on a relatively better and encouraging note, with Central Statistical Organisation (CSO) reporting an

overall improvement of economic situation through its GDP data, which showed a robust 8.9 per cent growth during Apr-Sept 2010-11. Globally also there are signs of improvement in economic conditions and firming up of demand and prices.

India has become a global hub for steel/auto steel sourcing. Vehicle Production in India is expected to witness strong growth of 3.5 times till 2020 from 13.36 Million units to 46.79 Million units. Indian Auto Components demand is also expected to reach USD 108-119 billion by 2020 from USD 30 billion in 2009. Demand for alloy and special steel forgings is expected to reach 7.46 Million MT by 2020 from 2.61 Million MT in 2009. Demand for alloy & Special Steels is expected to rise 2.85 times to 9.70 Million MT by 2020 from 3.40 Million MT in 2009.

C) STRATEGY:

Your Company plans to continue with its position in the niche special alloy segment as of now, with additional investments in upgradation of facilities, further improvements in quality, increase in production and increasing the share of value added products. A renewed focus on product development is on the anvil, along with increased efforts on training and HR practices. The company will follow a LVCQSA strategy – Low Volume Critical Quality Special Application. This would give us advantages of less competition from mass players, increased loyalty

from customers seeking stringent quality and will consolidate our image as a quality player.

D) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

• Production & Sales Review:

During the period under review, your company has registered a turnover of Rs. 124.55 crore.

• Profitability:

The Company earned profit before depreciation, interest and tax of Rs. 12.72 crore. After providing for depreciation of Rs. 0.95 crore, interest of Rs 1.04, provision for current tax Rs. 3.86 crore, provision for deferred tax Rs. (0.09) crore, the net profit from operations worked out to Rs. 6.96 crore.

• Resources Utilisation:

a). Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31st March, 2011 were Rs. 85.51 crore.

b). Current Assets:

Debtors outstanding for more than six months were Rs. 3.27 crore. The net current assets as on 31st March, 2011 were Rs. 176.34 crore. Inventory level was at Rs. 97.98 crore.

• Financial Conditions & Liquidity:

Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:-

(Rs. in crore)
Current Period

Cash and Cash equivalents:

Transferred from Transferor Company	4.38
End of the period	5.29

Net cash provided (used) by:

Operating Activities	(7.73)
Investing Activities	(22.17)
Financial Activities	30.81

E) INTERNAL CONTROL SYSTEM:

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

F) MANAGEMENT PERCEPTION OF RISK AND CONCERN:

The main hindrance in growth of steel in India could be low labour productivity and high cost of inputs and services. Cost of electricity is on the rise. Poor quality of basic infrastructure like roads, ports, etc. adds to the concern of steel industry today. The land policy of various States also is slowing down the installation of green field projects in respective States. High ash content of indigenous coking

coal and high basicity index of iron ore clubbed with non-availability of key ingredients like ferro nickel and ferro – molybdenum are slowing down the production of steel from blast furnace route. This is proving a major bottleneck when it comes to compete in global world. Indian steel companies have to bear additional costs pertaining to capital equipment and power. The government policy on railway freight also determines the cost of finished steel. The Indian steel sector may face threat from cheap imports, now that the import duties on steel in India are amongst the lowest in the world. Import pressures could consequently lead to pressure on margins of the domestic companies on account of lower steel realisations. Since India is already a member of WTO, it might become difficult for the government to increase duties substantially. The real demand is growing at slow pace, due to uncertainty over economic outlook of 2011. However inspite of that going forward, steel industry remains apprehensive about the continuation of the strong performance by steel companies. Volume growth would be visible in the years to come, largely due to the continuation of infrastructure spending (including housing), strong demand from the auto sector, which could help in driving demand for value added steel products like CR (cold roll) steel and exports. Realisations expected to remain under pressure on account of excessive supplies. The global steel scenario is in favour of steel producers, as restocking in countries such as Europe and North America has led to a recovery in 2010, after the slump in 2009. If there are worries, these are on the raw materials front; both iron ore and coal prices have begun to increase again in recent months. But companies have used the stronger demand environment to hike prices to end users, which should offset the impact of higher costs on margins, to some extent. The long term outlook for steel production is bright and industry is looking towards compound growth of 3.6% between 2010 and 2020.

G) HUMAN RESOURCES /INDUSTRIAL RELATIONS:

The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. Performance management is the key word for the company. During the year the Company employed over 700 employees.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on the shopfloors of the plant.

3. DIRECTORS:

The Board of Directors in its meeting held on 15th March, 2011 has appointed Mr. Prafull Anubhai, Mr. R. K. Jain, Mrs. Ramni Nirula, Mr. Rajeev Gupta, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. B. K. Choudhary as Additional Directors on the Board of the Company, pursuant to Article 105 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. Further, the members of the Company in their Extra-Ordinary General Meeting held on 1st April, 2011 have appointed Mr. Sachit Jain as the Managing Director of the Company for a period of five years w.e.f. 15th March, 2011.

The Board of Directors in its Meeting held on 2nd April, 2011 has appointed Mr. Prafull Anubhai as the Chairman to chair all the Board and General Meetings. Mrs. Shakun Oswal, however, has resigned from the Board of Directors of the Company w.e.f. 2nd April, 2011.

The Company has received notices from some members under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Prafull Anubhai, Mr. R. K. Jain, Mrs. Ramni Nirula, Mr. Rajeev Gupta, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. B. K. Choudhary as Directors of the Company. Requisite approval for their appointment is being sought at the ensuing Annual General Meeting.

Mrs. Suchita Jain, Director of the Company, retires by rotation at the conclusion of the forthcoming Annual General Meeting, pursuant to the provisions of Article 108 of the Articles of Association of the Company and being eligible, offers herself for re-appointment. The Board recommended her appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

4. SCHEME OF ARRANGEMENT AND DEMERGER:

During the period under review, the Company had filed a petition under section 391-394 of the Companies Act, 1956 for a Scheme of Arrangement and Demerger between Vardhman Textiles Ltd. (VTXL) and Vardhman Special Steels Ltd. (VSSL) and their respective shareholders & creditors which was approved by the shareholders & creditors of the respective companies in the court convened meetings. The Hon'ble High Court of Punjab & Haryana, at Chandigarh vide its Order dated 12th January, 2011 has sanctioned the Scheme of Arrangement and Demerger pursuant to which the Steel Business Undertaking of VTXL stood vested in your Company w.e.f. 1st January, 2011.

The Company, in consideration, of the Steel Business Undertaking has allotted 1,27,30,376 Equity Shares of Rs. 10/- each on 8th April, 2011 to the shareholders of VTXL in the ratio of 1 (one) Equity Share of Rs. 10/- each for every 5 (five) shares held by the shareholders of VTXL as on the record date i.e. 30th March, 2011 fixed for the purpose.

5. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement is annexed to the report on Corporate Governance.

6. AUDITORS:

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, Panchkula, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

7. AUDITORS' REPORT:

The Auditors' Report on the accounts is self-explanatory

and requires no comments.

8. COST AUDITORS:

The Board of Directors had appointed M/s. Ramanath Iyer & Company, Cost Accountants, New Delhi, as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956, for a period of 3 months from 1st January, 2011 to 31st March, 2011. The Cost Auditors' Report for the aforesaid period of 3 months will be forwarded to the Central Government as required under law.

9. STATEMENT OF PARTICULARS OF EMPLOYEES:

A Statement of Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 is enclosed and forms part of this report.

10. GROUP:

The Company, inter-alia with the following entities, constitutes a 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969: -

- a) Vardhman Textiles Limited
- b) Vardhman Holdings Limited
- c) VTL Investments Limited
- d) Adinath Investment and Trading Company
- e) Devakar Investment and Trading Company Private Limited

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Energy conservation is an area of major emphasis in your Company. Efforts are made to minimize the energy cost while carrying out the manufacturing operations. Particulars with respect to conservation of energy and other areas as per Section 217(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and form part of this report.

12. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section-217 (2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts, the applicable accounting standards have been followed;

- a. appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the period ended on 31st March, 2011;
- b. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- c. the annual accounts have been prepared on a going concern basis.