



2nd Annual Report 2011-2012



VARDHMAN SPECIAL STEELS LIMITED

BOARD OF DIRECTORS

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

GENERAL MANAGER

Mr. Naresh Bansal

COMPANY SECRETARY

Ms. Tanu Berry

AUDITORS

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

BANKERS

State Bank of India
HDFC Bank Limited
Bank of Baroda
Axis Bank Limited
Yes Bank Limited

- 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.
- Village - Fauzi Matkota, Tehsil - Kichha,
Distt. - Udham Singh Nagar,
Rudrapur - 263 153

REGISTERED OFFICE

Vardhman Premises, Chandigarh Road,
Ludhiana - 141 010.
Phones : (0161) 2228943 - 48
Fax : (0161) 6701435, 2601048, 2602710, 2222616
E-mail: secretarial.lud@vardhman.com
Web site: www.vardhmansteel.com

WORKS

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

REGISTRAR & TRANSFER AGENT

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

BRANCHES

- 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.
- Premises of Arisht Spinning Mills,
Sai Road, Baddi - 173 205
- Plot Nos. 400-401, Block - C, Pioneer Industrial Park,
Pathredi, Gurgaon - 123 413
- Survey No. 10/1, Bommasandra Village,
Attibale Hubli, Anekal Taluka, Bangalore-560 099
- Plot. No. B-10, Industrial Area-III,
Meerut Road, Ghaziabad - 201 003.

CONTENTS

Notice	2
Directors' Report	4
Corporate Governance Report.....	8
Auditors' Report	13
Balance Sheet	16
Statement of Profit and Loss	17
Cash Flow Statement	18
Notes to Financial Statements	19



NOTICE

NOTICE is hereby given that the SECOND ANNUAL GENERAL MEETING of Vardhman Special Steels Limited will be held on Saturday, the 1st day of September, 2012 at 10.00 a.m. 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, 2012, Statement of Profit and Loss for the year ended on that date, together with Report of Auditors' and Directors' thereon.
2. (a) To appoint a Director in place of Mr. Rajinder Kumar Jain, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.

(b) To appoint a Director in place of Mrs. Ramni Nirula, 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 2012-13 and to fix their remuneration.

SPECIAL BUSINESS:

4. 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 Sections 198, 309(4) and other applicable provisions, if any, of the Companies Act, 1956, approval of the members of the Company be and is hereby given for the payment of remuneration by way of commission @ 0.5 % of the net profits of the Company subject to the maximum of ₹ 10 lacs per annum for a period of two years w.e.f 1st April, 2012 to 31st March, 2014 to Mr. Prafull Anubhai, Director of the Company who is neither in whole time employment of the Company nor the Managing Director, in addition to the sitting fees being paid to him for attending the Board/ Committee meetings of the Company."

BY ORDER OF THE BOARD

PLACE : GURGAON

(TANU BERRY)

DATED : 21st APRIL, 2012

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 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 20th August, 2012 to 1st September, 2012 (both days inclusive).**
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 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.

BY ORDER OF THE BOARD

PLACE : GURGAON

(TANU BERRY)

DATED : 21st APRIL, 2012

COMPANY SECRETARY

ANNEXURE TO THE NOTICE:

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

ITEM NO. 4 OF THE SPECIAL BUSINESS:

Considering the time devoted by Mr. Prafull Anubhai, Non- Executive Director of the Company and the valuable advice given by him from time to time, the Board of Directors in its meeting held on 21st April, 2012 considered it desirable that he may be paid remuneration by way of commission in addition to sitting fees being paid to him for attending meetings of the Board of Directors or its Committees.

The payment of remuneration by way of commission is subject to the approval of the members in accordance with section 309(4) of the Companies Act, 1956. Such approval would remain in force for a period of two years w.e.f 1st April, 2012 to 31st March, 2014. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST

Except Mr. Prafull Anubhai, none of the other Director is concerned or interested in this item of business.

Information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Directors seeking appointment/re-appointment in the Annual General Meeting.

Name of the Director	Mr. Rajinder Kumar Jain	Mrs. Ramni Nirula
Date of Birth	07-02-1939	27-05-1952
Date of Appointment	15 th March, 2011	15 th March, 2011
Expertise in specific functional area	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	Chartered Mechanical Engineer, London	M.B.A.
Directorships of other Companies as on 31 st March, 2012	NIL	<ol style="list-style-type: none"> 1. Haldia Petrochemicals Limited 2. Usha Martin Limited 3. Jubilant Foodworks Limited 4. PI Industries Limited 5. McLeod Russel India Limited 6. Comm Trade Services Limited 7. Sona Koyo Steering Systems Limited 8. Avantha Power & Infrastructure Limited 9. Utkarsh Micro Finance Private Limited 10. Goldman Sachs Trustee Company (India) Private Limited 11. DRN Investments and Agriculture Private Limited 12. Tama Investments & Finance Private Limited 13. IKP Knowledge Park
Chairman/Member of Committees of other Companies as on 31 st March, 2012	NIL	Audit Committee <ol style="list-style-type: none"> 1. Utkarsh Microfinance Limited (Member) 2. Goldman Sachs Trustee Company (India) Private Limited (Member) 3. Avantha Power & Infrastructure Limited (Member) 4. Jubilant Foodworks Limited (Member) Investors' Grievance Committee <ol style="list-style-type: none"> 1. PI Industries Limited (Chairperson) 2. Jubilant Foodworks Limited (Chairperson)
No. of Shares held	NIL	NIL
Relationship with other Director(s)	Mr. Sachit Jain is the son and Mrs. Suchita Jain is the daughter -in-law of Mr. Rajinder Kumar Jain.	Not related to any other Director.

**DIRECTORS' REPORT**

Dear Members,

The Directors of your Company have pleasure in presenting their 2nd Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended, 31st March, 2012. 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 and got vested in VSSL w.e.f. 1st January, 2011. Therefore, the figures given herein for the previous period include operational figures in respect of the said steel business undertaking for 3 months i.e 1st January, 2011 to 31st March, 2011.

1. FINANCIAL RESULTS:

The Financial Results for the Current year as well as Previous period are as under:-

	(₹ In Crore)	
PARTICULARS	2011-12	2010-11
Revenue from operations (Gross)	581.19	124.51
Profit before Depreciation, Interest and Tax (PBDIT)	52.21	12.72
Interest and Financial expenses	6.60	1.04
Profit before Depreciation and Tax (PBDT)	45.61	11.68
Depreciation	4.06	0.95
Profit before Tax (PBT)	41.55	10.73
Provision for Tax - Current	15.66	3.86
- Deferred Tax	(0.01)	(0.09)
Profit after Tax (PAT)	25.90	6.96
Surplus carried to Balance Sheet	25.90	6.96
Earnings per share (₹)		
- Basic	14.15	11.95
- Diluted	14.15	11.95

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**A) BUSINESS REVIEW:****Global Perspective**

Globally, the Steel industry is witnessing revolutionary changes due to fierce competitive pressures on performance, productivity, price reduction and customer satisfaction. Trade in steel products of different grades and speciality has been on an upswing with the increase in production facilities coupled with technological innovations in both the developed and developing countries.

However, sagging prices in the backdrop of economic slowdown have spelt turmoil in the steel industry, the world over. The future is uncertain, but challenging and holds great promise if the right steps are taken because of the inherent qualities of steel.

Indian Outlook

India is among the top producers of all forms of steel in the world and is one of the fastest growing markets for steel. The Indian steel industry comprises of the producers of

finished steel, semi-finished steel, stainless steel and pig iron.

The total demand for steel in FY 2011-12 grew to 65.2 MT against 46.8 MT in FY 07. The demand expanded at a CAGR of 8.6 per cent over a period from FY 07-11. The future growth of Indian Steel industry will largely depend upon the Government measures of injecting funds in various industries such as construction, infrastructure, automobile and power to boost economic growth.

Company's Business Strategy

The Company has started the implementation of its Rolling Mill upgradation project with an investment of around ₹ 130 Crores. Almost all the equipments have been ordered and it is expected to be completed by March-April 2013. With this project, the Company will be able to increase production, improve quality, reduce costs and improve customer satisfaction by reducing changeover time as well as adding to the product range. To part finance this project, the Company has raised an External Commercial Borrowing (ECB) of USD 16.66 million. The Management has decided to leave this amount unhedged for the time being. The cost of ECB even after taking into account the depreciation of the rupee will be lower than a rupee term loan as long as the USD remains lower than ₹ 70 at the time of repayment of ECB.

The renewed focus on product development continues, along with increased efforts on training and HR practices. The Company follows a LVCQSA strategy - Low Volume Critical Quality Special Application which gives it an advantage of less competition from mass players and increased loyalty from customers seeking stringent quality.

Company's Future Outlook:

As the Country is witnessing the slow down in growth, the automobile industry has slowed down. This is having a serious impact on business sentiments for alloy steels also. As a result, this year the volume will be under stress as also margins. In addition, there will be plant shutdowns which has to be taken for the Project. This will have an impact even on margins. The Company hopes to recover its performance from the year 2013-14 onwards.

B) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:**• PRODUCTION AND SALES REVIEW:**

During the year under review, the operating income of the Company is ₹ 581.19 Crores as compared to ₹ 124.51 Crores in the previous period. The Production of steel bars has increased from 24,154 MT to 96,780 MT. The exports for the year ended were ₹ 9.63 Crores as compared to ₹ 1.80 Crores in the previous period.

• PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹ 52.21 Crores as against ₹ 12.72 Crores in the previous period. After providing for depreciation of ₹ 4.06 Crores (Previous period ₹ 0.95 Crore), interest of ₹ 6.60 Crores (Previous period ₹ 1.04 Crores), provision for current tax ₹ 15.66 Crores (Previous period ₹ 3.86 Crores), deferred tax (net of adjustments) ₹ (0.01) Crores (Previous period ₹ 0.09 Crore), the net profit from operations worked out to be ₹ 25.90 Crores as compared to ₹ 6.96 Crores in the previous period.

• RESOURCES UTILISATION:

a). Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31st March, 2012 were ₹ 104.97 Crores as compared to ₹ 85.51 Crores in the previous period.

b). Current Assets:

Debtors outstanding for more than six months were ₹ 0.90 Crores as compared to ₹ 3.27 Crores in the previous period. The net current assets as on 31st March, 2012 were ₹ 137.66 Crores as compared to ₹ 113.46 Crores in the previous period. Inventory level was at ₹ 95.83 Crores as compared to ₹ 97.98 Crores in the previous period.

• FINANCIAL CONDITIONS AND 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:-

	(₹ in crore)	
	2011-12	2010-11
Cash and Cash equivalents:		
At the beginning of the year	5.29	-
Transferred from Transferor Company	-	4.38
End of the year	87.11	5.29
Net cash provided (used) by:		
Operating Activities	5.12	(7.73)
Investing Activities	(102.69)	(22.17)
Financial Activities	179.39	30.81

C) 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.

D) MANAGEMENT PERCEPTION OF RISK AND CONCERN:

As stated earlier, the Company is going through an expansion phase by upgrading the Rolling Mill. This is going to happen at the existing site. The biggest risk the Company sees is that there could be larger than planned disruptions in the project which could hamper current operations. Also, the current slowdown could get much worse which may further affect volume. The rupee may continue its steep fall adding to the Company's costs as lot of scrap is being imported. Also, this would increase the cost of ECB.

To mitigate the above risks, the Company has appointed M/s Realization as Project Consultants who are one of the top consultants in the world in implementation of Project by using Critical Chain method propounded by Dr. Eliyahu M. Goldratt of 'Goal' fame. The Company has found their inputs quite useful while implementing the Rolling Mill Project.

E) 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 800 employees.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on the shop floor at the plant of the Company.

3. DIRECTORS:

Mr. Rajinder Kumar Jain and Mrs. Ramni Nirula, Directors of the Company, retire 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, offer themselves for re-appointment. The Board recommended their re-appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

4. 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.

5. 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.

6. AUDITORS' REPORT:

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2012. In their report, they have made an observation regarding non-compliance of Accounting Standard - 11 so far as re-instatement of liability in respect of ECB is concerned (Refer Note 25 to Financial Statements).

The Company had raised ECB of US\$ 16.66 million in December, 2011 and drawdown of the same happened at conversion rate of ₹ 52.48 per US\$. As on 31st December, 2011, the liability in respect of the said ECB was reinstated as the rupee had depreciated to a level of ₹ 53.10 per US\$ on that date.

However, as on 31st March, 2012, while following the conservative approach, the Company did not provide for notional foreign exchange gains amounting to ₹ 3.70 Crores arising because of appreciation of rupee and decided to carry the liability in respect of ECB at a level determined as on 31st December, 2011. The other points of Auditors' Report are self explanatory and needs no comments.

7. COST AUDITORS:

The Board of Directors has re-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 the year 2012-13. The Cost Auditors' Report for the financial year 2011-12 will be forwarded to the Central Government as required under law.

8. 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.

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

Energy conservation continues to be an area of major emphasis in your Company. Efforts are made to optimize the energy cost while carrying out the manufacturing operations. Particulars with respect to conservation of energy and other areas as per Section 217(1)(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 forms part of this report.

10. 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;

- 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, 2012 and of the profit of the Company for the year ended on 31st March, 2012;
- 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
- the annual accounts have been prepared on a going concern basis.

11. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support to the Company. They also take this opportunity to express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the operations of the Company during the year.

FOR AND ON BEHALF OF THE BOARD

PLACE: GURGAON
DATED : 21ST APRIL, 2012

(PRAFULL ANUBHAI)
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012:

I. CONSERVATION OF ENERGY:

The Company has over the previous year taken several steps to conserve energy wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements. The Company has taken several steps to conserve energy in almost all areas of operations. The Company has replaced Compressors, inefficient Motors and inefficient Pumps. The services of an Overseas Consulting Firm namely; Inteco Special Melting Technologies has been taken to save energy in the Steel Melting Shop. Anti Pollution Control Device (APCD) has been made Programmable Logic Controller (PLC) driven.

The results of the above mentioned actions have resulted in reducing electricity consumption by almost 20 KWH per ton of steel.

The desired information is given hereunder:-

Form-A

A. POWER AND FUEL CONSUMPTION

Particulars	U.O.M.	(2011-12)	(2010-11)
1. (A) Electricity Purchased	Lac KWH	892.43	224.63
Total Amount	(₹ In lac)	5051.08	1099.42
Rate Per Unit	₹/KWH	5.66	4.89

(B) Own Generation

Through Diesel Generator			
Units	(KWH in lac)	0.78	0.14
Units/Ltr. of Diesel	KWH	3.26	3.19
Cost Per Unit	₹/ KWH	11.83	16.49

2. Oil (HFO/HSD):

(A) Used in Boiler

Quantity	Ltr	521680	18685
Total Cost	(₹ In lac)	198.62	5.49
Average Rate	₹/Ltr.	38.07	29.38

(B) Used in Furnace

Quantity	Ltr.	992616	868259
Total Cost	₹ in lacs	381.82	270.36
Average Rate	₹ /Ltr.	38.47	31.14

B. CONSUMPTION PER UNIT OF PRODUCTION:

1. Steel Billets/Ingots			
Electricity	KWH/MT	826.37	835.11
Furnace Oil/ L.D.O.	Ltr/ MT	9.94	7.45
2. Rolled Steel			
Electricity	KWH/MT	83.48	81.47
Oil (F.O., L.D.O)	Ltr/MT	38.70	41.12

II. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished in Form-B as under:

FORM-B:

A) RESEARCH AND DEVELOPMENT (R&D):

1. Specific areas in which Research & Development is carried out by the Company:

Research & Development is carried out for development of new products and improvement in production processes has been made in almost all areas. Quality parameters have been improved to the extent possible. Various new products have been launched in the market.

2. Benefits derived as a result of R & D:

The Company has improved the quality of products significantly and entered into new products.

3. Future Course of action:

Management is fully committed to further strengthen the Research & Development activities. Even a Product Development Cell comprising of three Engineers has been constituted to focus on R&D activities.

4. Expenditure on R & D:

	₹ in lacs	
	2011-12	2010-11
Capital	41.36	14.05
Recurring	136.45	43.39
Total	177.41	57.44
Total R & D expenditure as a Percentage of Turnover	0.30	0.46

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made:

The Company is continuously making efforts for adapting to latest technology in the Unit. Some new machines / equipments have been bought. Some are indigenous and some are imported. The standard operating practices for different processes are being thoroughly reviewed and improved, wherever required.

2. Particulars of technology imported in the last five years.

Technology imported:

Some equipments have been imported for Research & Development and Steel Melting Shop during the year under review.

The services of an overseas consulting firm - M/s. Inteco has been taken to improve the processes, develop new products, improve quality of products etc.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans are given hereunder:

- Exported 1643 MT of rolled black bars during the year for a consideration of 20.58 million US dollars.
- Developed customers in countries like Thailand and Japan.
- Studies have been undertaken for markets like US and Turkey so as to explore more business potential in exports for the year 2012-13.

Total Foreign Exchange earned and used:

	₹ in lacs	
	2011-12	2010-11
a). Earnings (FOB value of Exports, Commission earned)	958.45	172.52
b). Outgo (CIF value of Imports and Expenditure in Foreign Currency)	7,988.17	1,938.61

STATEMENT OF PARTICULARS OF EMPLOYEES

INFORMATION REQUIRED AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION WHICH, IN THE AGGREGATE, WAS NOT LESS THAN ₹ 60,00,000/- PER ANNUM

S. No.	Name of Employee	Designation/Nature of duties	Remuneration (In ₹ lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last Employment
1.	Mr. Sachit Jain	Managing Director	163.19	B. Tech, M. B. A.	46	22	15.03.2011	Executive Director, (VMT Spinning Company Ltd.)

- Remuneration includes Salary, Commission, Contribution to Provident Fund, Leave Travel Concession, Medical Assistance and other allowances paid in cash and taxable value of non cash perquisites.
- Mr. Sachit Jain is not related to any of the Directors of the Company except Mrs. Suchita Jain and Mr. Rajinder Kumar Jain.

CORPORATE GOVERNANCE REPORT:

This report on corporate governance forms part of the Annual Report. Corporate governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensure that a Company meets its obligations to optimize shareholders' value and fulfill its responsibilities to the community, customers, employees, Government and other segments of society. Your Company is committed on adopting the best practices of Corporate Governance as manifested in the Company's functioning to achieve the business excellence by enhancing long-term shareholders' value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities is hallmark of the best practices followed by the Company. This report on Corporate Governance, besides being in compliance of the mandatory Listing Agreement, gives an insight into the functioning of the Company.

1. COMPANY'S PHILOSOPHY:

- ❖ Continued expansion in areas "which we know best".
- ❖ Total customer focus in all operational areas.
- ❖ Products to be of best available quality for premium market segments through TQM and zero defect implementation.
- ❖ Integrated diversification/ product range expansion.
- ❖ World class manufacturing facilities with most modern R & D and process technology.
- ❖ Faith in individual potential and respect for human values.
- ❖ Encouraging innovation for constant improvements to achieve excellence in all functional areas.
- ❖ Accepting change as a way of life.
- ❖ Appreciating our role as a responsible corporate citizen.

2. BOARD OF DIRECTORS:

i) **Board Meetings:** During the Financial Year 2011-2012, the Board met 5 times on the following dates:

- 2nd April, 2011
- 27th April, 2011
- 22nd July, 2011
- 12th October, 2011
- 17th January, 2012

ii) **Composition as on March 31st, 2012:**

The Board of Directors comprises of a Managing Director and 8 Non-Executive Directors. Out of the total strength of 9 directors, 5 directors are independent, thus it meets the stipulated requirement.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at last Annual General Meeting of the Company and also the number of other Directorship/Chairmanship in Indian Public Limited Companies are as follows: -

Name of Director	Designation & Category	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	No. of Committee Memberships in other Companies	Total No. of Board Chairmanship in other Companies	Total No. of Committee Chairmanship in other Companies
Mr. Prafull Anubhai	Non- Executive Independent Director	5	Yes	4	7	-	2
Mr. Rajinder Kumar Jain	Non- Executive Non-Independent Director	5	No	-	-	-	-
Mrs. Ramni Nirula	Non- Executive Independent Director	5	No	8	4	-	2
Mr. Rajeev Gupta	Non- Executive Independent Director	5	No	4	1	-	-
Mr. Mukund Choudhary	Non- Executive Independent Director	4	No	3	1	-	-
Mr. Sanjeev Pahwa	Non- Executive Independent Director	2	No	2	-	1	-
Mrs. Suchita Jain	Non- Executive Non-Independent Director	5	No	7	-	-	-
Mr. B. K. Choudhary	Non- Executive Non-Independent Director	4	No	2	1	-	-
Mr. Sachit Jain	Managing Director Non-Independent Director	5	Yes	13	3	1	3

Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain are related among themselves. None of the other Directors is related to any other Director of the Company.

3. AUDIT COMMITTEE:

As at 31st March, 2012, the Audit Committee comprised of 3 Directors i.e. Mr. Prafull Anubhai, Mr. Rajinder Kumar Jain and Mrs. Ramni Nirula. Mr. Prafull Anubhai is the Chairman of the Committee and Ms. Tanu Berry is the Secretary of the Committee. The terms of reference of the Audit Committee are as contained in section 292A of the Companies Act, 1956 and also as contained in Corporate Governance Clause of the Listing Agreement.

The Audit Committee met four times during the Financial Year 2011-2012 on the following dates:

-27 th April, 2011	-12 th October, 2011
-22 nd July, 2011	-17 th January, 2012.

The attendance of the members of the Audit Committee during the Financial Year 2011-2012 is given below: -

Committee Members	Category	No. of Audit Committee Meetings Attended
Mr. Prafull Anubhai	Non-Executive Director	4
Mr. Rajinder Kumar Jain	Non-Executive Director	4
Mrs. Ramni Nirula	Non- Executive Director	4

4. REMUNERATION COMMITTEE:

As at 31st March, 2012, the Remuneration Committee comprised of 3 Directors i.e. Mr. Prafull Anubhai, Mr. Rajeev Gupta and Mr. B.K. Choudhary. Mr. Prafull Anubhai is the Chairman of the Committee and Ms. Tanu Berry is the Secretary of the Committee. The Committee met once during the year on 27th April, 2011.

5. DIRECTORS' REMUNERATION:**i) Managing Director :**

The Company pays remuneration to the Managing Director as approved by the Remuneration Committee, Board of Directors and the Members of the Company in the General Meeting.

A detail of remuneration paid to the Managing Director during the year 2011-12 is as given below:

(₹ in lacs)

Name	Designation	Salary	Perquisites	P.F. Contribution	Commission	Gross remuneration
Mr. Sachit Jain	Managing Director	100.87	-	-	62.32	163.19

ii) Non-Executive Directors:

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board and Committee Meetings.

The detail of sitting fees paid to the Non-Executive Directors during the Financial Year 2011-2012 is given hereunder : -

S.NO.	NAME OF DIRECTOR	SITTING FEE (₹)
1.	Mr. Prafull Anubhai	1,15,000
2.	Mr. Rajinder Kumar Jain	1,15,000
3.	Mrs. Ramni Nirula	1,15,000
4.	Mr. Rajeev Gupta	75,000
5.	Mr. Mukund Choudhary	60,000
6.	Mr. Sanjeev Pahwa	30,000