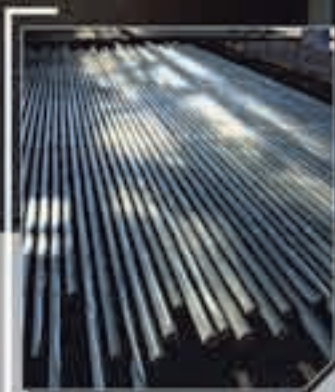




Vardhman

## 3<sup>rd</sup> Annual Report 2012-13



**VARDHMAN SPECIAL STEELS LIMITED**

## 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*

## CHIEF EXECUTIVE

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  
AXIS BANK LIMITED  
YES BANK LIMITED

## REGISTERED OFFICE

VARDHMAN PREMISES, CHANDIGARH ROAD,  
LUDHIANA - 141 010.  
PHONES : (0161) 2228943 - 48  
FAX : (0161) 6701435, 2601048 & 2602710  
E-MAIL: [secretarial.lud@vardhman.com](mailto:secretarial.lud@vardhman.com)  
WEB SITE: [www.vardhmansteel.com](http://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](mailto:rta@alankit.com)

## BRANCHES

- 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.
- C-226, Phase VIII, Focal Point,  
Dhandari Kalan, Ludhiana.
- 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.
- 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
Independent 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 THIRD ANNUAL GENERAL MEETING of Vardhman Special Steels Limited will be held on Saturday, the 31<sup>st</sup> day of August, 2013 at 3.00 p.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 31<sup>st</sup> March, 2013, 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. Rajeev Gupta, 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 Mr. Sanjeev Pahwa, 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.
3. To appoint Auditors for the year 2013-14 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 an **Ordinary Resolution**:-

"RESOLVED THAT in supersession of the earlier resolution passed by the Members in their General Meeting held on 1<sup>st</sup> April, 2011 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and all other applicable provisions, if any, consent of the Members be and is hereby accorded to the Board of Directors of the Company to borrow monies together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto ₹ 200 crore (Rupees Two Hundred crore only) outstanding at any time in excess of the aggregate of its paid-up capital and free reserves."

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 provisions of Section 198(4), 309, 349 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, approval of Members of the Company be and is hereby given for the payment of remuneration to Mr. Sachit Jain, Managing Director for Financial Years 2012-13 and 2013-14 as approved by the Members in their Extra-ordinary General Meeting held on 1<sup>st</sup> April, 2011 in excess of the limits prescribed under Part II, Section 1 of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT Ms. Tanu Berry, Company Secretary, be and is hereby authorised to take such steps as may be necessary to give effect to this resolution including

making application to the Central Government for seeking approval in the matter."

**BY ORDER OF THE BOARD**

**PLACE : LUDHIANA**

**DATED : 10<sup>th</sup> May, 2013**

**(TANU BERRY)**

**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 19<sup>th</sup> August, 2013 to 31<sup>st</sup> August, 2013 (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 of the Company, 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 are requested to bring their copy of Annual report along with them to the Annual General Meeting.
8. 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.
9. The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars allowing Companies to send official documents to their Members electronically.

In support of the Green Initiative, Your Company proposes to send the documents like Notice calling the Annual General Meeting and Annual Report containing Balance Sheet, Statement of Profit & Loss and Director's Report, etc. and other communications in electronic form.

The Members are requested to support this Green Initiative by registering/updating their e-mail addresses with the Depository Participant (in case of shares held in dematerialised form) or with Registrar & Transfer Agent-Alankit Assignments Limited, New Delhi (in case of shares held in physical form).

## BY ORDER OF THE BOARD

PLACE : LUDHIANA  
DATED : 10<sup>th</sup> May, 2013

(TANU BERRY)  
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

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the Members in their Extra-ordinary General Meeting held on 1<sup>st</sup> April, 2011 had authorised the Board of Directors of the Company to borrow funds upto a limit of ₹ 100 crore over and above the paid-up capital and free reserves of the Company. In order to provide for future requirement, it is proposed to increase the limit of borrowings to ₹ 200 crore over and above the paid up capital and free reserves of the Company.

The Board of Directors in its meeting held on 10<sup>th</sup> May, 2013, has approved the enhancement of the abovesaid borrowing limit from ₹ 100 crore to ₹ 200 crore. This enhancement in borrowing limit is subject to approval of Members of the Company. Accordingly, your approval is solicited for the same.

#### MEMORANDUM OF INTEREST:

None of the Directors of the Company is interested or concerned in the resolution.

#### ITEM NO. 5 OF THE SPECIAL BUSINESS:

The Members of the Company in their Extra-ordinary General Meeting held on 1<sup>st</sup> April, 2011 had appointed Mr. Sachit Jain as the Managing Director of the Company for a period of 5 years i.e. 15<sup>th</sup> March, 2011 to 14<sup>th</sup> March, 2016 and authorised the Remuneration Committee of the Company to fix his remuneration. Further, Remuneration Committee approved the payment of remuneration to Mr. Sachit Jain in its meeting held on 27<sup>th</sup> April, 2011. Accordingly, the Managerial Remuneration due to Mr. Sachit Jain for the Financial Year 2012-13 is ₹ 113.71 lac. However, in the current Financial Year, there is general slow down in Steel Industry which has led to steep decline in profits of the Company. As a result, the remuneration as per the limits prescribed under Part II, Section 1 of schedule XIII has worked out to be ₹ 43.05 lac which is less than the due remuneration as per terms of appointment. This Scenario is expected to continue in the next Financial Year as well.

The Board of Directors in their meeting held on 10<sup>th</sup> May, 2013, have approved, subject to the approval of the shareholders and of the Central Government, the payment of remuneration to Mr. Sachit Jain for the Financial Years 2012-13 and 2013-14 in excess of the limits prescribed under part II, Section 1 of schedule XIII of the Companies Act, 1956.

This payment of remuneration to Managing Director in excess of specified limits is subject to approval by members of the Company and Central Government. Your Company also proposes to file an application to Central Government for payment of remuneration in excess of the limits set by Part-II, Section 1 of Schedule XIII of the Companies Act, 1956. Accordingly, your approval is solicited.

#### MEMORANDUM OF INTEREST:

Except Mr. Sachit Jain himself, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain being the relatives, 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 re-appointment in the Annual General Meeting

Name of the Director	Mr. Rajeev Gupta	Mr. Sanjeev Pahwa
Date of Birth	19-03-1958	26-12-1966
Date of Appointment	15 <sup>th</sup> March, 2011	15 <sup>th</sup> March, 2011
Expertise in specific functional area	Mr. Rajeev Gupta has experience in Financial and Investment activities. He has been the Managing Director of Carlyle Asia Partners.	Mr. Sanjeev Pahwa is Chairman & Managing Director of Ralson India Limited, India's leading manufacturing company in the field of bicycle/automobiles tyres & tubes and bicycle components. He has about 21 year's industrial experience in Tyre & Automobile Industry.
Qualification	B.Tech, M.B.A.	B.Tech
Directorships of other Companies as on 31 <sup>st</sup> March, 2013	1. Cosmo Films Limited 2. Dalmia Cement Bharat Limited 3. VIP Industries Limited 4. EIH Limited 5. TVS Capital Funds Limited	1. Ralson (India) Limited 2. Ram Commercial Enterprises Limited 3. Kosani Finance & Investment Private Limited 4. Shivansi Investments Private Limited 5. Ralco Finance & Investment Private Limited 6. Ralco Tyres Private Limited 7. Ralson Communication Technologies Private Limited
Memberships of Committees of other Companies as on 31 <sup>st</sup> March, 2013	<b>Audit Committee:</b> 1. Cosmo Films Limited (Member)	NIL
No. of Shares held in the Company	NIL	NIL
Relationship with other Director(s)	Not related to any other Director	Not related to any other Director



## DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 3<sup>rd</sup> Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2013.

### 1. FINANCIAL RESULTS:

The Financial Results for the year are as under:-

	(₹ in crore)	
PARTICULARS	2012-13	2011-12
Revenue from operations (Gross)	494.75	581.19
Profit before Depreciation,		
Interest and Tax (PBDIT)	23.24	52.21
Interest and Financial expenses	10.87	6.60
Profit before Depreciation and Tax (PBDT)	12.37	45.61
Depreciation	3.98	4.06
Profit before Tax (PBT)	8.39	41.55
Provision for Tax - Current	3.91	15.66
- Deferred Tax		
(Net of Adjustment)	(0.37)	(0.01)
Profit after Tax (PAT)	4.85	25.90
Earnings per share (₹)		
- Basic	2.61	14.15
- Diluted	2.61	14.15

### 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### A) BUSINESS REVIEW:

##### Global Steel Outlook

Globally, the steel industry this year remained plagued by over capacities and increased imports. The economic slowdown in 2012 unfavourably impacted infrastructure and construction spending. Steel prices improved in first half of 2012, but declined in the second half due to a glut in imports, weak demand in Europe and tempering growth in Asia.

Global Steel demand is anticipated to improve gradually in 2013 as compared to 2012 levels owing to renewed focus on infrastructure spending by Asian countries which will potentially stabilize steel prices. Improvement in steel consumption is envisaged in automotive industry as it is most likely to become localized more and more in countries like India, Thailand, Indonesia and Vietnam accelerating the demand of steel in these countries. Lot of imports for automotive steel parts is expected to happen in countries like Germany, Spain and Turkey.

##### Indian Perspective

In 2012-13, India produced around 25 million vehicles against 24.75 million vehicles in 2011-12. Though demand for utility vehicles in the passenger car segment grew marginally, the demand for heavy commercial vehicle was badly hit in 2012-13.

The demand for steel in India is expected to remain muted in the next financial year as compared to 2012-13. The automotive industry too is not expected to grow much affecting the fortunes of the industry. Stability in commodity prices coupled with expected drop in crude oil prices will be other contributing factors.

Overall, the future outlook for the steel sector could be positive from third quarter onwards. The steel prices will be competitive as the demand is likely to pick up depending upon the revival in economic growth and the government measures to ease infrastructure investment rules. The demand for value added products like bright bar, spheroidised annealing steel, normalized steel etc. will boost the demand in engineering and auto sector.

### Company's Business Strategy & Future Outlook

As we had predicted in last year's Annual Report, the year 2012-13 was a very difficult year with increased capacities among steel mills and slow down in the auto sector. This affected the sales of the Company and as a result we faced a drop in sales and a much bigger squeeze in margins. This situation is likely to continue atleast for the first half of the year.

Your Company, however, believes in the future of high quality niche products and plans to continue to expand in this segment. The Rolling Mill upgradation Project which was undertaken last year is expected to start trial production in June, 2013. There has been an increase in the scope of the project and therefore, the cost has gone up to ₹ 160 crore. With starting of commercial production from the new Rolling Mill, the capacities will increase along with improvements in quality and reduction in cost. There will be reduction in rolls changeover time which shall increase the share of value added products and improve customer satisfaction. We expect the new Rolling Mill to stabilize by July, 2013 and start operating normally thereafter. We are currently focusing on getting volumes and hope to be running at full capacity from October onwards.

Now, the Company is facing shortage in certain value added segments and we are making a plan to invest in some capacity enhancement in this area. In addition, we have applied to the Ministry of Environment for permission to increase the capacity of the furnace to 2 lac tonnes per year from the current 1.25 lac tonnes. Hopefully, we should get this by March, 2014. Once that is available, we will need some more investment to make that possible.

During the year 2012-13, the Company exported around 4,207 MT of alloy steel. In the coming year, the Company is targeting newer export destinations in current market in addition to consolidating and increasing sales in present countries. Further, new approvals are in sight from other global companies which shall add to export volumes for the Company.

### Company's HR Initiatives

Your Company continues to remain focused on its most important resource- The Human Resource. The Company aims to improve quality of work life with a check on absenteeism and attrition rate of employees. Owing to increased efforts on employee training and other HR initiatives, your Company was ranked as one of the **50 "BEST PLACES TO WORK WITH"** in a survey conducted by "Great Place to Work Institute" in collaboration with "The Economic Times". The Company won this recognition in below 1000 employee's category.

## B) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

### • PRODUCTION AND SALES REVIEW:

During the year under review, your Company has registered Revenue from Operations of ₹ 494.75 crore as compared to ₹ 581.19 crore in the previous year. The exports for the year ended were ₹ 24.76 crore as compared to ₹ 9.58 crore in the previous year.

### • PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹ 23.24 crore as against ₹ 52.21 crore in the previous year. After providing for depreciation of ₹ 3.98 crore (Previous Year ₹ 4.06 crore), interest of ₹ 10.87 crore (Previous Year ₹ 6.60 crore), provision for current tax ₹ 3.91 crore (Previous Year ₹ 15.66 crore), deferred tax (net of adjustments) ₹ (0.37) crore (Previous Year ₹ (0.01) crore), the net profit from operations worked out to ₹ 4.85 crore as compared to ₹ 25.90 crore in the previous year.

### • RESOURCES UTILISATION:

#### a). Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31<sup>st</sup> March, 2013 were ₹ 228.57 crore as compared to ₹ 104.97 crore in the previous year.

#### b). Current Assets:

The net current assets as on 31<sup>st</sup> March, 2013 were ₹ 70.01 crore as against ₹ 137.33 crore in the previous year. Inventory level was at ₹ 113.70 crore as compared to the previous year level of ₹ 95.83 crore.

### • 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)	
	2012-13	2011-12
<b>Cash and Cash equivalents:</b>		
Beginning of the year	87.11	5.29
End of the year	30.27	87.11
<b>Net cash provided (used) by:</b>		
Operating Activities	55.01	17.11
Investing Activities	(153.89)	(111.48)
Financing Activities	42.04	176.19

## 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:

The steel industry remains relatively fragmented as it is highly cyclical and intensely competitive in nature. At the moment, the market conditions are not favourable. The demand for steel is likely to increase from third quarter

onwards. The delay in increasing the demand of steel, continuous increase in energy and labour cost and depreciation in value of rupee as lot of scrap is imported, will further stress margins for the industry.

Though the future is uncertain and challenging, your Company is fully prepared to take right steps in this direction.

## 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 of the plant.

## 3. DIRECTORS:

Mr. Rajeev Gupta and Mr. Sanjeev Pahwa, 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(s) 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 31<sup>st</sup> March, 2013. In their report, they have given a qualified opinion so far as re-instatement of liability in respect of ECB is concerned (Refer Note 32 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 30<sup>th</sup> June, 2012 the liability in respect of the said ECB was reinstated as the rupee had depreciated to a level of ₹ 55.61 per US\$ on that date.

However, as on 31<sup>st</sup> March, 2013, while following the conservative approach, the Company did not provide for notional foreign exchange gains amounting to ₹ 220 lac arising because of appreciation of rupee and decided to carry the liability in respect of ECB at a level determined as on 30<sup>th</sup> June, 2012. The other points of Auditors' Report are self explanatory and needs no comments.

## 7. COST AUDITORS:

The Board of Directors has 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 read with Cost Audit Rules, 2011 for the year 2013-14. The Cost Auditors' Report for the financial year 2012-13 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 read with Companies (Particulars of Employees) Rules, 1975 including amendments thereon 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 form 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 31<sup>st</sup> March, 2013 and of the profit of the Company for the year ended on 31<sup>st</sup> March, 2013;
- 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 : LUDHIANA  
DATED : 10<sup>th</sup> May, 2013

(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 31<sup>ST</sup> MARCH, 2013:

#### 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. Lot of discussions, studies & analysis are being carried out in this direction. The Company has changed Compressors, inefficient Motors and inefficient Pumps to conserve energy wherever possible. Even help 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 saving of almost 20 units of electricity per ton of steel.

The desired information is given hereunder:-

#### Form-A

#### A. POWER AND FUEL CONSUMPTION

Particulars	U.O.M.	2012-13	2011-12
<b>1. (A) Electricity Purchased</b>	Lac Kwh	<b>822.71</b>	892.43
Total Amount	(₹ In lac)	<b>5,377.00</b>	5,051.08
Rate Per Unit	₹/Kwh	<b>6.54</b>	5.66
<b>(B) Own Generation</b>			
Through Diesel Generator			
Units	(Kwh in lac)	<b>0.47</b>	0.78
Diesel	Qty-Ltr	<b>14,500</b>	23,800
Rate	₹/kg	<b>40.38</b>	38.56
Unit/Ltr. of Diesel	Kwh	<b>3.26</b>	3.26
Cost Per Unit	₹/Kwh	<b>12.40</b>	11.83
<b>2. Oil (HFO/HSD):</b>			
<b>(A) Used in Boiler</b>			
Quantity	Ltr	<b>494,549</b>	521,680
Total Cost	(₹ In lac)	<b>201.55</b>	198.62
Average Rate	₹/Ltr.	<b>40.75</b>	38.07
<b>(B) Used in Furnace</b>			
Quantity	Ltr.	<b>875,757</b>	992,616
Total Cost	₹ in lac	<b>357.76</b>	381.82
Average Rate	₹/Ltr.	<b>40.85</b>	38.47

#### B. CONSUMPTION PER UNIT OF PRODUCTION:

<b>1. Steel Billets/Ingots</b>			
Electricity	Kwh/MT	<b>739</b>	746
Furnace Oil/ L.D.O.	Ltr/ MT	<b>9.72</b>	9.94
<b>2. Rolled Steel</b>			
Electricity	Kwh/MT	<b>98.34</b>	87.82
Oil (F.O., L.D.O)	Ltr/MT	<b>41.15</b>	38.70

**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:**

Lot of work has been carried out for development of new products and improvement in the production processes in almost all the areas. Quality parameters have been improved to the extent possible. Various new products have been launched in the market. Some new R&D equipments have been purchased and some are ordered.

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

The quality of products has improved significantly and some new products have been launched in the market.

**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:**

	2012-13	(₹ in lac) 2011-12
Capital	120.33	41.36
Recurring	141.93	136.45
Total	262.26	177.81
Total R & D expenditure as a Percentage of Turnover	0.53	0.30

**B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:****1. Efforts made:**

The Company is continuously making efforts for adaptation of 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 & 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 from 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 export, initiatives taken to increase exports, development of new export market for products and services and export plans are given hereunder:

- Exported 4,207 MT of rolled steel bars during the year for a consideration of ₹ 24.76 crore.
- 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 2013-14.

**Total Foreign Exchange earned and used:**

	2012-13	(₹ in lac) 2011-12
a). Earnings (FOB value of Exports)	2,476.43	958.45
b). Outgo (CIF value of Imports and Expenditure in Foreign Currency)	16,526.44	8,108.16

**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 INCLUDING AMENDMENTS THEREON AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013.

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	43.00	B. Tech, M. B. A.	47	23	15.03.2011	Executive Director, VMT Spinning Company Limited

- Total remuneration due to Mr. Sachit Jain in accordance with his remuneration approved by shareholders was ₹ 113.71 lac. However, the same was restricted to ₹ 43.00 lac in accordance with limits laid down under Part II, Section 1 of Schedule XIII. The Company has sought shareholders approval for making payment of remuneration to Mr. Sachit Jain in excess of said limits subject to approval of Central Government.
- 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(s), 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 2012-2013, the Board met 4 times on the following dates:

- 21<sup>st</sup> April, 2012
- 10<sup>th</sup> November, 2012
- 21<sup>st</sup> July, 2012
- 8<sup>th</sup> February, 2013

#### ii) Composition as on 31<sup>st</sup> March, 2013:

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 Directorship/Chairmanship in other 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	4	No	4	7	-	2
Mr. Rajinder Kumar Jain	Non- Executive Non-Independent Director	4	No	-	-	-	-
Mrs. Ramni Nirula	Non- Executive Independent Director	4	No	6	5	-	2
Mr. Rajeev Gupta	Non- Executive Independent Director	2	No	5	1	-	-
Mr. Mukund Choudhary	Non- Executive Independent Director	3	No	3	1	-	-
Mr. Sanjeev Pahwa	Non- Executive Independent Director	3	No	2	-	1	-
Mrs. Suchita Jain	Non- Executive Non-Independent Director	1	No	7	-	-	-
Mr. B. K. Choudhary	Non- Executive Non-Independent Director	4	No	2	1	-	-
Mr. Sachit Jain	Managing Director Non-Independent Director	4	Yes	13	4	1	3

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

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
Mr. Mukund Choudhary	Non-Executive Director	1

(₹ in lac)

Name	Designation	Salary	Perquisites	Commission	Gross remuneration
Mr. Sachit Jain	Managing Director	43.00	-	-	43.00

The detail of sitting fees paid to all the Non-Executive Directors during the Financial Year 2012-2013 is given hereunder : -

S.No.	Name of Director	Sitting Fee (₹)
1.	Mr. Prafull Anubhai	1,00,000
2.	Mr. Rajinder Kumar Jain	1,00,000
3.	Mrs. Ramni Nirula	1,00,000
4.	Mr. Rajeev Gupta	30,000
5.	Mr. Mukund Choudhary	55,000
6.	Mr. Sanjeev Pahwa	55,000

### Number of Shares held

Mrs. Suchita Jain	52,265
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Mr. Sachit Jain	8,001
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Mr. Prafull Anubhai	710
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\* No other director holds any share in the Equity Share Capital of the Company.