



# **VARDHMAN SPECIAL STEELS LIMITED**

**Delivering  
Values  
Accumulating  
Strength**

4<sup>th</sup> Annual Report 2013-14

## BOARD OF DIRECTORS

MR. PRAFULL ANUBHAI – *Chairman*  
MR. RAJINDER KUMAR JAIN  
MR. JAYANT DAVAR  
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

## CHIEF FINANCIAL OFFICER

MR. SANJEEV SINGLA

## 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) 2601048, 2220766  
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  
1E/13, ALANKIT HEIGHTS, JHANDEWALAN EXTN.,  
NEW DELHI-110 055.  
PHONE: (011) 41540060-63  
FAX: (011) 41540064  
E-MAIL: [rta@alankit.com](mailto:rta@alankit.com)

## BRANCHES & WAREHOUSES

- 422 & 423, 4<sup>th</sup> Floor,  
B Wing, Jai Ganesh Vision, Akurdi,  
Pune - 411 033.
- Gate No. 153, Pune-Nashik Highway,  
Kuruli, Chimbli Phata, Chakan,  
Pune - 411 033.
- Village - Fauzi Matkota, Tehsil - Kichha,  
Distt. - Udhm Singh Nagar,  
Rudrapur - 263 153.
- DP No. 17, Sidco Womens Industrial Estate,  
Thirumullaivoyal, Chennai.
- 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 .....             | 8  |
| Corporate Governance Report.....    | 12 |
| Independent Auditors' Report .....  | 17 |
| Balance Sheet.....                  | 20 |
| Statement of Profit and Loss .....  | 21 |
| Cash Flow Statement .....           | 22 |
| Notes to Financial Statements ..... | 23 |

**NOTICE**

NOTICE is hereby given that the FOURTH ANNUAL GENERAL MEETING of Vardhman Special Steels Limited will be held on Wednesday, the 24<sup>th</sup> day of September, 2014 at 3.30 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, 2014, Statement of Profit & Loss for the year ended on that date, together with Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. B. K. Choudhary (DIN: 00307110) who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, M/s. S. S. Kothari Mehta & Co., (Firm Registration No 087899), Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the 9<sup>th</sup> Annual General Meeting (subject to ratification by the members at every Annual General Meeting) at a remuneration to be decided by the Managing Director in consultation with the Auditors plus applicable service tax and reimbursement of out of pocket expenses incurred by them for the purpose of audit."

**SPECIAL BUSINESS:**

4. **To appoint Mr. Prafull Anubhai as an Independent Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made thereunder and Clause 49 of the Listing Agreement (including any statutory modification (s) or re-enactment thereof for the time being in force), Mr. Prafull Anubhai (DIN 00040837), who was appointed as a Director of the Company liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation to hold office for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company."

5. **To appoint Mr. Rajeev Gupta as an Independent Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made thereunder and Clause 49 of the Listing Agreement (including any statutory modification (s) or re-enactment thereof for the time being in force), Mr. Rajeev Gupta (DIN 00241501), who was appointed as a Director of the Company liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation to hold office for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company."

6. **To appoint Mr. Mukund Choudhary as an Independent Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made thereunder and Clause 49 of the Listing Agreement (including any statutory modification (s) or re-enactment thereof for the time being in force), Mr. Mukund Choudhary (DIN 00051529), who was appointed as a Director of the Company liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation to hold office for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company."

7. **To appoint Mr. Sanjeev Pahwa as an Independent Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013, the rules made thereunder and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Sanjeev Pahwa (DIN 00022674), who was appointed as a Director of the Company liable to retire by rotation and in respect of whom the Company has received a notice in writing from a member proposing



his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation to hold office for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company."

**8. To appoint Mr. Jayant Davar as an Independent Director of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV to the Companies Act, 2013, the rules made there under and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Jayant Davar (DIN 00100801), who was appointed as an Additional Director pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as an Independent Director of the Company not liable to retire by rotation for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company."

**9. To appoint Cost Auditors of the Company:**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Ramanath Iyer & Company, Cost Auditors, New Delhi appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the Financial Year ending 31<sup>st</sup> March, 2015 be paid the remuneration as set out in the statement annexed to the Notice convening this meeting.

RESOLVED FURTHER THAT Mr. Sachit Jain, Managing Director and Ms. Tanu Berry, Company Secretary be and are hereby severally authorized to do all acts and take all such steps as may be necessary or expedient to give effect to this resolution."

**10. To adopt new set of Articles of Association of the Company:**

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 the Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules,

2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

**BY ORDER OF THE BOARD**

**PLACE: GURGAON**

**DATED: 2<sup>ND</sup> AUGUST, 2014**

**(TANU BERRY)**

**Company Secretary**

**NOTES:**

1. The Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the meeting, is annexed hereto.
2. 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. A PERSON CAN ACT AS PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL 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.
3. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting is also being annexed hereto separately and forms part of the Notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
4. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 05.09.2014 to 24.09.2014 (both days inclusive).**
5. 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.
6. 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.
7. 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.

8. Members are requested to bring their copy of Annual report along with them to the Annual General Meeting.
9. 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.
10. Members may also note that the Notice of the 4<sup>th</sup> Annual General Meeting and the Annual Report for the Financial Year 2013-14 will also be available on the Company's website [www.vardhmansteel.com](http://www.vardhmansteel.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Ludhiana for inspection during normal business hours on working days. Even after registering for e-communications, members are entitled to receive such communications in physical form, upon making a request for the same, by post free of cost.
11. 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).

## 12. Voting through electronic means:

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, the Company is pleased to provide members a facility to exercise their right to vote at the 4<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by Central Depository Services (India) Limited (CDSL).

### The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 17<sup>th</sup> September, 2014 (9:00 am) and ends on 19<sup>th</sup> September, 2014 (5:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in Dematerialized form, as on the cut-off date of 26<sup>th</sup> August, 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com) during the voting period.

- (iii) Click on "Shareholders" tab.
- (iv) Now, select the "VARDHMAN SPECIAL STEELS LIMITED" (EVSIN: 140816030) from the drop down menu and click on "SUBMIT"
- (v) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID.
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in De-mat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

|              | <b>For Members holding shares in De-mat Form and Physical Form</b>   |
|--------------|--|
| PAN          | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both De-mat shareholders as well as physical shareholders)  |
|              | <ul style="list-style-type: none"> <li>Members who have not updated their PAN with the Company /Depository Participant are requested to use the first two letters of their name and the 8 digits of the folio/De-mat Account number in the PAN field.</li> </ul>   |
|              | <ul style="list-style-type: none"> <li>In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. E.g. If your name is Ramesh Kumar with folio number 1 then enter RA00000001 in the PAN field.</li> </ul> |
| DOB          | Enter the Date of Birth as recorded in your De-mat account or in the Company records for the said De-mat account or folio in dd/mm/yyyy format.  |
| Bank Details | Enter the Bank Details as recorded in your De-mat account or in the Company records for the said De-mat account or folio.  |
|              | <ul style="list-style-type: none"> <li>Please enter the DOB or Bank Details in order to login. In case either of the details are not recorded with the Depository/RTA please enter the &lt;YOUR NUMBER OF SHARES&gt; in the Bank details field.</li> </ul>   |

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in De-mat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the De-mat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through

CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN: 140816030 for <VARDHMAN SPECIAL STEELS LIMITED> on which you choose to vote.
- (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If De-mat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Note for Institutional Shareholders:
  - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details they have to create compliance user using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.

A scanned copy of the Board Resolution and Power of Attorney ("POA") which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

In case you have any queries or issues regarding e-voting, you may refer the **Frequently Asked Questions ("FAQs")** and e-voting manual

available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)

12. M/s. B.K. Gupta & Associates, Company Secretaries have been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner (including the ballot forms received from members who do not have access to the e-voting process). The Scrutinizer shall within a period of three working days from the conclusion of e-voting period, unblock the votes in presence of at least two witnesses not in employment of the Company and make a report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
13. The Results shall be declared at the Annual General Meeting of the Company. The results declared along with the Scrutinizer's report shall be placed on the Company's website [www.vardhmansteel.com](http://www.vardhmansteel.com) and on the website of CDSL within 2(two) working days of the passing of the resolution at the Annual General Meeting of the Company and communicated to the Stock Exchanges.
14. MEMBERS HOLDING EQUITY SHARES IN ELECTRONIC FORM, AND PROXIES THEREOF, ARE REQUESTED TO BRING THEIR DP ID AND CLIENT ID FOR IDENTIFICATION.

**BY ORDER OF THE BOARD**

**PLACE: GURGAON**

**DATED: 2<sup>ND</sup> AUGUST, 2014**

**(TANU BERRY)**

**Company Secretary**

## ANNEXURE TO THE NOTICE

### STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

#### ITEM NOS. 4 TO 7 OF THE SPECIAL BUSINESS:

In accordance with the provisions of Section 149 of the Companies Act, 2013 which came into effect from 1<sup>st</sup> April, 2014, every listed public company is required to have at least one-third of the total number of Directors as Independent Directors who are not liable to retire by rotation and who shall hold office upto a term of five consecutive years.

The Company had appointed Mr. Prafull Anubhai, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. Rajeev Gupta all as Non- Executive Directors, liable to retire by rotation under the Companies Act, 1956.

Consequent to the applicability of the Companies Act, 2013, it is proposed to appoint Mr. Prafull Anubhai, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa, and Mr. Rajeev Gupta as Independent Directors of the Company for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company. The Company has received consent from these Independent Directors and also declaration confirming that they are not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and meets the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as Clause 49 of the Listing Agreement with the Stock Exchanges.

In this regard, requisite notice in writing from a member has been received proposing the appointment of Mr. Prafull Anubhai, Mr. Mukund Choudhary, Mr. Sanjeev Pahwa and Mr. Rajeev Gupta for the office of Independent Director of the Company.

All these Independent Directors are independent of the management and in the opinion of the Board they fulfil the conditions specified in the Companies Act, 2013 and rules made thereunder for appointment as an Independent Director of the Company. A copy of the draft letter for appointment as an Independent Director setting out the terms and conditions would be available for inspection without any fee to the members at the Registered Office of the Company during normal business hours on any working day. A brief profile along with other details of the Independent Directors are provided at the end of this statement.

The Board commends the Ordinary Resolutions as set out at Item Nos. 4 to 7 of the Notice for approval by the shareholders.

#### **MEMORANDUM OF INTEREST:**

Other than the appointee himself, none of the other Directors/ Key Managerial Personnel (KMP) of the Company/their relatives are concerned or interested, financially or otherwise, in the proposed resolutions as set out in Item Nos. 4 to 7 of this Notice. This Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchanges.

#### **ITEM NO. 8 OF THE SPECIAL BUSINESS:**

The Board of Directors of the Company in their meeting held on 9<sup>th</sup> November, 2013 had appointed Mr. Jayant Davar as an Additional Director of the Company pursuant to Section 161(1) of the Companies Act, 2013 and Articles of Association of the Company. He will hold office upto the date of ensuing Annual general Meeting.

The Company has received requisite notice in writing from a member proposing appointment of Mr. Jayant Davar as candidate for the office of Independent Director of the Company for a term of three consecutive years starting from the date of this Annual General Meeting to the conclusion of 7<sup>th</sup> Annual General Meeting of the Company.

The Company has also received consent from Mr. Jayant Davar and also declaration confirming that he is not disqualified from being appointed as a Director in terms of Section 164 of the Companies Act, 2013 and meets the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Jayant Davar is Independent of the management and in the opinion of the Board fulfills the conditions specified in the Companies Act, 2013 and rules made thereunder for appointment as an Independent Director of the Company. A copy of the draft letter for appointment as an Independent Director setting out the terms and conditions would be available for inspection without any fee to the members at the Registered Office of the Company during normal business hours on any working day. A brief profile of Mr. Jayant Davar is provided at the end of this statement.

The Board commends the Ordinary Resolution as set out at Item No. 8 of the Notice for approval by the shareholders.

#### **MEMORANDUM OF INTEREST:**

Except Mr. Jayant Davar, being an appointee, none of the Directors/ Key Managerial Personnel (KMP) of the Company /their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No 8. This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

#### **ITEM NO.9 OF THE SPECIAL BUSINESS:**

Pursuant to the provisions of the Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the Cost Audit is required to be conducted in respect of the Cost Accounts maintained by the Company. The Board of Directors have appointed M/s Ramanath Iyer & Co., 808, Pearls Business Park, Netaji Subhash Place, New Delhi to conduct Cost Audit for the Financial Year 2014-15. In this regard, the approval of the members is solicited for payment of ₹ 35,500/- as remuneration to the Cost Auditors for the Financial Year ending 31<sup>st</sup> March, 2015.

Accordingly, the consent of the members is solicited for passing an Ordinary Resolution as set out at Item No. 9 of the notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year ending 31<sup>st</sup> March, 2015.

#### **MEMORANDUM OF INTEREST:**

None of the Directors/Key Managerial Personnel (KMP) of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 9.

The Board commends the Ordinary Resolution as set out at Item No. 9 of the Notice for approval by the shareholders.

#### **ITEM NO.10 OF THE SPECIAL BUSINESS:**

The Articles of Association ("AOA") of the Company as presently in force are based on the Companies Act, 1956 and several regulations in the existing AOA contain references to specific sections of the Companies Act, 1956 and some regulations in the existing AOA are no longer in conformity with the Act.

The Act is now largely in force. On 12<sup>th</sup> September, 2013, the Ministry of Corporate Affairs ("MCA") had notified 98 Sections for implementation. Subsequently, on 26<sup>th</sup> March, 2014, MCA notified most of the substantive sections of the Act which deal with the general working of Companies. With the coming into force of the Act, several regulations of the existing AOA of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing AOA by a new set of Articles.

The new AOA to be substituted in place of the existing AOA are based on Table 'F' of the Act which sets out the model articles of association for a company limited by shares. The proposed new draft AOA is being uploaded on the Company's website for perusal by the shareholders.

#### **MEMORANDUM OF INTEREST:**

None of the Directors / Key Managerial Personnel of the Company / their relatives is, in any way, concerned or interested, financially or otherwise, in the Special Resolution set out at Item No. 10.

The Board commends the Special Resolution set out at Item No. 10 of the Notice for approval by the Shareholders.



## 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. Jayant Davar   | Mr. Mukund Choudhary   | Mr. Prafull Anubhai   | Mr. B.K. Choudhary   | Mr. Sanjeev Pahwa   |
|---|--|--|--|---|--|---|
| Date of Birth   | 19-03-1958   | 18-10-1961   | 22-08-1971   | 20-01-1938  | 27-06-1951   | 26-12-1966  |
| Date of Appointment   | 15-03-2011   | 09-11-2013   | 15-03-2011   | 15-03-2011  | 15-03-2011   | 15-03-2011  |
| Expertise in specific functional area                                     | Experience of 32 years in manufacturing, Investment Banking and Private equity.  | Experience of more than 27 years in the auto industry.   | Experience of more than 18 years in steel industry.  | Industrialist and Business Consultant having experience of more than 41 years.  | Experience of more than 33 years in the steel & textiles industry.   | Experience of 23 years in the field of bicycle/ automobiles tyres & tubes industry and bicycle components.  |
| Qualification   | B.Tech, M.B.A.   | Mechanical Engineer  | B.Com  | B.Com, B.S.C. (Eco.)- London  | M.B.A.   | B.Tech  |
| Directorships of Other Companies as on 31st March, 2014                   | <ol style="list-style-type: none"> <li>1. Cosmo Films Limited</li> <li>2. Dalmia Cement Bharat Limited</li> <li>3. VIP Industries Limited</li> <li>4. EIH Limited</li> <li>5. TVS Capital Funds Limited</li> <li>6. Arpwood Capital Pvt. Ltd.</li> </ol> | <ol style="list-style-type: none"> <li>1. Sandhar Technologies Limited</li> <li>2. Sandhar Infosystems Limited</li> <li>3. SLD Auto Ancillary Limited</li> <li>4. Sandhar Tooling Pvt. Limited</li> <li>5. KDB Investments Pvt. Ltd.</li> <li>6. Haridwar Estates Pvt. Ltd.</li> <li>7. Raasaa Retail Pvt. Ltd.</li> </ol> | <ol style="list-style-type: none"> <li>1. Spentex Industries Limited</li> <li>2. CLC &amp; Sons Private Limited</li> <li>3. CLC Power Limited</li> <li>4. CLC Enterprises Limited</li> <li>5. Spentex (Netherland) B.V.</li> <li>6. CLC Technologies Private Limited</li> <li>7. Ramya Agrotech Private Limited</li> </ol> | <ol style="list-style-type: none"> <li>1. Gruh Finance Limited</li> <li>2. Torrent Cables Limited</li> <li>3. Unichem Laboratories Limited</li> <li>4. Management Structure &amp; Systems Private Ltd.</li> <li>5. BOTIL Oil Tools India Pvt. Ltd.</li> <li>6. Birla Sun Life Trustee Co.Pvt. Ltd.</li> <li>7. Centre for Science, Technology and Policy (CSTEP)</li> <li>8. Vardhman Textiles Limited</li> </ol>   | <ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited</li> <li>2. Narmada Clean Tech Limited</li> </ol>    | <ol style="list-style-type: none"> <li>1. Ralson (India) Ltd.</li> <li>2. Ram Commercial Enterprises Ltd.</li> <li>3. Kosani Finance &amp; Investments Pvt. Ltd.</li> <li>4. Shivansi Investments Pvt. Ltd.</li> <li>5. Ralco Finance &amp; Investments Pvt. Ltd.</li> <li>6. Ralco Tyres Pvt. Ltd.</li> <li>7. Ralco Communication Technologies Pvt. Ltd.</li> </ol> |
| Chairman/ Member of Committees of Other Companies as on 31st March, 2014. | <b>Audit Committee:</b><br><ol style="list-style-type: none"> <li>1. Cosmo Films Limited (Member)</li> </ol>   | NIL  | <b>Investors Grievance Committee:</b><br><ol style="list-style-type: none"> <li>1. Spentex Industries Limited (member)</li> </ol>  | <b>Audit Committee:</b><br><ol style="list-style-type: none"> <li>1. Gruh Finance Limited (Member)</li> <li>2. Torrent Cables Limited (Member)</li> <li>3. Unichem Laboratories Ltd. (Chairman)</li> <li>4. Birla Sun Life Trustee Co.Pvt. Ltd.(Chairman)</li> <li>5. Vardhman Textiles Limited (Chairman)</li> </ol> <b>Shareholders/ Investors' Grievance Committee</b><br><ol style="list-style-type: none"> <li>1. Gruh Finance Ltd. (Member)</li> <li>2. Torrent Cables Limited (Member)</li> </ol> <b>Remuneration Committee:</b><br>Unichem Laboratories Ltd. (Chairman) | <b>Investors Grievance Committee:</b><br><ol style="list-style-type: none"> <li>1. Vardhman Acrylics Limited.</li> </ol> | NIL   |
| No. of shares held  | NIL  | NIL  | NIL  | 710   | NIL  | NIL   |
| Relationship with other Director(s)                                       | Not related to any Director  | Not related to any Director  | Not related to any Director  | Not related to any Director   | Not related to any Director  | Not related to any Director   |



## DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 4<sup>th</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, 2014.

### 1. FINANCIAL RESULTS:

The Financial Results for the year are as under:-

| PARTICULARS  | ₹ In Crore |         |
|--|------------|---------|
|  | 2013-14    | 2012-13 |
| Revenue from operations (Gross)                    | 408.66     | 494.75  |
| Profit before Depreciation, Interest & Tax (PBDIT) | 4.43       | 23.24   |
| Interest and Financial expenses                    | 11.90      | 10.87   |
| Profit before Depreciation and Tax (PBDT)          | (7.47)     | 12.37   |
| Depreciation                                       | 5.70       | 3.98    |
| Profit before Tax (PBT)                            | (13.17)    | 8.39    |
| Provision for Tax - Current                        | 0.01       | 3.91    |
| - Deferred Tax                                     | (3.76)     | (0.37)  |
| Profit after Tax (PAT)                             | (9.42)     | 4.85    |
| Earnings per share (₹)                             |            |         |
| - Basic  | (5.07)     | 2.61    |
| - Diluted  | (5.07)     | 2.61    |

### 2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

#### A) BUSINESS REVIEW:

##### World Steel Position

In the year 2013-14, the world steel demand grew higher than predicted due to stronger than expected performance in the developed countries in the second half of the year. The recovery in US gained strength and downturn in Europe bottomed out resulting in improvement in steel prices in the later half of the year.

As many emerging economies continue to struggle with structural issues and financial markets volatility coupled with Chinese government's policy to restrain investment activities in order to rebalance its economy, the Global Steel production is expected to increase by only 3.4 percent in 2014-15 as compared to 3.5 percent growth in 2013-14. However, gradual improvement in capacity utilization, expected slowdown in exports by Chinese government and further softening of raw material prices may brighten up the overall steel industry in the coming year. The expected turnaround in construction sector will also provide a much needed boost to steel industry. In respect of automotive steel, various projects by many renowned companies will become operational in South Asian countries like Thailand, Indonesia and China resulting in higher demand of automotive steel from countries like India and Korea. Turkey, Vietnam, Indonesia and Malaysia are fast becoming promising markets for auto components in coming years.

##### Indian Scenario:

In 2013-14, the Indian economic slowdown has resulted in depressed demand for steel from end user industries. Construction, auto and capital goods sector continue to underperform. The auto sector with the exception of two wheeler segment has recorded a decline in sales volume. During the year, India produced 21.4 million vehicles against 20.6 million vehicles in year 2012-13. Though the demand for utility vehicles is growing but the demand for Medium and heavy commercial vehicle is down by 21%.

However, the demand for steel in India is still subdued and it is expected to start rising in the 2<sup>nd</sup> half of 2014-15 due to expected boost by government in infrastructure sector and lifting of ban on iron ore and coal mines in Goa. This will promote use of steel in commercial vehicles as well as in railways.

Export of steel sheets, coils and billets will be high due to anticipated Rupee depreciation. The Society of Indian automobile manufacturers has predicted a growth of about 6% in auto segment in India.

With India becoming a hub for exporting passenger cars being manufactured by companies like Hyundai, Nissan, Suzuki, Toyota, Honda etc. who are looking to replace imported steel for critical parts by procuring the same from within India, the demand for value added products like bright bar, Spheroidized annealed steel and normalized steel is anticipated to be higher in the coming years.

#### Company's Business Strategy & Future Perspective:

The Year 2013-14 was a difficult year for your Company with slowdown in automobile industry along with internal turbulences faced by the Company during the implementation of new Rolling Mill. This led to serious impact on sales volume of the Company and led to depressed margins. This situation, however, has started improving but the demand of steel is likely to increase from second half of the Financial Year 2014-15.

During the year, your Company has successfully upgraded its capacities by implementing new State of Art Rolling Mill from renowned maker of Rolling Mills - M/s. Morgardshammar, Sweden. This new Rolling Mill which has become fully operational from 1<sup>st</sup> January, 2014 is expected to significantly improve capacities and efficiencies. The project got delayed by 6 months due to certain supply problems from the manufacturer which led to increased operating costs at our end. However, now the plant is running efficiently and at full capacity.

Your Company continues to focus on high quality niche products and is expanding in this area with the expansion of Bright Bar & Spheroidized Annealed Steel capacity being undertaken by the Company which will increase the capacity of Bright Bar Shop from 1,500 MTs to 2,100 MTs per month and Annealed Steel from 600 MT to 900 MT per month. This Project is likely to be completed by the end of Financial Year 2014-15.

Further, as mentioned in the last Annual Report, we had applied to the Environment Ministry for permission to enhance the melting capacity to 2,00,000 tonnes. This permission has not been received and we have been asked to make certain investment in Secondary Emission Control System. We are reasonably confident that once we install this equipment, we will get the permission. After that, we will have to make some investments in the Steel Melting Shop to increase the capacity. Total investment is envisaged to be around ₹ 25 crores. Detailed working has yet to be done, and time frame envisaged for completion is December, 2015.

On the exports front, the Company exported 4,102 MTs of alloy steel in 2013-14 as against 4,207 MTs in year 2012-13. In the coming year, the Company will target newer export destinations in addition to consolidating and increasing sales in present countries. 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 focussed 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.

## B. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

### • PRODUCTION & SALES REVIEW:

During the year under review, your Company has registered Revenue from Operations of ₹ 408.66 Crore as compared to ₹ 494.75 Crore in the previous year. The exports for the year ended were ₹ 27.29 Crore as compared to ₹ 24.76 Crore in the previous year.

### • PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹ 4.43 Crore as against ₹ 23.24 Crore in the previous year. After providing for depreciation of ₹ 5.70 Crore (Previous Year ₹ 3.98 Crore), interest of ₹ 11.90 Crore (Previous Year ₹ 10.87 Crore), provision for current tax ₹ 0.01 Crore (Previous Year ₹ 3.91 Crore), deferred tax ₹ (3.76) Crore (Previous Year ₹ (0.37) Crore), the net loss from operations worked out to ₹ 9.42 Crore as compared to Net Profit of ₹ 4.85 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, 2014 were ₹ 291.73 Crore as compared to ₹ 228.57 Crore in the previous year.

#### b). Current Assets:

The net current assets as on 31<sup>st</sup> March, 2014 were ₹ 20.86 Crore as against ₹ 70.01 Crore in the previous year. Inventory level was at ₹ 119.31 Crore as compared to the previous year level of ₹ 113.70 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:-

|                                     | ( ₹ in Crore) |          |
|-------------------------------------|---------------|----------|
|                                     | 2013-14       | 2012-13  |
| <b>Cash and Cash equivalents:</b>   |               |          |
| Beginning of the year               | 30.27         | 87.11    |
| End of the year                     | 13.90         | 30.27    |
| <b>Net cash provided (used) by:</b> |               |          |
| Operating Activities                | (35.90)       | 55.01    |
| Investing Activities                | 52.37         | (153.89) |
| Financing Activities                | (32.86)       | 42.04    |

## 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:

Though there are strong grounds for expecting a brighter future for steel industry but this optimism needs to be tempered

by an awareness of the continued challenges like potential volatility in terms of raw material prices or abrupt decline in steel prices in the event of regional or even global political, economic or natural disruptions that could stifle growth in this industry. Continuous increase in energy and labour cost and depreciation in value of rupee, as lot of scrap is imported, are other concern areas. This year will continue to be tough but we can see light at the end of the tunnel and we foresee things to start turning around may be in the last quarter of this Financial Year.

To counter these situations, your Company shall focus on operational excellence and efficiencies. Efforts in these areas will be valuable regardless of cyclicity and competitive nature of the industry and will be key to taking advantage of today's opportunities while preparing for an uncertain future.

## Change in Policy

In one area, we have changed our policy. Earlier, we were booking the losses on account of fluctuation in exchange rates against our liability of External Commercial Borrowing. Whereas in the event of any gain on this account, the same has not been taken into account. But to bring the policy at par with the laid down accounting practices, we are now re-instating the liability on this account according to the exchange rate prevailing at the end of each quarter.

## E) HUMAN RESOURCES /INDUSTRIAL RELATIONS:

The Company continues to lay emphasis on building and sustaining an excellent organizational 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 floors of the plant.

## 3. DIRECTORS:

Mrs. Ramni Nirula has resigned from the Board of Directors of the Company w.e.f. 9<sup>th</sup> November, 2013. Mr. Jayant Davar has been appointed as an Additional Director on the Board of the Company pursuant to Section 161 (1) of the Companies Act, 2013 and Articles of Association of the Company w.e.f. 9<sup>th</sup> November, 2013. He will hold office upto the date of ensuing Annual General Meeting.

Mr. B.K. Choudhary, Director of the Company, retires by rotation at the conclusion of the forthcoming Annual General Meeting, pursuant to the provisions of Section 152 (6) of the Companies Act, 2013 and being eligible, offer himself for re-appointment. The Board recommended his 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.