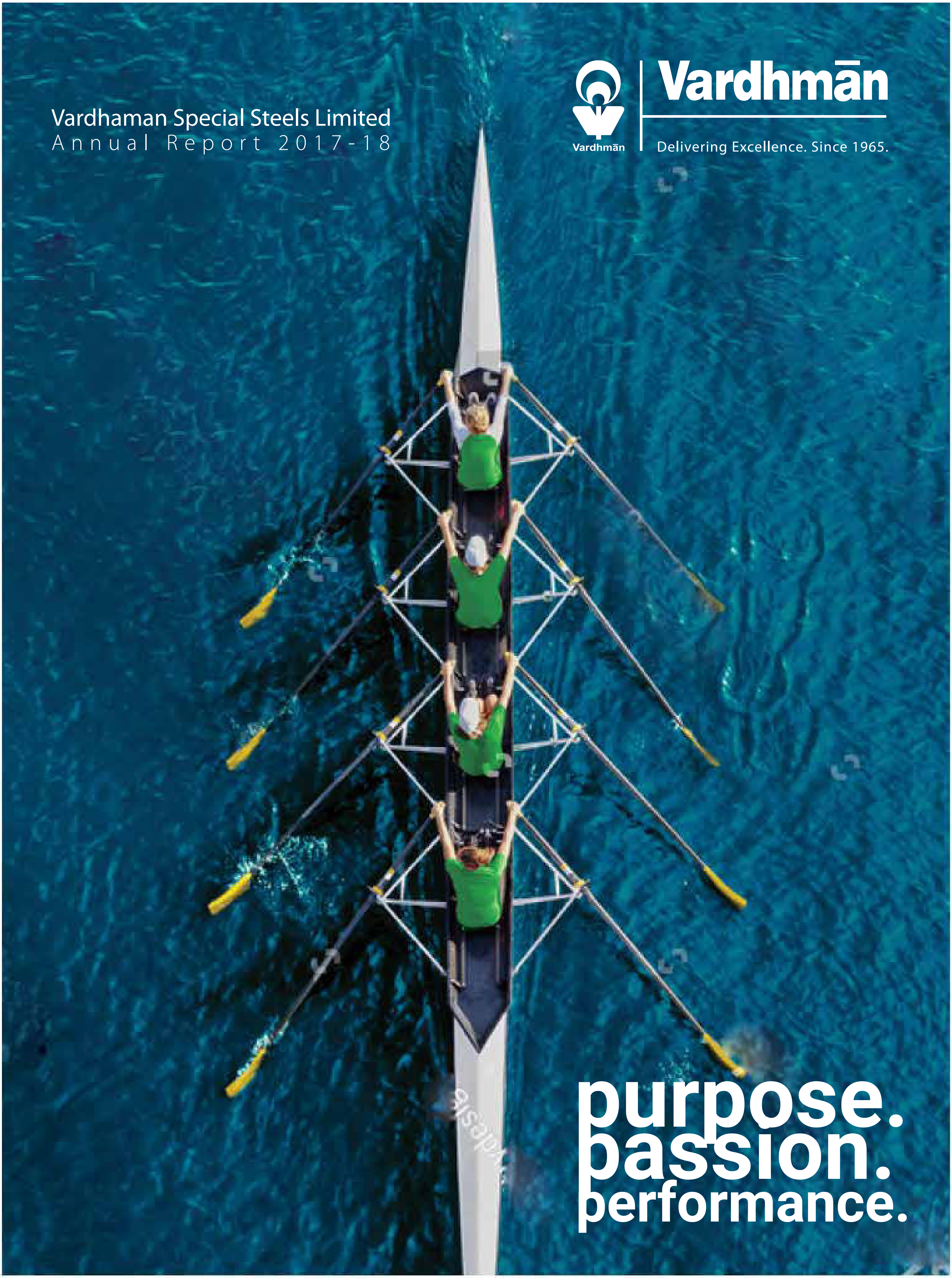
Vardhaman Special Steels Limited
Annual Report 2017-18

Vardhmān
Vardhmān
Delivering Excellence. Since 1965.



purpose. passion. performance.

Contents

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Vardhman Special Steels Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the annual report.

Purpose
+ Passion
= Performance

At Vardhman, we believed in and practiced this simple formula day in and day out, over a decade.

For our purpose directed our passion. And our passion re-ignited our purpose.

And the impact of this powerful combination reflected in our performance.

A powerful purpose is a force unbeatable by anything else in this world.

AT VARDHMAN, IN ALL THESE YEARS, WE NURTURED ONLY ONE DREAM - OF BEING A GLOBALLY RESPECTED ALLOY STEEL MANUFACTURER. AN ENTERPRISE THAT COMMANDS RESPECT IN INDIA AND ACROSS THE GLOBE. FROM CUSTOMERS AS WELL AS INDUSTRY VETERANS. FOR ITS QUALITY COMMITMENT AND ITS INTELLECTUAL CAPITAL.

Today, we are convinced that the secret of our success has been the constancy of purpose. Because our purpose drew us to work. It compelled us to create, discover and deliver.

And, we are most certain that our purpose will be the guiding star as we endeavour to establish our mark in the global village. Because, purpose stimulates you to lose sight of the shore to explore new worlds beyond the horizon.

While the goal appears daunting and the journey, challenging, we know that one who has a 'why' to live for, can bear almost any 'how'!

Baby steps that reinforce our confidence!

Building our intellectual capital

- Our technical team presented a paper at an international technical conference in Italy – a first for Vardhman.

- We hosted our own technical conference for our customers in Thailand, a first of its kind event hosted by any steel company in Thailand.

Gaining valuable customer endorsement

- Our steel received the stamp of approval from leading global brands namely Mercedes, Jaguar, Porsche, Volvo, Audi, BMW and Harley Davidson.

- Our steel entered the factory of a Thailand customer who hitherto relied only on steel sourced from Japanese steel manufacturers.

People with great passion can make the impossible happen.

AT VARDHMAN, OUR PEOPLE HAVE CHANGED OUR FORTUNES. THEY HAVE SPEARHEADED OUR TRANSITION FROM BEING A TRAILER LANGUISHING AT THE BOTTOM OF SECTORAL PECKING ORDER A DECADE AGO TO A BRAND THAT ENJOYS RESPECT IN OUR BUSINESS SPACE.

Because we have people with great passion - far greater than their fears and excuses. They always found a way through every challenge.

As a result, they always did more than they had to. Gave up the good for the great. Delivered better than what was expected of them. And went beyond the set goals, year after year.

They upped production more through intelligent innovation rather than financial investment. They increased productivity even as they improved quality.

- Average heats per day increased as batch cycle time declined
- Our heat sequencing percentage which stood at 37% in 2013-14 scaled to 80% in 2017-18
- Productivity improved by 4.34 MT/hour between 2013-14 and 2017-18

And, increased sales by spreading wide even as they delved deep.

- Our business relations with OEM's in India deepened even as we widened our footprint across the globe
- For 35+ customers, business relations strengthened from one product to 4-5 products over the last five years

But, even as production (in our steel making and rolling mills) surpassed the label capacity, we continued to be in short of capacity.

In 2017-18, our team has pushed the envelope a little further

- Even when the billet making capacity was 160,000 TPA, our team successfully tested 200,000 tons annual capacity.
- Our team has successfully established the rolling capacity at its rated capacity of 180,000 tons annually.

Interestingly, our team is focused on upping the stakes a little further

- We are taking our steel making capacity to 240,000 TPA.
- We are increasing our rolling capacity to 210,000 TPA.

There is no one giant step that does it. It's a lot of little steps.

AT VARDHMAN, WE ALLOWED THE PASSION OF OUR ENERGETIC TEAM TO BECOME OUR PURPOSE AND IT REFLECTED IN OUR PERFORMANCE, HERE IS THE PROOF!

954 Team as on March 31, 2018

SHOPFLOOR IMPROVEMENT

a) Steel melting shop

17
Heats per day in 2017-18 from 11 heats per day in 2013-14

13
Reduction (in minutes) in tap-to-tap time between 2013-14 and 2017-18

b) Rolling mill

0.17%
Miss roll operations in 2017-18 against 0.75% in 2013-14

29
Reduction (in hours) in operational delay between 2013-14 and 2017-18

BUILDING RELATIONS

Customer addition

10+
OEMs (operating in India) added between 2013-14 and 2017-18

10
Global customers serviced as on March 31, 2018

PRODUCTION INCREASED

a) Billets

167,425
Tons in 2017-18 against 101,499 tons in 2013-14

b) Rolled products

149,957
Tons in 2017-18 against 65,150 tons in 2013-14

SALES INCREASED

Rolled Bars

152,162
Tons in 2017-18 against 90,406 tons in 2013-14

REVENUE GREW

858.96

in 2017-18 against 563.96 in 2013-14 (₹ crore)

CAGR (%)

11.09

growth between 2013-14 and 2017-18

REVENUE FROM 4-WHEELER SEGMENT

292.05

Revenue in 2017-18 against 62.04 in 2013-14 (₹ crore)

CAGR (%)

47.30

Revenue growth between 2013-14 and 2017-18

Proportion in revenue mix (%)

34

Contribution in 2017-18 against 11 in 2013-14

REVENUE FROM 2-WHEELER SEGMENT

274.87

Revenue in 2017-18 against 135.35 in 2013-14 (₹ crore)

CAGR (%)

19.39

Revenue growth between 2013-14 and 2017-18

Proportion in revenue mix (%)

32

Contribution in 2017-18 against 24 in 2013-14

STRONG RETURNS

12.17%

ROCE in 2017-18 against 0.99% in 2013-14

EBIDTA GREW

68.04

in 2017-18 against 4.43 in 2013-14 (₹ crore)

CAGR (%)

97.97

growth between 2013-14 and 2017-18

Vardhman Special Steels Limited

Vardhman is one of India's leading producers of special steel servicing the steel requirements of niche, high-growth sectors namely Engineering, Automotive, Tractor, Bearing and Allied Industries. The Company also exports forging grade steel to international destinations namely Thailand, Taiwan, Turkey, Russia and Spain.

Vardhman's product basket comprises billets, steel bars & rods and bright bars of various categories of special and alloy steels and serves the exacting needs of globally renowned corporations such as Toyota, Hero Moto Corp, Caterpillar, Hino Motors, Maruti, Bajaj and Hyundai, among others.

Vardhman enjoys access to warehouses across India which facilitates just-in-time delivery to its customers.

Mission

We endeavour to become a market driven, cost competitive, hard core Special & Alloy Steel producer by taking a lead in technology, continuous improvement in business processes, building up knowledge & skills through a committed, highly involved and focused team to achieve complete customer satisfaction in quality and service.

Vardhmān

Delivering Excellence. Since 1965.

And in

2010

we became a public entity

We are a part of the

₹ 7,000 crore

Vardhman Group

Our corporate office and manufacturing facility is in Ludhiana, Punjab

Our facility has a

180,000 TPA

a billet manufacturing unit

And a
180,000 TPA
rolled bar capacity

Our operations are
ISO 14001:2004
OHSAS 18001:2007
ISO 9001:2008
ISO/TS 16949:2009
certified - aligning our operations to global standards

Our team of
954
members
(March 31, 2018)

service the needs of **180+** customers pan-India

...which include
30+ OEMs
in the automotive sector

Our products also find acceptance across
7+
international markets namely Thailand, Taiwan, Turkey, Russia and Spain, etc.

Each year is important in the life of a company, but this year is particularly so for us as we will officially close Phase 1 of our growth with the completion of the project of expansion by March or April of next year and we have started Phase 2 which will include the new directions.

Mr Sachit Jain, Vice Chairman, Vardhman Special Steels Limited, pens his thought on the year ahead.

Dear Shareholders,

IT IS ONCE AGAIN MY PLEASURE TO COMMUNICATE WITH YOU VIA THIS LETTER. THE LAST YEAR HAS BEEN ANOTHER SIGNIFICANT YEAR FOR VSSL IN WHICH MANY MILESTONES WERE CROSSED. THIS YEAR IS THE FIFTH ANNIVERSARY OF STARTING TRIAL PRODUCTION FROM OUR STATE OF THE ART ROLLING MILL, WHICH WAS A TURNING POINT IN VSSL GROWTH JOURNEY. I WOULD LIKE TO DWELL ON SOME OF THE SIGNIFICANT EVENTS THAT TOOK PLACE IN FY 2018.

Capacity Enhancement

Last year I had talked about possibility of enhancing the steel melting capacity to 180,000 tons, I am happy to report that we have exited the year having tested 200,000 tons annual capacity and we are now upgrading the furnace to take the capacity up to 240,000 tons which will require a shutdown in March/April. Further while we have been able to test the rolling capacity at its rated capacity of 180,000 tons annually, it now seems that with some minor investments, we may be able to increase the capacity to 210,000 tons and once this level is reached, we will relook at a capex proposal to take the capacity to 230-240,000 tons. The main bottleneck in implementing all this was paucity of land and I am happy to report that we were able to finally purchase 8 acres of land bordering our factory and now land is no longer a constraint.

Handling Change

The Changes going on in the company have been massive…from status quo to growth and from 'left behind' to leadership. All this combined with the changes in the people and handling much larger volumes. Our people have begun to accept more challenging targets now. We had thrown a challenge to our technical team to present a paper at an international technical conference. I am happy to report we presented at a conference in Italy. Further we hosted our own technical conference for our customers in Thailand…. the first such conference hosted by any steel company in Thailand. It was a good effort and our customers in Thailand now see us as very serious players. Further growth by itself also necessitates change in the culture. As there is a lot more work to handle the increased volume, need is felt for more delegation, more teamwork and more cooperation between departments and all this means controlling the egos so that everyone can see the bigger picture and this is easier said than done. Constant communication and making people aware of what is required becomes an essential part of work to make cultural change happen.

Subordinate development becomes a very important area to help us for our future. This churn is also helping us by getting some good practices from other companies into VSS. The results of all that we are doing are showing and one of the effects is that we have 2 young women metallurgists who are willing to go into production and handle the furnace. We are emerging stronger than what we were.

Capital Structure

Further to the Rights issue in May last year, we had a QIP in February 2018 of ₹50 Cr against the approval from you to raise upto ₹175 Cr. DSP Blackrock and Sundaram were the 2 funds that came in as investors. The primary aim of the QIP was to maintain a high standalone rating of VSSL without Promoter credit support. Our rating currently stands at CRISIL AA, up from AA- earlier.

International Alliances

This is an important agenda on my desk. We are in dialogue with a few leading global special steels companies for technology alliance. As I had indicated in last year's report, the dialogues are being led by me personally. Organizational preparedness ahead of any such partnership is showing good promise.

Outlook for 18-19 and beyond

The outlook for this year looks positive. Several significant changes impinged on the business last year..some negative like graphite electrode prices going through the roof and some positive like the Government of Punjab reducing the power tariff (but not to the extent expected). A favourable policy change ahead is the anticipated Government of Punjab incentive scheme which would add to our profits. We believe this is close to being announced. The demand for special steels continues to be robust we expect volumes to be in the range of around 170,000 tons. It is important to keep in mind that prices are contracted with customers for 6 months at a stretch, in a rising raw material price scenario, the margins get squeezed and in a falling raw material price scenario the margins would seem to expand. For the first half, we are in a rising raw material scenario and possibly this trend may reverse in the 2nd half. Moving ahead, I think we can hit the 240,000 tons mark in a couple of years. We also expect our Bright bar shop to increase productivity and so increase the production to about 45,000 tons. We are also seeing scope to increase manpower productivity and hence limit our costs in that area. Overall the trend is positive.

Shareholder Relations

After getting in Institutional shareholders through the QIP, we have already brought in changes in investor engagement. We have hired an Investor Relations firm Bridge to interact with shareholders in a more structured way including quarterly

IT NOW SEEMS THAT WITH SOME MINOR INVESTMENTS THAT ARE BEING PLANNED, WE WILL BE ABLE TO INCREASE THE CAPACITY TO 210,000 TONS AND ONCE THIS LEVEL IS REACHED, WE WILL RELOOK AT THE PROPOSAL TO INVEST A LARGER AMOUNT TO TAKE THE CAPACITY TO 230-240,000 TONS.


Vardhman

earnings calls and a physical analyst meet annually.. You will also see more disclosures in the Annual report and in the quarterly results. As regards dividend, as we are clearly in the profit zone , we are more optimistic of the future.

Cross Roads

Last year at this time we were at Crossroads as we had to decide on the future course. More clarity has come our way after lot of deliberation in the Management team and at the Board.

For starters, we have chosen now to be firmly on the growth path. As I said earlier we have found means and are implementing a plan to take our melting to 240,000 tons. We are also looking at options of Management contracts / leasing of third party plants. So Growth in our line is the direction.

Electric Vehicles

This is a mega change on the anvil. The trend has already begun and there is a lot of talk on this. In fact last year there were announcements that all new vehicles in India will be EVs by 2030. This is a threat to our business as EVs use much lesser alloy steels than regular vehicles. However my considered belief is that EVs though coming for sure will take longer to get adopted fully for cost reasons and charging infrastructure to be made available across the length and breadth of the country. There seems to be a realization regarding this fact in the government too. Taking all factors into consideration we are continuing on our growth strategy.

Spirit of Adventure

The Spirit of Adventure continues strong in our company. We recently part sponsored the father daughter duo of Ajeet and Diya Bajaj who were the first father daughter pair from Asia to climb Mt. Everest. I myself did go for a trek in Autumn last year in Himachal Pradesh, the Pin Bhabha trek where we crossed the Bhabha pass from Kinnaur into Spiti at 16,400 feet. Similarly our company is continuing on its adventurous journey. Each year is important in the life of a company but this year is particularly important that we will officially close Phase 1 of our growth with the completion of the project of expansion by March or April of next year and we have started Phase 2 which will include the new directions talked about before.

Its our endeavour to be better today than we were yesterday

Sectoral exposure

- Four decades of presence in the special steel space
- Able to proactively understand sectoral dynamics and identify emerging opportunities

Sectoral presence

- Cherry-picked uncluttered pockets within the special steels universe -critical steels for automobiles
- Enjoy the position of an important/ only supplier leading to increasing repeat and referral business

User sector choice

- Focused singularly on catering to the automotive sector
- Enables staying ahead of peers in the special steel sector owing to product development and delivery

Equipment

- Invested sophisticated equipment (on it shop floor and QC and R&D labs) sourced from the best in the business across the globe
- Facilitates in matching the ever tightening tolerance standards of global OEMs across user sectors

The Company's relatively small heat size (30 MT) as it provides it with the flexibility to meet urgent client demands

Product development

- Invested in a full-fledged R&D unit managed by a team of 54 experts
- Capable of developing a wide variety of steel grades specified by its automotive customer – expanding growth horizons

Quality commitment

- Unwavering commitment to match customer specifications
- Aligned systems and processes with the global standards (jiS, SAe, diN, iS) leading to the certification of infrastructure and processes to global benchmarks

Service commitment

- Highly dependable business partner
- Production planning discipline and access to warehousing facilities pan-India has enabled it to serve manufacturing facilities of automotive OEMs operating in India

Relationship commitment

- Relationship based business approach
- Strong team of experienced metallurgists for after sales service has strengthened the bond with its customers

Management discussion and analysis

Global economy

The global recovery that began in mid-2016 has become broader and stronger.

The global economic upswing that began around mid-2016 became broader and stronger in 2017. As a result, global GDP growth touched 3.8% in 2017, the fastest since 2011. Moreover, economic activity in 2017 ended on a high note - growth in the second half of the year was above 4%, the strongest since the second half of 2010, supported by a recovery in investment.

Growth accelerated in about three quarters of countries - the highest share since 2010. More importantly, some of the countries that had high unemployment for some time, participated in the surge and experienced strong employment growth.

Outlook for tomorrow: Global growth is projected to strengthen from 3.8% in 2017 to 3.9% in 2018 and 2019, driven by a projected pickup in growth in emerging market and developing economies and resilient growth in advanced economies.

Two-thirds of countries accounting for about three-fourths of global output experienced faster growth in 2017 than in the previous year.

Indian economic overview

The Indian economy moved past policy disruptions over the past 24 months and staged a smart recovery.

After a dull first half, India's economy accelerated to 7.7% in the three months ended 31 March, the fastest pace in seven quarters, signaling a turnaround.

GDP growth for the year ended 31 March at 6.7% was a tad higher than previously what was estimated by the Central Statistics Office but still slower than the 7.1% growth recorded in the previous year.

The turnaround in the economy was led by robust agriculture (4.5%) and manufacturing growth (9.1%) as well as double-digit growth in construction activities (11.5%) in the March quarter.

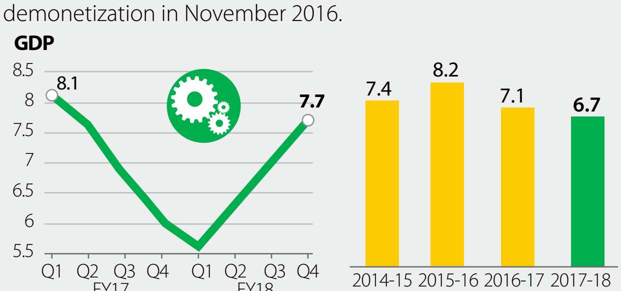
The economy also received a boost from higher government spending (13.3%) in the March quarter. Gross fixed capital formation, a proxy for investment demand in the economy, expanded at a double-digit pace (14.4%) after a gap of seven quarters, signaling a revival in investment activities.

This signaled that the Indian economy has moved past the disruptions triggered by demonetisation of high-value currencies and rollout of the Goods and Services Tax. The latest quarterly corporate earnings data suggest that consumer demand too is reviving.

Fastest pace in seven quarters

The data indicates that the economy is clawing back to its trend growth prior to demonetization in November 2016.

(year-on-year in %)



Source: Central Statistics Office

India is now a **$2.5 trillion** economy

India's March quarter growth is higher than China's (**6.8%**)

Govt's fiscal deficit stands at **3.53%** of GDP in FY18

The high points for 2017-18

- India emerged as the most competitive country in South Asia, appearing at No. 40 in the global competitiveness ranking of 137 countries by the World Economic Forum.
- India jumped up by 30 notches into the top 100 rankings on the World Bank's' ease of doing business' index, consequent to major improvements in indicators such as resolving insolvency, paying taxes, protecting minority investors and getting credit.
- India topped management consulting firm AT Kearney's 2017 Global Services Location Index for the eighth consecutive year and extended its lead over other countries from 0.47 last year to 0.76 in 2017.

Global steel sector

World steel demand is expected to rise for this year and the next.

World crude steel production reached 1,691.2 million tonnes (Mt) for the year 2017, up by 5.3% compared to 2016. Crude steel production increased in all regions in 2017 except in the CIS, which has remained stable. According to the World Steel Association, global finished steel demand will grow by 1.8% to more than 1616 million mt in 2018 and increase by another 0.7% to nearly 1627 million mt in 2019. Interestingly, world production and consumption leader China will see flat demand this year, followed by a 2% decline in 2019.

Indian steel industry

The Indian steel sector is in the midst of a multi-year upcycle driven by higher spreads

India is the third largest producer of crude steel in the world after China and Japan. The country's crude steel production rose nearly by 6% to hit an all-time high of 101.40 million mt in 2016-17 creating a new milestone for the Indian steel sector.

For fiscal 2017-18 also, crude steel production stands at 102.243 million mt, up by 1% as compared to 101.40 million mt in 2016-17.

Going forward: The steel industry is expected to get a significant boost, for the following reasons:

Supply side: The Government has given its consent to a new policy that aims to achieve steel making capacity of 300 million mt by 2030, with an additional investment of ₹10 lakh crore. It has also approved a policy for providing preference to domestically manufactured iron and steel products in procurement by the government and its agencies.

Demand side: The significant impetus provided by the Government to the infrastructure sector (modernising and creating) is expected to boost steel consumption in India over the coming years significantly. Further, as the 'Make in India' drive strengthens its foothold pan-India, industrial growth is expected to assume center stage – catalyzing demand for steel.

According to a report by Goldman Sachs, the Indian steel sector is in the midst of a multi-year upcycle, driven by higher spreads (on improving global steel dynamics), rising domestic capacity utilisation and improving iron ore supply. This upcycle, led by supply discipline in China, is likely to see strong steel prices but lower input costs.

Secondary steel sector

Indian secondary steel industry is poised to play an important role in the success of "Make in India"

The secondary steel sector accounts for about 57% of the total steel produced in India.

The sector is composed of production units, with widely varying product range, technology and scale of operation and includes major product/industry segments.

The units covered under the Secondary Sector produce either a product that serves a basic raw material to steel making such as pig iron or sponge iron or they use a semi finished or intermediate steel product to convert the same to another product of higher value.

The size of this sector is expected to grow significantly owing to its reference as an environment friendly and economical route to produce steel. This Government is encouraging the use of EAF for steel making as a critical tool for the success of its mission to #MakeInSteel for #MakeInIndia.

As a step towards promoting the EAF route for steel making, the Government plans to introduce a steel scrap policy in 2018 which, in conjunction with the much-awaited vehicle scrappage policy, will lay out the rules and regulations for using scrap from old vehicles to produce steel.

In India, the EAF route for steel making comprises only about 24.55% of India's steel capacity as compared to 45% in rest of the world (excluding China).

Alloy steel

As consumer-driven steel consumption increases, alloy steel is expected to gain prominence

Alloy steel is steel which is customised for specific niche applications by adding alloys. This sub-segment of steel encompasses steels like stainless steel (SS), electrical steel, ferro-chrome steel, among others. As such, the demand for alloy steel is driven by specific sectors namely automobiles, white goods, capital goods etc.

As Indian steel demand is substantially influenced by infrastructure and construction sectors, the proportion of alloy steel usage in the overall steel consumption is considerably small - Alloy/SS comprises only 9.7% of the total steel consumption in the country.

But as infrastructure-led steel consumption gives way to consumer driven steel consumption, alloy steel is expected to gain prominence. The first sign of this was reflected in FY18 – the growth of 7.8% in overall steel consumption was contributed by growth in consumption of Alloy and SS by a large margin of around 24%.

Automobile sector

The Indian auto industry is one of the largest in the world.

The industry accounts for 7.1% of the country's Gross Domestic Product (GDP). The Two Wheelers segment with 80% market share is the leader of the Indian Automobile market owing to a growing middle class and a young population.

Moreover, the growing interest of the companies in exploring the rural markets has further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 14% market share.

Several initiatives by the Government of India and the major automobile players in the Indian market are expected to position India among the leading 2W and Four Wheeler (4W) markets in the world by 2020.

(A) Passenger vehicles (PV)

India is a leading passenger vehicle manufacturer in the world. It stood fifth in 2017 after China, the US, Japan and Germany.

PV production crosses 4-mn mark in FY18

During 2017-18, the segment produced around 4,010,373 units of passenger vehicles, which is 13.79% of the total vehicles produced in the country. Out of the 4-million passenger vehicles produced, 19% were exported to other countries. Utility vehicle production crossed the 1 million mark. One out of every three passenger vehicles produced was a utility vehicle. This was the highest-ever production for the passenger car and utility segment.

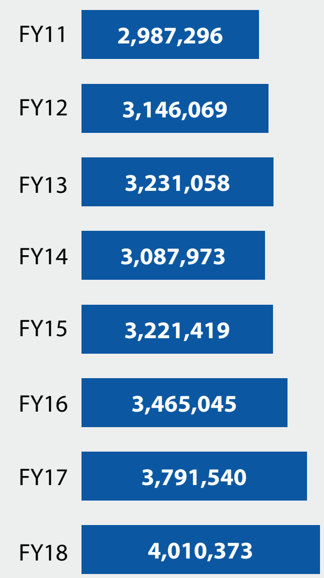
PV sales all-time high

Passenger vehicle sales in India were at a record high in 2017-18, touching almost 3.3 million units, growing at 7.89% driven by the demand from smaller towns, coupled with increasing popularity of utility vehicles. According to the data released by the Society of Indian Automobile Manufacturers (SIAM), domestic passenger vehicle (PV) sales were at 32,87,965 units, beating the previous best of 30,47,582 units posted in 2016-17.

Going forward: India was projected to become the third-largest PV market by 2020, according to estimates.

From a number perspective, it took the Indian PV segment seven years to go from three million to four million in annual production. The next milestone of five million vehicles might not take that long. The industry is more optimistic, because the CAGR in past three years has been 7.72% (against a 4.42% CAGR between March 2013 and March 2018).

PASSENGER VEHICLE PRODUCTION



Source: Siam

(B) Two wheeler (2-W)

India is the world's largest two-wheeler market, a position earned in 2017 by going past China. This growth has been on account of two important factors:

- Rising incomes and growing infrastructure in rural areas
- Spurt in sales due to women commuters

In 2017-18, the 2-W segment strengthened its position further by crossing new milestones.

Two-wheelers registers highest-ever production

India is the largest two-wheeler market in the world. The two-wheeler production surged by 16.12% to 23 million, despite the high base of 19.9 million units. The production of scooters crossed 7 million and motorcycles crossed 15 million.

Two-wheelers sales touch milestone

It is not just the production that touched the peak, but the two-wheeler sales also reached a new milestone of 20.2 million units. Scooters crossed 6.7 million sales figure and motorcycles clocked 12.6 million, the highest-ever sales in the respective segments.

Highest exports of scooters & motorcycles

The two-wheeler segment recorded the highest-ever export of 2.8 million, growing at 20.29%. Scooters and motorcycles individually touched export peaks at 0.31 million and 2.4 million, respectively.

E-drive in India's two-wheeler market

The research firm Forst & Suvillan has predicted that the electric two-wheeler segment will grow by 38% by 2020 in India. It estimates sales of 1.4 million electric vehicles (EVs) in India by 2030, accounting for about 18% of the new vehicles market, while EVs are expected to account for about 15%. The research firm has also predicted that the two-wheeler segment will constitute nearly 60% of the electric vehicle market.

On the flip side, India may face capacity constraint in shifting to electric as leading players in the segment are yet to firm up plans for introducing electric vehicles. It is also expected that the rural market, which consumes 50% of the two-wheelers, will not be ready for electric. A study by Roland Berger, along with component makers body, predicted that only 35% (11.61 million units) of the Indian two-wheeler market could be electric by 2025. This means, the study expects 22 million two-wheelers to remain petrol driven in 2025.

"It was one of the best year in the 8 years of Vardhman's journey."

How would you rate the Company's performance in 2017-18?

It was a good year. The team, like always, came together as a cohesive force to up the operational performance. And despite the significant challenges, we registered healthy growth in business and profits.

What were some of the highpoints of 2017-18?

We registered the highest production and sales in terms of volume. We improved on all our operational parameters and added important global clients (although sales volumes were small to start with). We reduced our financial leverage and in doing so, we reported the highest topline and EBIDTA in our history.

What were some of the disappointments for the period under review?

Primarily, one. The demand for our products was significantly higher than our capability to produce. As a result, we were compelled to disappoint some of our customers. Having said that, we will not have to live with this challenge for long. We are increasing our operational capacity through a brownfield expansion, which, we believe will take care of our capacity needs for the next couple of years.

What were the key challenges faced by the business?

The steel cycle globally is on an upswing on account of increasing demand and a structural shift owing to China's supply-side reforms in its steel sector. This has resulted in a significant increase in the prices of key raw materials and consumables, namely scrap, pig iron, sponge iron, graphite electrodes and refractories. This cost push inflation exerted significant pressure on operating margins. So, even as we registered a sizeable growth in topline and EBIDTA, our profitability margins remained depressed.

How did you manage this business reality?

To mitigate these external headwinds, we upped our operational efficiencies to optimise the consumption of these inputs. But we understand that these headwinds will persist in the current year too. And we will continue to do what we have always done -- leverage the intellectual capital of our team to come up with interesting solutions that help in achieving profitable business growth.

How do you view the current year?

We cater to the automotive segment –particularly the passenger car and two-wheeler markets. There is significant optimism in the market that these segments will continue to experience a robust growth in the current year, in keeping with the momentum of 2017-18. This optimism is pivoted on the reality that earnings of the average Indian is increasing, especially in the Tier I and II cities and towns. Besides, the latest quarterly corporate earnings data (Q4/2017-18) suggest that consumer demand too is reviving.

What are your priorities for the current year?

Our capacity expansion is our highest priority. We are increasing our steel melt shop capacity to 240,000 TPA (an increase of 60,000 TPA), increasing the capacity of our rolling mill to 220,000 TPA (an increase of 35,000 TPA) and increasing the capacity of our bright bar mill to 45,000 TPA (an increase on 15,000 TPA).

How do you plan to sell the additional volumes?

All our clients have upped their requirements in 2017-18 owing to the surge in demand for vehicles (passenger vehicles, 2-wheelers and commercial vehicles). We were forced to disappoint some clients in 2017-18, but hope to sustain our business relations with them with the increase in our manufacturing capabilities. Further, we will focus on increasing business volumes with the passenger car OEMs. In addition, our marketing teams have made important breakthroughs in getting product approvals from global automotive brands operating in India, and we hope to increase volumes with them.

If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business.

Gary Cohn

Vardhman's risk management framework encompasses strategy and operations and seeks to proactively identify, address and mitigate existing and emerging risks. The risk management framework goes far beyond traditional boundaries and seeks to involve all key managers of the Company. There is a formal monitoring process at unit and company level, wherein new risks are identified, categorised as per impact on probability, mapped to key responsibilities of select managers and managed with appropriate mitigation plan.

Risks external to the Company

Growth risk

The demand for alloy steel may lose momentum going forward.

Mitigation: Alloy steel is primarily used in the automotive sector, white goods industry, capital goods sector and other niche applications. The economic resurgence and improved corporate earnings promise to increase the disposable income in the hands of the average Indian – leading to an increase in consumerism. Moreover, the Government's 'Make in India' drive and its improved ranking in the Ease of Doing Business is positioning India as an important manufacturing hub (especially for certain sectors namely automobiles, capital goods, white goods, among others) for the world – an important catalyst for alloy steel demand.

Alloy steel demand is expected to grow from 1.190 million mt in 2016-17 to 1.873 million mt in 2020.

Competition risk

Robust demand could lead to increasing competition.

Mitigation: Alloys and special steel competition in North India is limited when compared to other regions of the country. Moreover, Vardhman has chosen to be in the niche small diameter steel bar space catering to the passenger vehicles and two-wheelers. Within this broad space, the Company chooses to be in niche spaces where it enjoys the status of an important/sole supplier. About 60% of its steel goes to low-volume, critical quality and special steel applications – a rather uncluttered space.

Electric mobility could impact the off take of alloy steel from the automobile sector.

Mitigation: Electric mobility would reduce the quantum of alloy steel in vehicles but would not eliminate it. Moreover, Vardhman's steel products find application in making critical components – the demand for which is not expected to drop significantly due to the transformation to electric mobility. Despite this reality, the Company is working on a prudent de-risking strategy which comprises:

- Strengthening its presence in select nations across the world which could cushion the drop in sales, if any, due to electro mobility.
- Examining the development of special alloy steels and ultra clean steel for critical applications in non-automotive sectors, like steel for large shafts, defence & tool and die steels, etc.

This would facilitate in sustaining business growth over the coming years.

Cost risk

Rise in prices of key raw materials and consumables could dent business profitability.

Mitigation: The rise in prices for key inputs will impact every player in this business segment and Vardhman will be no exception. But the difference lies in its ability to negate this cost push inflation on its profitability margins which comprises of:

- The team's unwavering passion for improving shop-floor efficiencies
- The management's focus on moving up the product value chain by getting into spaces that demand difficult-to-make steel variants where product quality is the critical determinant

These efforts should also help in sustaining business profitability in the face of inflationary headwinds.

Risks internal to the Company

Project risk

A time overrun in project implementation would impact business performance and profitability.

Mitigation: The brownfield expansion in progress at the Company's operating facility would necessitate a shutdown of operations. To minimise the chance of this possibility, the Company has ordered all the critical equipment required for the project before ground-breaking. Further, the management has broken down the expansion of facilities in a phased manner– the shutdown of the Steel Melting Shop for enhancing its capacity being scheduled as the last leg. This step-by-step expansion allows the Company interesting benefits:

- It facilitates in creating adequate inventory of steel billets, fast moving products and products scheduled for delivery
- It allows for concentrated effort in undertaking the expansion with speed and stabilising the unit post expansion

These efforts should lead to timely completion of the project expansion.

Client attrition risk

Loss of clients could impact business and profitability especially when the Company is implementing a capacity expansion.

Mitigation: The special steels business is a relationship-based business. Here products are customised as per client specifications, relations are built based on quality & service level commitments and cost of switching vendors is expensive (in terms of time and resources). The Company's commitment to consistent quality and customer service has ensured that it gains clients. Moreover, its unwavering focus on R&D to develop new products and variants customised to the dynamic client requirement has increased its wallet share and the loyalty of existing clients.

Funds risk

The Company may not possess the funding muscle to manage its increased business operations.

Mitigation: Enhanced business capacity will warrant additional funds to manage business operations. The Rights Issue and QIP issue has significantly strengthened the financial muscle of the Company – net debt-equity ratio has strengthened from 1.59 in 2016-17 to 0.65 in 2017-18. Moreover, the additional volumes (post commissioning of the new capacity) will further strengthen the Company's cash flow – enhancing organisational liquidity.

People risk

Loss of key executives could impact business operations.

Mitigation: This is a reality every business house faces for India is faced with an interesting challenge – despite being the world's second most populous nation it experiences an acute shortage of skilled manpower. To fence our business prospects from the possibility of a brain drain, we have adopted a single philosophy – focus on our people, their growth, their well being and their career progression. And they will take care of the business and its growth. And this is what has happened at Vardhman Special Steels. The Company took this philosophy a step further in 2017-18: it transformed the team into co-owners of the business - the senior management received ESOPs while the rest of the team participated in the Rights Issue. These initiatives, the management believes, should help in retaining the intellectual capital within the organisation.

Statutory Reports

Notice

NOTICE is hereby given that the **EIGHTH ANNUAL GENERAL MEETING** of members of Vardhman Special Steels Limited will be held on Thursday, the 27th day of September, 2018 at 09.00 a.m at the Registered Office of the Company situated at Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

Item No. 1 – To adopt financial statements

To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March, 2018 together with Report of Board of Directors and Auditors thereon.

Item No. 2 – To re-appoint Mrs. Suchita Jain as a director liable to retire by rotation

To appoint a Director in place of Mrs. Suchita Jain (DIN: 00746471), who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers herself for re-appointment.

Item No. 3 – To appoint Statutory Auditor

To consider and approve the appointment of Statutory Auditors of the Company for the financial year 2018-19 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, read with Companies (Audit and Auditors) Rules, 2014, M/s BSR & Co. LLP (Firm Registration No. 101248W/W-100022) Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company for a term of consecutive five years starting from conclusion of the Eighth Annual General Meeting till the conclusion of Thirteenth Annual General Meeting of the Company at such remuneration as may be finalized by the Vice-Chairman & Managing Director in consultation with the auditors plus applicable tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit of the Company."

SPECIAL BUSINESS:

Item No. 4 – To appoint Mr. Rakesh Jain 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 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 Regulations 16 & 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rakesh Jain (DIN: 00020425), who was appointed as an Additional Director of the Company 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 consecutive 5 years starting from 27th April, 2018."

Item No. 5 – To approve revision in remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director.

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

"RESOLVED THAT in furtherance of the resolution passed by Members in their Annual General Meeting held on 22nd September, 2017, in respect of remuneration payable to Mr. Sachit Jain (DIN 00746409), Vice-Chairman & Managing Director and pursuant to the provisions of Sections 196, 197, 203, Schedule V of the Companies Act, 2013 read with Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, approval of Members be and is hereby accorded to pay the following remuneration to Mr. Sachit Jain from 1st October, 2018 to 31st March, 2020:

S.NO.	REMUNERATION	DETAILS
I.	Salary	Salary will be in the scale of ₹10,00,000 – ₹1,00,000 – ₹11,00,000 per month.
II.	Commission	Commission equals to: - 1.5% of the Net Profit of the Company if return on average net worth for that year is up to 15%. - 3% of the Net Profit of the Company if return on average net worth for that year exceeds 15%.
III.	Perquisites	Perquisites in addition to salary and commission shall be restricted to an amount equal to 1 year's salary during each year as per details given below:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the salary. Free furnishing is provided by the Company along with other amenities.
b)	Medical reimbursement	- Global Medical insurance coverage of the appointee for an amount of ₹ one crore/- - Reimbursement of medical expenses incurred by the appointee (including medi-claim insurance premium) on self and his family, subject to a ceiling of one month's salary in a year or two and a half months' basic salary over a period of two and a half years.
c)	Leave Travel	The expenses incurred on leave travel by the appointee on self and his family shall be reimbursed once in a year in accordance with the rules specified by the Company subject to maximum of ₹2,00,000 per annum.
d)	Other Allowance	- ₹5,30,000 per month for F.Y. 2018-19 (from 1st October, 2018 to 31st March, 2019) - ₹5,90,000 per month for F.Y. 2019-20
e)	Club Fees	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
f)	Personal Accident Insurance	Premium not to exceed ₹5,000/- per annum.
g)	Provident Fund & other funds	Contribution to provident fund, superannuation fund or annuity fund and this will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. The said contribution will also be subject to the rules framed in this respect
h)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time.
i)	Car & Communication expenses	Free use of Company's car for official work as well as for personal purposes along with driver and telephone at Company's cost.

Explanation: "Family" means the spouse, the dependent children and dependent parents of the appointee.

"Average Net Worth" means average of the opening and closing net worth of the financial year.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to intimate the Registrar of Companies and to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to Nomination and Remuneration Committee/ Board to give effect to the aforesaid resolution."

Item No. 6 – To ratify the remuneration payable to Cost Auditors for the financial year ending 31st March, 2019

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 31st March, 2019, be paid the remuneration of ₹39,760/- plus applicable tax.

RESOLVED FURTHER THAT Mr. Sachit Jain, Vice-Chairman & Managing Director and Ms. Sonam Taneja, 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."

Item No. 7– To approve continuation of directorship of Mr. Rajinder Kumar Jain as a Non- Executive Director 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 Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended vide SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, approval of the members of the company be and is hereby given for continuation of the directorship of Mr. Rajinder Kumar Jain (DIN: 00046541), April 1, 2019, as per his existing terms of appointment, as a non- executive director of the Company."

BY Order of the Board

Place : Gurugram
Dated : August 11, 2018

Sachit Jain
(Vice Chairman & Managing Director)

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 SEPARATELY ENCLOSED ALONGWITH ATTENDANCE SLIP.

   However, 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.

2. The Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.

3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 17th September, 2018 to 27th September, 2018 (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. The information pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 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.

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 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 dematerialized form) or with Registrar & Transfer Agent- Alankit Assignments Limited, New Delhi (in case of shares held in physical form).

10. The Annual Report 2017-18 is being sent through electronic mode only to the Members whose email addresses are registered with the Company/ Depository Participant(s), unless any member has requested for a physical copy of the report. For Members who have not registered their email addresses, physical copies of the Annual Report 2017-18 are being sent by permitted mode.

11. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participant(s). Members holding shares in physical form are requested to submit their PAN and Bank Account details to the Registrar and Share Transfer Agent. A blank form in this regard is being sent with this Annual Report.

12. The Securities and Exchange Board of India (SEBI) vide its notification dated June 8, 2018 has mandated that w.e.f. December 5, 2018, the transfer of shares would be carried out in dematerialized form only, except in case of transmission or transposition of securities. Hence all the shareholders holding shares in physical form are hereby requested to get their physical shares dematerialized.

13. **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 Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements Regulations), 2015 the Company is pleased to provide members a facility to exercise their right to vote at the 8th 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 e-voting period commences on 24th September, 2018 (9:00 a.m.) and ends on 26th September, 2018 (5:00 p.m.). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 20th September, 2018, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after end of voting period on 26th September, 2018. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

(ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.

(iii) The shareholders should log on to the e-voting website www.evotingindia.com.

(iv) Click on “Shareholders”.

(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 demat form and had logged on to 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:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • 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 sequence number in the PAN field. Sequence number is printed on Attendance Slip provided with the Annual Report. • In case the sequence 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. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Bank Details or Date of Birth (DOB)	Enter the Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. • If both the details are not recorded with the depository or Company please enter the member id / folio number in the Bank details field as mentioned in instruction (v).

(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 demat 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 demat 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 180823004 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 Demat account holder has forgotten the login 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) Shareholders can also cast their vote using CDSL's mobile app "m-Voting" available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xx) Note for Non-Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to 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 e-mailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote.
- The list of accounts should be mailed to 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.

(xxi) Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. 20th September, 2018 may follow the same instructions as mentioned above for e-Voting.

(xxii) 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, under help section or write an e-mail to helpdesk.evoting@cdslindia.com.

14. M/s. Harsh Goyal & 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 upon the conclusion of E-voting period, unblock the votes in presence of at least two witnesses not in employment of the

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Company and make a report of the votes cast in favor or against, if any, forthwith to the Chairman of the Company.

15. The Results of the resolutions passed at the AGM of the Company will be declared within 48 hours of the conclusion of AGM. The results declared along with the Scrutinizer's report shall be simultaneously placed on the Company's website **www.vardhmansteel.com** and on the website of CDSL and will be communicated to the Stock Exchanges.

16. 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 : Gurugram
Dated : August 11, 2018

Sachit Jain
(Vice Chairman & Managing Director)

Annexure to the Notice:

Statement pursuant to section 102 of the Companies Act, 2013:

The following statement sets out all material facts relating to the Special Business mentioned in the Notice.

Item No. 4 of the Special Business:

The Board of Directors of the Company in its meeting held on 27th April, 2018 had appointed Mr. Rakesh Jain 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. Rakesh Jain as candidate for the office of Independent Director of the Company for a term of consecutive 5 years starting from 27th April, 2018.

The Company has also received consent from Mr. Rakesh Jain 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 meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges.

Mr. Rakesh Jain 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. Rakesh Jain is provided at the end of this statement.

The Board recommends the Ordinary Resolution as set out at item number 4 of the Notice for approval by the shareholders.

Memorandum of Interest:

Except Mr. Rakesh Jain, being appointee, none of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in the resolutions set out at Item No. 4.

Item No. 5 of the Special Business:

The Members of the Company, vide their resolution passed at the 5th Annual General Meeting (AGM) of the Company held on 4th September, 2015 had re-appointed Mr. Sachit Jain as Managing Director of the Company for a period of 5 years starting from 1st April, 2015 to 31st March, 2020. The terms of his appointment were revised by the Members in their previous Annual General Meeting held on 22nd September, 2017.

Considering the performance of the Company in 2017-18, the Board of Directors of your Company in its meeting held on 11th August, 2018 had proposed to revise the remuneration payable to Mr. Sachit Jain as per the resolution given in the Notice.

The Board of Directors recommends Special Resolution as set out at Item No. 5 for approval of the Members. Accordingly, your approval is solicited.

Memorandum of Interest:
Except Mr. Sachit Jain, the appointee, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain, being appointee's relative, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 5.

Item No. 6 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. Upon the recommendations of Audit Committee, the Board of Directors in its meeting held on 27th April, 2018 had appointed M/s. Ramanath Iyer & Co., 808, Pearls Business Park, Netaji Subhash Place, New Delhi as Cost Auditors of the Company to conduct Cost Audit for the Financial Year ending 31st March, 2019.

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Accordingly, the consent of the members is solicited for passing an Ordinary Resolution as set out at Item No. 6 of the notice for ratification of payment of remuneration of ₹39,760/- to the Cost Auditors for the Financial Year ending 31st March, 2019. The Board recommends the Ordinary Resolution as set out at Item No. 6 of the Notice for approval by the shareholders.

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. 6.

Item No. 7 of the Special Business:

Pursuant to the provisions of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended vide SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, w.e.f April 1, 2019, approval of the members is required by way of a special resolution for continuing the directorship of any non-executive Director who have attained the age of 75 years.

Now, pursuant to these provisions, for continuation of directorship of Mr. Rajinder Kumar Jain who is aged about 79 years, a Special resolution by the members of the company is required. Mr. Rajinder Kumar Jain holds degree in Chartered Mechanical Engineer from London University. He is an Engineer and has retired as General Manager from Indian Railways. After 35 years of service, he is associated with the company for more than seven years. Now, considering his vast and rich experience and expertise, the Board of Directors recommends this Special Resolution for approval of the members.

Memorandum of Interest:

Except Mr. Rajinder Kumar Jain, the appointee, Mr. Sachit Jain and Mrs. Suchita Jain being appointee's relative, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 7.

Information Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the Directors seeking appointment/ re-appointment in the Annual General Meeting.

Name of the Director	Mrs. Suchita Jain	Mr. Rakesh Jain
Date of Birth	20.03.1968	19.01.1961
Date of Appointment	14.05.2010	27.04.2018
Expertise in specific functional area	Rich experience of more than 25 years in Textiles Industry.	
Qualification	M.Com	Ph.d in Polymers
Directorships in Other Listed Companies as on 31st March, 2018	1. Vardhman Textiles Limited 2. Vardhman Holdings Limited	Nil
Chairperson/Member of Committees of Other Listed Companies as on 31st March, 2018	Nil	Nil
No. of Shares held	90,267	Nil
Relationship with other Director(s)	Mr. Sachit Jain is husband and Mr. Rajinder Kumar Jain is father-in-law of Mrs. Suchita Jain.	Not related to any Director.

Director's Report

Dear Members,

The Directors of your Company have pleasure in presenting their 8th Annual Report of the business and operations of the Company along with the Audited Financial Statements for the year ended 31st March, 2018.

1. FINANCIAL RESULTS:

The financial performance of your Company for the year ended 31st March, 2018 is as under:-

(₹ in Lakhs)

PARTICULARS	2017-18	2016-17
Revenue from operations (Net)	87,788.73	75,312.90
Other Income	610.79	564.29
Profit before Depreciation, Interest & Tax (PBDIT)	6,803.68	6,548.09
Interest and Financial expenses	2,143.08	2,827.97
Profit before Depreciation and Tax (PBDT)	4,660.6	3,720.12
Depreciation	2,151.04	1,806.70
Profit before Tax (PBT)	2,509.56	1,913.42
Provision for Tax - Current Tax (Net of MAT)	5.93	6.27
- Income Tax relating to earlier years	-	(6.53)
Profit after tax (PAT)	2,503.63	1,913.68
Other Comprehensive Income	(29.77)	(22.67)
Total Comprehensive Income	2,473.86	1,891.01
Earnings per share (₹)		
- Basic	7.91	7.80
- Diluted	7.88	7.80

2. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

PRODUCTION & SALES REVIEW:

During the year under review, the production of Billet increased from 1,35,884 MT to 1,67,425 MT, showing an increase of 23.21% over the previous year. The Rolled production increased from 1,35,119 MT to 1,49,957 MT, showing an increase of 10.98% over the previous year.

Your Company has registered Revenue from Operations of ₹87,788.73 lakhs as compared to ₹75,312.90 lakhs in the previous year. The exports of the Company increased from ₹3,953.28 lakhs to ₹4,941.67 lakhs showing an increase of 25.00%.

PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹6,803.68 lakhs as against ₹6,548.09 lakhs in the previous year. After providing for depreciation of ₹2,151.04 lakhs (previous year ₹1,806.70 lakhs), interest of ₹2,143.08 lakhs (previous year ₹2,827.97 lakhs), the net profit after comprehensive income worked out to ₹2,473.86 lakhs as compared to ₹1,891.01 lakhs in the previous year.

RESOURCES UTILISATION:

a) **Fixed Assets:**
The net block as at 31st March, 2018 was ₹24,955.90 lakhs as compared to ₹26,456.50 lakhs in the previous year.

b) **Current Assets:**
The current assets as on 31st March, 2018 were ₹39,781.98 lakhs as against ₹33,507.89 lakhs in the previous year. Inventory level was at ₹15,860.29 lakhs as compared to the previous year level of ₹11,783.09 lakhs.

FINANCIAL CONDITIONS & LIQUIDITY:

The Company enjoys a rating of "AA/stable" from Credit Rating Information Services of India (CRISIL) for long term borrowings and "A1+" for short term borrowings, respectively. 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 Lakhs)

PARTICULARS	2017-18	2016-17
Cash and Cash equivalents:		
Beginning of the year	594.64	379.06
End of the year	748.49	594.64
Net cash provided (used) by:		
Operating Activities	1,121.00	6,803.54
Investing Activities	(1,625.24)	(1,565.42)
Financial Activities	658.09	(5,022.54)

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report for the year under review, as stipulated under Regulation 34(2) (e) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section forming part of this Annual Report.

4. DIVIDEND:

No Dividend was declared during the current financial year.

5. CONSOLIDATED FINANCIAL STATEMENT:

As your Company does not have any subsidiary, associate or joint venture company, the provisions of Companies Act, 2013 and Indian Accounting Standards (Ind AS) 110, 111 and 112 in relation to consolidation of accounts do not apply.

6. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES:

The Company does not have any subsidiary, associate or joint venture company.

7. DIRECTORS:

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

Cessation from Directorship: Mr. Prafull Anubhai, Independent Director, ceased to be a Director of the Company w.e.f. 5th November, 2017.

Declaration under Section 149(6):

The Independent Directors have submitted their disclosures to the Board that they fulfill all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules thereof.

Company's Policy relating to Directors appointment, payment of remuneration and discharge of their duties:

The Nomination & Remuneration Committee of the Company has formulated the Nomination & Remuneration Policy on Director's appointment and remuneration including the criteria for determining qualifications, positive attributes, independence of a director and other matters as provided under Section 178(3) of the Companies Act, 2013.

The Nomination & Remuneration Policy is annexed hereto and forms part of this report as **Annexure I**.

Continuation of Non-Executive Directors:

Pursuant to the provisions of Regulation 17 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, as amended vide SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Special Resolution has been proposed to be passed by the Members in the ensuing Annual General Meeting for continuation of directorship of Mr. Rajinder Kumar Jain, a non-executive director who is above the age of 75 years.

Familiarization programmes for Board Members:

Your Company has formulated Familiarization Programme for all the Board members in accordance with Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Schedule IV of the Companies Act, 2013 which provides that the Company shall familiarize the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of Industry in which the Company operates, business model of the Company, etc. through various programmes.

The Familiarization Programme for Board members may be accessed on the Company's website at the link:

http://vardhmansteel.com/vss/uploads/tpl-buddy-011/img/familarisation%20program.pdf

Annual Evaluation of the Board Performance:

The meeting of Independent Directors of the Company for the calendar year 2017 was held on 4th November, 2017 to evaluate the performance of Non-Independent Directors, Chairperson of the Company and the Board as a whole.

The evaluation was done by way of discussions on the performance of the Non-Independent Directors, Chairperson and Board as a whole.

A policy on the performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of non-executive directors and executive directors has been formulated by the Company.

8. KEY MANAGERIAL PERSONNEL (KMP):

In compliance with the provisions of Section 203 of the Companies Act, 2013, following are the KMPs of the Company as on 31st March, 2018:

S.No.	Name	Designation
1.	Sachit Jain	Vice-Chairman & Managing Director
2.	Sanjeev Singla	Chief Financial Officer
3.	Sonam Taneja	Company Secretary

9. NUMBER OF BOARD MEETINGS:

During the year under review, the Board met Four (4) times and the intervening gap between any two meetings was within the period prescribed under Companies Act, 2013. The details of Board Meetings are set out in Corporate Governance Report which forms part of this Annual Report.

10. AUDITORS AND AUDITORS' REPORT:

Statutory Auditors:

At the Annual General Meeting held on 24th September, 2014, M/s. S.S. Kothari Mehta & Company, Chartered Accountants, Panchkula, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 9th Annual General Meeting of the Company.

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2018.

The Auditors' Report is self-explanatory and requires no comments.

Further, this is to inform the members that M/s S.S. Kothari Mehta & Company, have shown their inability to continue as Auditors of the Company and have informed the Company that they will continue as Statutory Auditors upto the conclusion of 8th Annual General Meeting of the Company. Now, on the recommendation of the Audit Committee of the Board of Directors of the Company has recommended the appointment of M/s BSR & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company. M/s. BSR & Co. LLP, Chartered Accountants will hold the office for a period of 5 years starting from the conclusion of 8th Annual General Meeting till the conclusion of 13th Annual General Meeting, subject to the approval of Members of the Company.

Secretarial Auditor:

M/s. Harsh Goyal & Associates, Company Secretary in Practice, were appointed as Secretarial Auditors of the Company by the Board of Directors of the Company in its meeting held on 28th April, 2017 for the financial year 2017-18.

The Secretarial Auditors of the Company have submitted their Report in Form MR-3 as required under Section 204 of the Companies Act, 2013 for the financial year ended 31st March, 2018. The Auditors' Report is self-explanatory and requires no comments. The Report forms part of this report as **Annexure II.**
Cost Auditor:

The Company is maintaining the Cost Records, as specified by the Central Government under section 148(1) of Companies Act, 2013.

The Board of Directors has appointed M/s Ramanath Iyer & Company, Cost Accountants, New Delhi, as the Cost Auditors of the Company to conduct Cost Audit of the Accounts for the financial year ended 2018-19. However, as per provisions of Section 148 of the Companies Act, 2013, read with Companies (Cost Records and Audit) Rules, 2014, the remuneration to be paid to the Cost Auditors is subject to ratification by members at the Annual General Meeting. Accordingly, the remuneration to be paid to M/s Ramanath Iyer & Company, Cost Accountants, New Delhi, for financial year 2018-19 is placed for ratification by the members.

11.AUDIT COMMITTEE & VIGIL MECHANISM:

Composition of Audit Committee:

The Audit Committee consists of Mr. Sanjoy Bhattacharyya, Independent Director, Mr. Sanjeev Pahwa, Independent Director and Mr. Rajinder Kumar Jain, Non-Executive Director. Mr. Sanjoy Bhattacharyya is the Chairman of the Committee and Ms. Sonam Taneja is the Secretary of the Committee. All the recommendations made by the Audit Committee were accepted by the Board.

Vigil Mechanism:

Pursuant to the provisions of Section 177(9) of the Companies Act, 2013 the Company has established a "Vigil Mechanism" incorporating whistle blower policy in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for employees and Directors of the Company, for expressing the genuine concerns of unethical behavior, actual or suspected fraud or violation of the codes of conduct by way of direct access to the Chairman/ Chairman of the Audit Committee.

The Company has also provided adequate safeguards against victimization of employees and Directors who express their concerns.

The Policy on Vigil Mechanism and whistle blower policy as approved by the Board may be accessed on the Company's website at the link:

http://vardhmansteel.com/sites/default/files/download-files/vigil_mechanism_final.pdf

12. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. Corporate Governance is about maximizing shareholders value legally, ethically and sustainably. 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 Clauses of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to the report on Corporate Governance.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR):

Vision & Core areas of CSR: Your Company is committed to and fully aware of its Corporate Social Responsibility (CSR), the guidelines in respect of which were more clearly laid down in the Companies Act, 2013. The Company's vision on CSR is to pursue a corporate strategy that enables shareholder value enhancement and societal value creation in a mutually reinforcing and synergistic manner.

CSR Policy: The Corporate Social Responsibility Policy of the Company indicating the activities to be undertaken by the Company, as approved by the Board, may be accessed on the Company's website at the link:

http://vardhmansteel.com/Corporate%20Social%20Responsibility%20Policy.pdf

During the year, the Company has spent ₹5.65 lakhs on CSR activities.

The disclosures related to CSR activities pursuant to Section 134(3) of the Companies Act, 2013 read with Rule 9 of Companies (Accounts) Rules, 2014 and Companies (Corporate Social Responsibility) Rules, 2014 is annexed hereto and form part of this report as **Annexure III.**

14.RISK MANAGEMENT:

The Risk Management Policy required to be formulated under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been duly formulated and approved by the Board of Directors of the Company. The aim of Risk Management Policy is to maximize opportunities in all activities and to minimize adversity. The policy includes identifying types of risks and its assessment, risk handling, monitoring and reporting, which in the opinion of the Board may threaten the existence of the Company.

The Risk Management Policy may be accessed on the Company's website at the *link:http://www.vardhmansteel.com/sites/default/files/download-files/risk_ management_policy_final.pdf*

15. INTERNAL FINANCIAL CONTROLS:

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.

A report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013, as given by the Statutory Auditors of the Company, forms part of the Independent Auditor's Report as **Annexure B.**

16. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES:

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is not applicable .

The Policy on dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link:

http://www.vardhmansteel.com/sites/default/files/download-files/related_party_transaction_final.pdf

Your Directors draw attention of the Members to Note 37 to the financial statement which sets out related party disclosures.

17. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013 :

Particulars of loans given/ taken, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the financial statement (Please refer to Note 5, 12 and 19 to the financial statement).

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

Energy conservation continues to be an area of major emphasis in our 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 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014, are annexed hereto and form part of this report as **Annexure IV.**

19. ANNUAL RETURN:

Pursuant to the provisions of Section 134(3)(a) of Companies Act, 2013, as substituted by Companies (Amendment) Act, 2017, w.e.f. 31st July, 2018, the web address of the extract of Annual Return of the Company is **https://www.vardhman.com/user_files/investor/MGT-9%20VSSL.pdf**

20. HUMAN RESOURCES /INDUSTRIAL RELATIONS:

Human resource is considered as the most valuable of all resources available to the Company. The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. The Management has been continuously endeavoring to build high performance culture on one hand and amiable work environment on the other hand. During the year, the Company employed around 954 employees on permanent rolls.

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

21. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

The disclosures in respect of managerial remuneration as required under section 197(12) read with Rule 5(1) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 are annexed hereto and forms part of this report.

A statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in Rule 5 (2) and 5 (3) Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is annexed hereto and forms part of this report.

All the above details are provided in **Annexure V.**

In terms of section 197(14) of the Companies Act, 2013, the Company does not have any holding or subsidiary Company.

22. MATERIAL CHANGES AND COMMITMENT, IF ANY, AFFECTING THE

FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THESE FINANCIAL STATEMENTS RELATE AND THE DATE OF THIS REPORT:

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate on the date of this report.

23.DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to provisions of Section 134 (5) of the Companies Act, 2013, the Board hereby submit its responsibility Statement:—

a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures;

b. appropriate accounting policies have been selected and applied consistently, and have made judgements 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, 2018 and of the profit of the Company for the year ended on 31st March, 2018;

c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the annual accounts have been prepared on a going concern basis;

e. the Internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

f. Proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

24. GENERAL DISCLOSURES:

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
4. Change in nature of Business of Company.
5. Transfer of Unclaimed dividend to Investor Education and Protection fund.

Further, your Directors state that the Company has complied with the provisions relating to constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and there was no case filed under the said Act.

25. STOCK OPTIONS:

The Company has granted Options to its employees under Vardhman Special Steels Limited Employee Stock Option Plan, 2016. Out of a total of 3,71,108 Options, the Company has granted 2,10,000 Options to its eligible employees. One option entitles the holder to apply for one equity share of the Company, subject to corporate action, after a vesting period of 2 years from the date of Grant i.e. 12th November, 2016. So, the exact impact on the paid-up capital of the Company depends on the rights exercised by the eligible employees to convert these options into equity shares of the Company.

The ESOP plan of the Company is being implemented in accordance with SEBI (Share Based Employee Benefits) Regulations, 2014 and the resolution passed by the shareholders approving the said plan. A certificate received from the Auditors of the Company in this regard would be available at the Annual General Meeting for the inspection by the Members.

26. RIGHTS ISSUE

During the year, your Company has raised an amount of ₹67.85 crore by issue and allotment of 1,35,70,000 equity shares of ₹10 each at a premium of ₹40/- per share on Rights Basis. The paid-up equity capital of the Company after the Rights Issue stood increased to ₹32,12,53,760/-

27. QUALIFIED INSTITUTIONAL PLACEMENT:

The Members of the Company in its extra-ordinary General Meeting held on 6th December, 2017 had given their approval for raising funds upto an amount not exceeding ₹175 crores by way of issue of ADRs, GDRs, QIP or otherwise.

Accordingly, the Company came out with a QIP Issue in February, 2018 and a Committee of Directors (Fund Raising) in its meeting held on 21st February, 2018, allotted 35,72,000 equity share to successful bidders at a price of ₹140/- per share (including premium of ₹130/-). The paid-up equity capital of the Company after the QIP stood increased to ₹35,69,73,760/-.

28. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government, Bankers, Business Constituents and Shareholders for their continued and valuable co-operation and support to the Company and look forward to their continued support and co-operation in future too.

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 : Gurugram
Dated : August 11, 2018

(RAJEEV GUPTA)
Chairman

Annexures to the Directors' Report

INDEX OF ANNEXURES

(FORMING PART OF BOARD REPORT)

Annexure- i

Nomination & Remuneration Policy of the Company:

1. PREFACE:

In terms of the provisions of Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, this policy on Nomination and Remuneration of Directors and Senior Management has been formulated by the Committee and approved by the Board of Directors in its meeting held on 2nd August, 2014.

Upon the recommendations of Nomination and Remuneration Committee, the Board of Directors of VSSL in its meeting held on 2nd May, 2015 made certain amendments in the existing policy and thereafter replaced the existing policy with the amended policy.

The amended policy is as under:-

2. ROLE OF THE COMMITTEE:

a) To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down and recommend to Board their appointment and removal.

b) To formulate criteria for determining qualifications, positive attributes and independence of a Director.

c) To recommend to the Board remuneration policy related to remuneration of Directors (Whole Time Directors, Executive Directors etc.), Key Managerial Personnel and other employees while ensuring the following:-

- That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.
- That relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- That remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

d) To formulate criteria for evaluation of Directors and the Board.

e) To devise a policy on Board diversity.

3. MEMBERSHIP.

a) The Committee shall consist of a minimum three (3) non-executive directors, majority of them being independent.

b) Minimum two (2) members shall constitute a quorum for the Committee meeting.

c) Membership of the Committee shall be disclosed in the Annual Report.

d) Term of the Committee shall be continued unless terminated by the Board of Directors.

4. CHAIRMAN:

a) Chairman of the Committee shall be an Independent Director.

b) Chairman of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

5. FREQUENCY OF MEETINGS:

The meeting of the Committee shall be held at such regular intervals as may be required.

6. COMMITTEE MEMBERS' INTERESTS:

a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

7. SECRETARY:

The Company Secretary of the Company shall act as Secretary of the Committee.

8. VOTING:

a) Decisions of the Committee shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

b) In case of equality of votes, the Chairman of the meeting will have a casting vote.

9. MINUTES OF COMMITTEE MEETING:

The minutes of all the proceedings of all meetings must be signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board Meeting.

10. EFFECTIVE DATE & AMENDMENTS:

This policy will be effective from 2nd May, 2015 and may be amended subject to the approval of Board of Directors.

Form MR-3

Secretarial Audit Report

Annexure- ii

for the financial year ended 31st march, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Vardhman Special Steels Limited
Ludhiana.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Vardhman Special Steels Limited (hereinafter referred to as Company).

Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts, statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

  (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

  (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

  (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

  (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  (f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit period)

(g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the Audit period)

(h) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

(i) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. (Not applicable to the Company during the Audit period)

We have also examined the compliance of the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.

We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof on test check basis, the Company has complied with the following laws applicable specifically to the Company:

(a) Environment Protection Act, 1986

(b) Water (Prevention and Control of Pollution) Act, 1974

(c) Air (Prevention and Control of Pollution) Act, 1981

We further report that

(a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Woman Director and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

(b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

(c) Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes, wherever applicable.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the company has received the approval of the members u/s 23, 42, 62(1)(b), 62(1)(c), 117, 148, 149, 152, 197, 197(4) and 198 of the Companies Act,2013 read with applicable rules thereof.

For **Harsh Goyal & Associates**
Company Secretaries

(Harsh Kumar Goyal)
Prop.
FCS 3314
C P No.:2802

Place: Ludhiana
Date: April 27, 2018

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure- a

To
The Members,
Vardhman Special Steels Limited
Ludhiana

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **Harsh Goyal & Associates**
Company Secretaries

(Harsh Kumar Goyal)
Prop.
FCS 3314
C P No.:2802

Place: Ludhiana
Date: April 27, 2018

Annexure- iii

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2017-18:

Sr. No.	Particulars	Details
1	Brief outline of CSR policy	The thrust areas for CSR includes promotion of education, environment protection and energy conservation, development of human capital, rural development, women empowerment, and any other project/ programme pertaining to activities listed in Rules.
2	Composition of CSR Committee	The CSR Committee of the Company consists of: i) Sanjeev Pahwa- Chairman ii) Sachit Jain- Member iii) Suchita Jain- Member
3	Average net profit / (loss) of the Company for last three financial years	₹ 276.59 lakhs
4	Prescribed CSR Expenditure	₹ 5.53 lakhs
5	Details of CSR spent during the year	
	Total amount spent for the financial year	₹ 5.65 lakhs
	Amount unspent, if any	N.A.
	Manner in which the amount spend during the financial year	Annexure -A
6.	In case the company has failed to spend two percent, reason thereof.	N.A.

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2017-18:

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs 1. Local area or other 2. Specify the state and district where project or program was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs subheads	Cumulative Expenditure upto the reporting period (Amount In ₹)	Amount spent: Direct or through implementing agency
				Direct Expenditure on Projects/ Programs (including overheads) (Amount In ₹)			
1	Donation to Behavior Momentum India Foundation for the cause of Autism	Preventive Health Care	Ludhiana	11,000	11,000	11,000	Direct
2	Donation to The North India Cerebral Palsy Association	Preventive Health Care	Ludhiana	50,000	50,000	50,000	Direct
3	Plantation at Municipal Corporation Park opposite VSSL	Environment & Sustainability	Ludhiana	58,650	58,650	58,650	Direct
4	Plantation in park at DC office, Ludhiana	Environment & Sustainability	Ludhiana	7,940	7,940	7,940	Direct
5	Imparting training and distribution of safety jackets to cyclists, pedestrians and workers of nearby industry on safety day	Promoting Education and providing training	Ludhiana	78,225	78,225	78,225	Direct
6	Donation to Police for CCTV installation	Public Welfare	Ludhiana	58,998	58,998	58,998	Direct
7	Supporting India's First Father-Daughter Duo to scale Mount Everest	Promoting Sports	Ludhiana	3,00,000	3,00,000	3,00,000	Direct

RESPONSIBILITY STATEMENT:

It is hereby affirmed that the implementation and monitoring of CSR policy is in compliance with CSR objectives of the Company.

SIGNED BY:-

Date: August 11, 2018	**(Sachit Jain)**	**(Sanjeev Pahwa)**
Place: Gurugram	Vice-Chairman & Managing Director	Chairman of CSR Committee

Annexure- iv

I. ENERGY CONSERVATION:

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under the Companies (Accounts) Rules, 2014.

STEPS TAKEN FOR CONSERVATION OF ENERGY:

The Company has taken various measures in conservation of energy. The thrust is to measure the existing system parameters and then implement improvements. Emphasis is also given to optimize the operation of various equipments which also lead to energy conservation.

Conservation measures taken, proposed measures being implemented for reduction of consumption of energy and consequent impact thereof on the cost of production of goods in Vardhman Special Steels Limited for the year 2017-18:

1. Improvement of Power factor from 0.97 to 0.98 by installing the statcom panels at EAF.
2. Installed 185 w LED lights in place of mercury paper lamps 400 w at various places in the plant.
3. Power saving at EAF by improvement in regulation system and up gradation of efficient transformer.
4. Power saving at EAF by using better scrap mix

II. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished as under:

A) RESEARCH AND DEVELOPMENT (R&D):

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

✓ A project was undertaken to upgrade quality testing facility under National Accreditation Board for Testing and Calibration Laboratories (NABL) to meet global standard of precision in testing & measurement.

✓ Another Thermodynamic and kinematic calculations model has been developed to achieve following Objectives:

- Optimize slag composition to improve cleanliness of the steel.
- Amount of lime used to maintain desired basicity at ladle refining station. Hence, savings in lime consumption.
- Develop continuing education platforms to train shop floor technicians in-house to enhance their technical knowledge base.

✓ Practice adopted for introducing Ti wire in steel grade instead of regular practice of addition of Ferro-Titanium.

✓ Steel with lower level of gases i.e oxygen level of 10 PPM developed & standardized for special & critical application of passenger car segment.

✓ Developed quench & tempered steel to cater overseas requirement for oil & gas industries in Russia and for other applications in Turkey.

✓ Special steel grade developed for die punches application for export supply of Vietnam.

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

✓ As a result of reduction in variations in production processes, melting production increased.

- ✓ Relationship between theoretical & practical data has been established by developing a new software. It helps operators at shop floor to know the quantity of raw-materials, fluxes, lime etc. required to be added to ensure the efficient ladle refining process.

3. Future Course of action:

Management is fully committed to further strengthen the Research & Development activities by inducting more metallurgists from leading Institutes of India and also planning to add more equipments to strengthen its product testing and development activities.

4. Expenditure on R & D:

(₹ in Lakhs)

	(2017-18)	(2016-17)
Capital	169.74	7.64
Recurring	609.41	444.27
Total	779.15	451.91
Total R & D expenditure as a Percentage of Turnover	0.88	0.60

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made:

a) A new software was developed for calculating quantity of raw material, fluxes, lime etc. required during steel making.

b) Planning to install new technologies namely

-Scanning Electron Microscopy with EDS ,

-Optical Metallurgical Microscope with automatic image analysis,

-XRD for Slag & Ferro Analysis.

-MQA for Steel Quality Improvement.

- XRD-XRF.

-Advance display system at shop floors with updated software to provide real time results at EAF, LRF, VD & CCM.

c) A research paper was presented in 3rd International Conference on Science and Technology of Iron making & Steel making at the Indian Institute of Technology, Kanpur (INDIA) held in Dec 2017 on **"A STEADY STATE MATERIAL BALANCE MODEL AND ITS APPLICATION TO CONTROL POST TAPPING STEEL CHEMISTRY ON LRF "**

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

Details of Technology imported	Year of Import	Whether the technology been fully absorbed
NDT Line comprising of Shot Blasting Machine, Straightening & Chamferring Machine, Automatic Magnetic Flux Leakage Testing Machine and Automatic Ultrasonic Testing Machine for inspecting internal soundness of steel bars	2013-14	Yes
Radiation Detection Gate	2014-15	Yes
Radioactive Contamination Analyzer	2014-15	Yes
Advance spectrometer with more number of channels	2017-18	Yes
Ultrasonic Immersion test to judge cleanliness of the steel.	2017-18	Yes

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

- Exported 9,351.18 MT, having value of ₹49.42 crore, of rolled products during the financial year 2017-18, achieving a growth rate of 37.51% over last financial year.
- Development of quench and tempered steel for automotive application.
- Focus on development of market in non-automotive segment.
- Export of steel bars diversified into new products & markets with continuous growth.

Total Foreign Exchange earned and used:

(₹ in Lakhs)

Particulars	2017-18	2016-17
a). Earnings (FOB value of Exports)	4,640.28	3,644.48
b). Outgo (CIF value of Imports and Expenditure in Foreign Currency)	12,914.81	10,538.78

Annexures to the Directors' Report

Annexure- v

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF COMPANIES ACT, 2013 READ WITH RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

1. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2017-18 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2017-18 are as under:

S. NO.	NAME OF DIRECTOR/ KMP AND DESIGNATION	REMUNERATION FOR DIRECTORS/ KMP FOR FINANCIAL YEAR 2017-18 (AMOUNT IN ₹)	% INCREASE IN REMUNERATION IN THE FINANCIAL YEAR 2017-18	RATIO OF REMUNERATION OF EACH DIRECTOR/ KMP TO MEDIAN REMUNERATION OF EMPLOYEES
1.	Sachit Jain Vice- Chairman & Managing Director	2,28,70,211	102.87	67.30
2.	Suchita Jain Non-Executive Director	-	-	0.00
3.	B.K. Choudhary Non-Executive Director	-	-	0.00
4.	Rajinder Kumar Jain Non-Executive Director	2,00,000	53.85	0.59
5.	Prafull Anubhai* Independent Director	7,57,033	-35.30	2.23
6.	Rajeev Gupta Independent Director	1,50,000	87.50	0.44
7.	Sanjeev Pahwa Independent Director	2,30,000	130.00	0.68
8.	Jayant Davar Independent Director	90,000	200.00	0.26
9.	Sanjoy Bhattacharyya Independent Director	1,85,000	236.36	0.54
10.	Sanjeev Singla Chief Financial Officer	25,83,142	34.91	7.60
11.	Sonam Taneja Company Secretary	4,92,018	19.89	1.45

*Mr. Prafull Anubhai ceased to be a Director of the Company w.e.f. 5th November, 2017.

2. The median remuneration of employees of the Company during the financial year was ₹3,39,843/-
3. In the financial year, there was an increase of 5.49% in the median remuneration of employees.
4. There were 954 permanent employees on the rolls of Company as on March 31, 2018.
5. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year 2017-18 was 15.20% whereas the increase in the managerial remuneration for the same financial year was 121.19%
6. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF COMPANIES ACT, 2013 READ WITH RULE 5 (2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.

A. PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION WHICH, IN THE AGGREGATE, WAS NOT LESS THAN ₹ 1,02,00,000/- PER ANNUM

S. NO.	Name of employee	Designation/Nature of duties	Remun-eration (in ₹ lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last employment
1.	Mr. Subhasis Dey*	President & Chief Executive	120.02	BE	56	35.03	10/06/2016	Managing Director, Banco Group, Vododara

* Mr. Subhasis Dey resigned from the services of the Company w.e.f. 30th May, 2018

B. PERSONS EMPLOYED FOR A PART OF FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION FOR ANY PART OF THAT YEAR, AT A RATE WHICH IN AGGREGATE, WAS NOT LESS THAN ₹ 8,50,000/- PER MONTH - NIL

STATEMENT SHOWING DETAILS OF TOP TEN EMPLOYEES IN TERMS OF REMUNERATION DRAWN AT THE YEAR ENDED 31ST MARCH, 2018:

Sr. No.	Name	Age	Designation	Gross Remuneration (in lakhs per annum)	Nature of Employment	Qualification	Experience	Date of joining	Previous Employment	No. of Equity Shares held on 31.03.2018
1.	Subhasis Dey	56	President & Chief Executive	120.02	Regular	BE PGDIM	35.03	10/06/2016	Banco Group	7,000
2.	Mukesh Gupta	44	Senior Vice-President	51.89	Regular	BE (MET)	17.08	12/08/2016	Mahindra Sanyo Special Steel Pvt. Ltd.	6,538
3.	Satish Kumar Tuli	66	Senior General Manager (Technical and Projects)	51.50	Regular	BE (MET)	41.01	01/03/2011	Modern Steels Limited	2,400
4.	Deepinder Singh Kalra	49	General Manager	47.00	Regular	BE (Chemicals) MBA-FIn	23.05	19/08/2016	Welspun India Limited	4,025
5.	Somashekarappa S Tippannavar	68	General Manager	44.00	Regular	BE (MET)	45.09	02/07/2016	Arora Iron & Steel Rolling Mills Pvt. Ltd.	4,000
6.	M.K. Srivastav	55	Senior Vice-President	36.00	Regular	M/COM, LLB, PGDIRPM, DLL, DBS	35.02	06/04/1999	Kumar Group of Industries	4,000
7.	Amit Chopra	43	Vice-President	27.47	Regular	MBA BE	19.11	15/05/2009	Jindal Stainless Ltd.	1,300
8.	Jagdish Chand	48	Vice-President	27.10	Regular	DIP (Elect)	29.08	10/03/1992	Shreyans Spin-ning Mills	1,500
9.	Davinder Singh	44	Vice-President	27.00	Regular	MSC MDBA	22.11	04/05/2015	Modern Steels Limited	4,000
10.	Sanjeev Singla	42	Vice-President	25.76	Regular	B/COM, CS (Inter)	23.00	25/03/2014	Vardhman Polytex Limited	7,000

Note:- None of the above employees is related to any director of the Company.

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 hallmarks of the best practices followed by the Company. This report on Corporate Governance, besides being in compliance of the mandatory SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, gives an insight into the functioning of the Company.

1. VARDHMAN GROUP'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.
- Zero defect implementation.
- Integrated diversification/ product range expansion.
- Global orientation.
- 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/ BOARD MEETINGS:

i. Composition as on 31st March, 2018:

The Composition of Board and category of Directors are as follows:-

Category	Name of Directors
Promoter Directors	# Sachit Jain- Vice-Chairman & Managing Director # Suchita Jain- Non- Executive Non- Independent Director
Independent Directors	Jayant Davar Rajeev Gupta Sanjeev Pahwa Sanjoy Bhattacharyya
Non- Executive Non- Independent Director	B.K. Choudhary #Rajinder Kumar Jain

Relationship Inter-se:

Except Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain, none of the Director of the Company is related to any other Director of the Company.

ii. Board Meetings:

During the financial year 2017-18, the Board met 4 times on the following dates:

- 28th April, 2017
- 29th July, 2017
- 4th November, 2017
- 3rd February, 2018

iii. Attendance of the Directors 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	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
Sachit Jain	4	Yes	5	2	-	1
Rajinder Kumar Jain	4	No	-	-	-	-
Suchita Jain	3	Yes	7	-	-	-
Prafull Anubhai *	3	Yes	3	4	-	2
B.K. Choudhary	4	No	2	1	-	-
Sanjeev Pahwa	3	No	2	1	-	-
Rajeev Gupta	3	No	6	4	-	-
Jayant Davar	3	No	4	-	-	-
Sanjoy Bhattacharyya	3	No	-	-	-	-

*Mr. Prafull Anubhai ceased to be a Director of the Company w.e.f. 5th November, 2017.

Video conferencing facility was provided to facilitate Directors travelling abroad or present at other locations to participate in the Board meetings.

3. BOARD COMMITTEES:

i. Board Committees, their composition and terms of reference are provided as under:

NAME OF COMMITTEE	COMPOSITION	TERMS OF REFERENCE
Audit Committee	Sanjoy Bhattacharyya (Chairman) Sanjeev Pahwa Rajinder Kumar Jain	• The role of the Audit Committee is as per Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Corporate Governance Report:

NAME OF COMMITTEE	COMPOSITION	TERMS OF REFERENCE
Nomination and Remuneration Committee	Sanjoy Bhattacharyya (Chairman) B.K. Choudhary Rajeev Gupta	• The role of the Nomination and Remuneration Committee is as per Section 178 of the Companies Act, 2013 read with Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. • Formulated and recommended Nomination and Remuneration Policy. • The Nomination & Remuneration Policy includes policy on Director's appointment and remuneration including the criteria for determining qualifications, positive attributes, independence of a Director and other matters as provided under Section 178(3) of the Companies Act, 2013. • Nomination and Remuneration Policy of the Company forms part of the Board Report as **Annexure I.**
Corporate Social Responsibility Committee	Sanjeev Pahwa (Chairman) Sachit Jain Suchita Jain	• Formulated and recommended CSR Policy of the Company indicating CSR activities proposed to be undertaken by the Company pursuant to provisions of Schedule VII of the Companies Act, 2013 read with CSR Rules, 2014. The CSR policy may be accessed on the Company's website at the link: **http://vardhmansteel.com/Corporate%20Social%20Responsibility%20Policy.pdf** • Recommends expenditure to be incurred for CSR activities/ project and ensures effective monitoring of CSR policy of the Company from time to time. • The Annual Report on CSR activities undertaken by the Company forms part of the Board Report as **Annexure III.**
Stakeholders' Relationship Committee	Sanjeev Pahwa (Chairman) Suchita Jain B.K. Choudhary	• The Committee reviews and ensures redressal of investor grievances. • The Committee noted that during the year the Company received 6 complaints from Investors. There is no pendency in respect of shares received for transfer during 2017-2018.

Ms. Sonam Taneja, Company Secretary and Compliance Officer, is the Secretary of all Board Committees constituted under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ii. Meetings of Board Committees held during the year and Director's attendance:

Board Committees	Audit	CSR	Nomination & Remuneration	Stakeholders Relationship
Meetings held	**5**	**2**	**1**	**1**
Sachit Jain	N.A.	2	N.A	N.A.
Suchita Jain	N.A.	0	N.A.	1
Prafull Anubhai*	4	N.A.	1	N.A.
Rajeev Gupta**	3	N.A.	1	N.A.
Jayant Davar	N.A.	N.A.	N.A.	N.A.
Sanjeev Pahwa	5	2	N.A.	1
Rajinder Kumar Jain	5	N.A.	N.A.	N.A.
B.K. Choudhary	N.A.	N.A.	1	0
Sanjoy Bhattacharyya***	3	N.A.	0	N.A.

N.A. - Not a member of the Committee

* Mr. Prafull Anubhai ceased to be a Director of the Company w.e.f. 5th November, 2017.
** Mr. Rajeev Gupta ceased to be member of Audit Committee w.e.f. 2nd December, 2017.
*** Mr. Sanjoy Bhattacharyya was appointed as Chairman of Audit Committee and member of Nomination and Remuneration Committee of the Company w.e.f. 2nd December, 2017.

iii. Meeting of Independent Directors:

The meeting of Independent Directors of the Company for the calendar year 2017 was held on 4th November, 2017, to evaluate the performance of Non-Independent Directors of the Company, Chairman of the Company and the Board as a whole.

Performance Evaluation

The performance evaluation of Non-Independent Directors of the Company, Chairman of the Company and the Board as a whole, was done by Independent Directors by way of discussions on their performance.

A policy on the performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of non-executive directors and executive directors have been formulated by the Company.

Pursuant to the provisions of the Companies Act, 2013, Listing Regulations and as per the Nomination, Appointment and Remuneration Policy, the Board of Directors/ Independent Directors/Nomination & Remuneration Committee ("NRC") (as applicable) had undertaken an evaluation of the Board's own performance, the performance of its Committees and of all the individual Directors including the Chairman of the Board of Directors based on various parameters relating to roles, responsibilities and obligations of the Board, effectiveness of its functioning, contribution of Directors at meetings and the functioning of its Committees.

Familiarisation Programme for Independent Directors

The details of the Familiarisation Programme conducted for the Independent Directors of the Company are available on the Company's website at the link:

https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/familarisation%20program.pdf

4. DIRECTORS' REMUNERATION:

i) Vice-Chairman & Managing Director:

The Company pays remuneration to Vice-Chairman & Managing Director as approved by the Board of Directors and the Members of the Company in the General Meeting.

A detail of remuneration paid to the Vice-Chairman & Managing Director during the year 2017-18 is as given below:

(in ₹ Lakhs)

Name	Designation	Salary	Perquisites & Allowances	Retirement Benefit	Commission	Gross remuneration
Sachit Jain	Vice-Chairman & Managing Director	96.00	95.06	—	37.64	228.70

Corporate Governance Report:

ii) Non-Executive Directors:

Mr. Prafull Anubhai, Non-Executive Chairman and Independent Director of the Company was entitled to remuneration by way of commission @ 1% of the Net Profit of the Company subject to a maximum of ₹10 lakhs per annum. The remuneration due to Mr. Prafull Anubhai for the year 2017-18 was ₹5,97,033. This remuneration is upto 5th November, 2017, thereafter, he ceased to be a Director of the Company.

The Directors were paid sitting fees @ ₹15,000/- per Board Meeting and @ ₹10,000/- per Committee Meeting upto 22nd September, 2017. Thereafter, pursuant to the approval given by members in their previous Annual General Meeting held on 22nd September, 2017, the sitting fee payable to Directors stood increased to ₹40,000 per Board Meeting, ₹30,000 per Audit Committee Meetings and ₹20,000 per meeting for other Committee Meeting. The detail of sitting fees paid to the Directors during the Financial Year 2017-18 is given hereunder: -

S.NO.	NAME OF DIRECTOR	SITTING FEE (₹)
1.	Prafull Anubhai*	1,60,000
2.	Rajinder Kumar Jain	2,00,000
3.	Rajeev Gupta	1,50,000
4.	Sanjeev Pahwa	2,30,000
5.	Jayant Davar	90,000
6.	Sanjoy Bhattacharyya	1,85,000

* Mr. Prafull Anubhai ceased to be a Director of the Company w.e.f. 5th November, 2017.

5. SHAREHOLDING DETAIL OF DIRECTORS AS ON 31ST MARCH, 2018:

The shareholding of the Directors in the Equity Share Capital of the Company is given as follows: -

S.NO.	NAME OF DIRECTOR	NUMBER OF SHARES HELD
1.	Suchita Jain	90,267
2.	Sachit Jain	45,04,742
3.	Rajinder Kumar Jain	52,197
4.	Sanjoy Bhattacharyya	10

*No other director holds any share in the Equity Share Capital of the Company.

6. GENERAL BODY MEETINGS:

i The details of Annual General Meetings & No. of Special Resolutions passed thereat is as follows:

Meeting	Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
7th Annual General Meeting for the Financial year ended 31st March, 2017.	Friday, 22nd September, 2017 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana-141010.	7

Meeting	Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
6th Annual General Meeting for the Financial Year ended 31st March, 2016.	Wednesday, 28th September, 2016 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana-141010.	4
5th Annual General Meeting for the Financial Year ended 31st March, 2015	Friday, 4th September, 2015 at 12.00 noon.	Regd. Office, Chandigarh Road, Ludhiana-141010	1

ii The details of Extra-Ordinary General Meeting & No. of Special Resolutions passed thereat is as follows:

Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
Wednesday, 6th December, 2017 at 10:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana-141010.	1

iii. Postal Ballot

During the year, no resolution was passed through postal ballot. There is no immediate proposal for passing any resolution through postal ballot in the financial year 2018-19.

7. DISCLOSURES:

i. There was no materially significant related party transaction that may have any potential conflict with interest of the Company at large. The Policy on dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link:

http://vardhmansteel.com/sites/default/files/download-files/related_party_transaction_final.pdf

ii. There has not been any non-compliance by the Company in respect of which penalties or strictures were imposed by the Stock Exchanges or Securities and Exchange Board of India (SEBI) or any other Statutory Authority during the last three years.

iii. The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a Vigil Mechanism and Whistle Blower Policy under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. The policy on "Vigil Mechanism and Whistle Blower" may be accessed on the Company's website at the link **http://vardhmansteel.com/sites/default/files/download- files/vigil_mechanism_final.pdf**

iv. The Company has complied with all the applicable requirements specified in Regulation 17 to 27 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Corporate Governance Report:

v. The Board of Directors of the Company has adopted (i) the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and (ii) the Code of Conduct, as required under SEBI (Prohibition of Insider Trading) Regulations, 2015.

vi. During the year no case was filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

vii. Risk Management Policy as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been duly formulated and approved by the Board of Directors of the Company. The aim of Risk Management Policy is to maximize opportunities in all activities and to minimize adversity.

viii. Further, the Company has complied with all mandatory requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company may also take up the non-mandatory requirements of the Listing Regulations in due course of time.

ix. The Company has no material subsidiary.

x. As on March 31, 2018, there were no outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

8. MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, press releases in leading newspapers and by filing of various reports and returns with the Statutory Bodies like Stock Exchanges and the Registrar of Companies. The Quarterly Financial Results are published in prominent daily newspapers viz., “Business Standard” and “Desh Sewak”. The Financial Results of the Company are also made available at the Company’s web-site i.e **www.vardhmansteel.com.**

GENERAL INFORMATION FOR SHAREHOLDERS

i) 8th Annual General Meeting:

Date	:	27th September, 2018
Time	:	09.00 a.m.
Venue	:	Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana-141 010.

ii) Financial Calendar 2018-19 (Tentative)

First Quarter Results	:	August ,2018
Second Quarter Results	:	November, 2018
Third Quarter Results	:	February, 2019
Annual Results	:	May, 2019

iii) Dates of Book Closure : **17th September, 2018 to 27th September, 2018** (both days inclusive)

iv) Dividend payment date : The Board of Directors has not recommended Dividend for Financial Year 2017-18.

v) Listing : The securities of the Company are listed on the following Stock Exchanges:

1. The BSE Limited, Mumbai (BSE), 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort, Mumbai-400 001.
2. The National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai.

Listing fee, as applicable, has been duly paid to both the aforesaid Stock Exchanges.

vi) Stock Code:

- The BSE Limited, Mumbai : 534392
- The National Stock Exchange of India Limited : VSSL

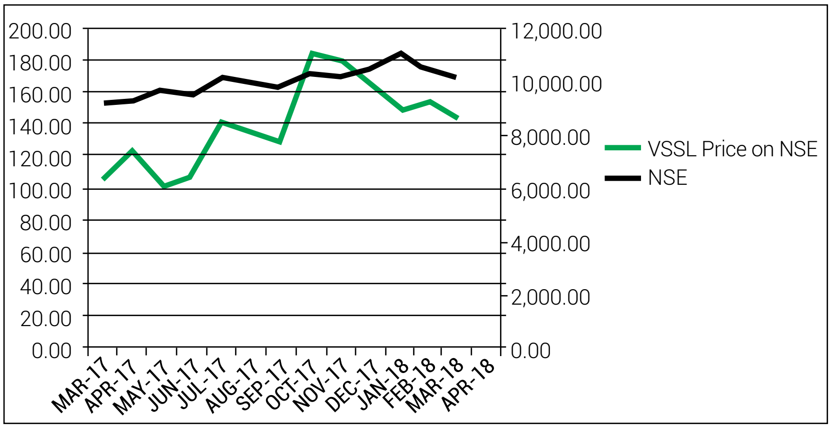
vii) Stock Market Data:

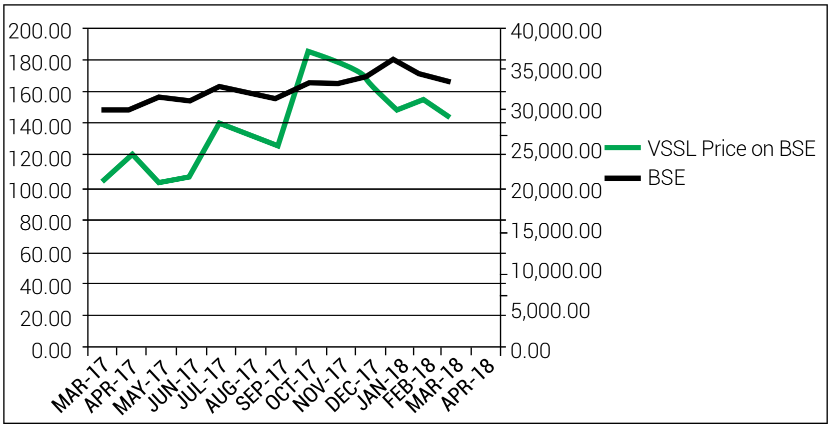
The month-wise highest and lowest and closing stock prices of NSE vis-a-vis BSE during the financial year 2017-18 is given below: -

Financial Year 2017-18	Share Prices of Vardhman Special Steels Limited on NSE				Share Prices of Vardhman Special Steels Limited on BSE			
	Highest (₹)	Lowest (₹)	Closing (₹)	%age change over last month's closing	Highest (₹)	Lowest (₹)	Closing (₹)	%age change over last month's closing
April	168.90	99.05	124.35	-14.92	168.30	99.40	123.90	-15.54
May	125.45	97.05	103.40	-16.85	126.70	97.00	103.75	-16.26
June	115.90	102.00	107.20	3.68	116.15	101.00	107.95	4.05
July	158.40	107.95	142.10	32.56	158.50	106.50	142.45	31.96
August	143.80	117.80	136.00	-4.29	144.00	119.50	136.40	-4.25
September	154.40	125.00	128.70	-5.37	154.00	126.00	128.55	-5.76
October	194.95	129.50	184.90	43.67	194.65	130.45	184.65	43.64
November	189.00	156.65	180.15	-2.57	189.45	157.70	179.75	-2.65
December	184.75	155.10	167.55	-6.99	184.15	155.50	168.20	-6.43
January	183.80	146.60	149.05	-11.04	182.50	146.00	150.00	-10.82
February	171.50	132.05	154.95	3.96	172.00	131.15	155.30	3.53
March	165.90	137.30	143.45	-7.42	166.10	137.55	144.10	-7.21

Corporate Governance Report:

viii) Performance of the Company in comparison to broad-based indices:





ix) Registrar & Transfer Agent:

The work related to Share Transfer Registry in terms of both physical and electronic mode is being dealt with by M/s. Alankit Assignments Limited at the address given below: -

M/s. Alankit Assignments Limited,
(Unit: Vardhman Special Steels Limited)
1E/13, Alankit House, Jhandewalan Extension, New Delhi - 110 055.
Phone: (011) 41540060-63, Fax: (011) 41540064, E-mail: rta@alankit.com

x) Share Transfer System:

The Company has constituted a Share Transfer Committee of its Directors. The Committee meets on an average once in 10 days. The list of valid transfers is prepared by the Transfer Agent in respect of transfer cases received by them and objections, if any, are placed before the Committee for its approval/ confirmation. The Share Certificates are returned back to the shareholders by Transfer Agent within 15 days from the date of receipt by them.

The shares of the Company are traded on the Stock Exchanges compulsorily in demat form. The Company has participated as an issuer both with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The shareholders may operate through any of the depositories, based on tariffs, quality and range of services being offered by them. The International Securities Identification Number (ISIN) of the Company is **INE 050M01012.**

xi) Distribution of Shareholding as on 31st March, 2018:

RANGE	SHAREHOLDERS		SHARES	
No. of shares	Numbers of total Holders	% to Total Holders	Numbers of shares Held	% to Total Shares
Upto-500	16,808	91.08	10,73,141	3.00
501-1000	635	3.44	4,95,469	1.39
1001-2000	413	2.24	63,3471	1.78
2001-3000	146	0.79	3,66,883	1.03
3001-4000	97	0.53	3,45,932	0.97
4001-5000	68	0.37	3,14,572	0.88
5001-10000	123	0.67	9,00,573	2.52
10001- above	164	0.88	3,15,67,335	88.43
Total	**18,454**	**100**	**3,56,97,376**	**100**

xii) Dematerialisation of shares:

As on 31st March, 2018, 99.36% of the capital comprising 3,54,67,970 shares, out of total of 3,56,97,376 shares, were dematerialized.

xiii) Stock Options:

The Company has granted Options to its employees under Vardhman Special Steels Limited Employee Stock Option Plan, 2016. Out of a total of 371,108 Options, the Company has granted 2,10,000 Options to its eligible employees. One option entitles the holder to apply for one equity share of the company, subject to corporate action, after a vesting period of 2 years from the date of Grant i.e. 12th November, 2016. So, the exact impact on the paid-up capital of the Company depends on the rights exercised by the eligible employees to convert these options into equity shares of the Company.

xiv) Plant Location:

Vardhman Special Steels Limited, Unit-1
C-58, Focal Point,
Ludhiana- 141 010.

xv) Address for correspondence:

Registered office	:	Vardhman Premises, Chandigarh Road, Ludhiana-141010
Tel	:	0161-2228943-48
Fax	:	0161-2601048, 2602710, 2222616
E-mail	:	secretarial.lud@vardhman.com (Exclusively for redressal of investors' grievances)

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DP).

Vice-Chairman & Managing Director's declaration

I, Sachit Jain, Vice-Chairman & Managing Director of Vardhman Special Steels Limited declare that all Board Members and Senior Management Personnel have affirmed compliance with 'Code of Conduct for Board & Senior Management Personnel' for the year ended 31st March, 2018.

Place: Gurugram
Dated: August 11, 2018

Sachit Jain
Vice-Chairman & Managing Director

Auditors' Certificate on Corporate Governance

To
The Members of
Vardhman Special Steel Limited

We have examined the compliance of conditions of Corporate Governance by Vardhman Special Steel Limited ("the Company") for the year ended 31st March, 2018, as stipulated in Regulations 17-27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock exchanges.

The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the company including the preparation and maintenance of all relevant supporting records and documents. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the terms and conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended 31st March, 2018.

We conducted our examination of the Statement in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

In our opinion, and to the best of our information and according to explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

The certificate is addressed and provided to the members of the Company solely for the purpose to enable the Company to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For S. S. KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm registration number: 022150N

Place: Gurugram
Date: August 11, 2018

Harish Gupta
Partner
Membership number 098336

Financial Statements

Independent Auditor's Report

TO THE MEMBERS VARDHMAN SPECIAL STEELS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Vardhman Special Steels Limited ('the Company') which comprise the Balance Sheet as at March 31, 2018, the statement of profit and loss (including other comprehensive income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income and cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind-AS) specified under Section 133 of the Act, read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under sub-section 10 of section 143 of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the financial position of the Company as at 31 March, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A' a statement on the matters specified in paragraphs 3 and 4 of the order.

2. As required by section 143 (3) of the Act, we report that:

(a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) the Balance Sheet, the Statement of profit and loss including Other Comprehensive Income, the statement of cash flow and statement of changes in equity dealt with by this report are in agreement with the books of account;

(d) in our opinion, the aforesaid financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;

(e) on the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of sub-section 2 of section 164 of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

(h) the Company has disclosed the impact of pending litigations on its financial position in its financial statements – refer note 32 to the financial statements.

(i) the Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

(j) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's Registration Number: 022150N

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram
Date: April 27, 2018

ANNEXURE A" TO THE INDEPENDENT AUDITOR'S REPORT

The Annexure **as referred in paragraph (1) 'Report on Other Legal and Regulatory Requirements** of our Independent Auditors' Report to the members of **Vardhman Special Steels Limited** on the financial statements for the year ended March 31, 2018, we report that:

i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant & equipment (fixed assets).

(b) The fixed assets have been physically verified by the management according to the programme of periodical verification in phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties are held in the name of the Company.

ii) We have been explained by the management that the inventory has been physically verified at reasonable intervals during the year. As far as we can ascertain and according to information and explanations given to us, the discrepancies, whenever material noticed on such physical verification of inventory as compared to book records were properly dealt within the books of accounts.

iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv) According to the information and explanations given to us, the Company has not given any loans, investments, guarantees, and security under the provisions of Section 185 & 186 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iv) of the Order is not applicable to the company and hence not commented upon.

v) The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2018 and therefore, the provisions of the clause 3(v) of the order are not applicable to the Company.

vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by Central Government for the maintenance of cost records under section 148(1) of the Act in respect to the Company's products to which said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have however not made a detailed examination of the said records with a view to determine whether they are accurate or complete.

vii) (a) According to the information and explanations given to us and on the basis of examination of the records of the Company, the Company has generally been regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales-tax, income tax, service tax, goods and service tax, custom duty, excise duty, value added tax, cess and any other material statutory dues with the appropriate authorities.

There were no undisputed amounts payable in respect of provident fund, employees' state insurance, sales-tax, income tax, service tax, goods and service tax, custom duty, excise duty, value added tax, cess and any other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they become payable.

(b) According to the records and information and explanations given to us, there are no dues in respect of income tax, sales tax, service tax, goods and service tax, duty of excise, duty of custom, or value added tax which have not been deposited on account of any dispute except as given below:

Name of the statute	Nature of dues	Period to which amount relates	Amount involved (₹ In Lakhs) *	Forum where dispute is pending
Sales Tax Act	VAT & CST	2014-15	2.37	Additional Commissioner of Sale Tax (Appeals), Ghaziabad-UP
	Entry Tax	2013-14	6.59	Additional Commissioner of Sale Tax (appeals), Ghaziabad-UP
	CST	2013-14	3.35	Additional Commissioner of Sale Tax (appeals), Ghaziabad-UP
	VAT	2013-14	3.10	Additional Commissioner of Sale Tax (appeals), Ghaziabad-UP
Central Excise Act 1944	Excise Duty	1994-95	4.16	Chief Commissioner Excise, Chandigarh
		2000-01	0.45	CESTAT, Ludhiana
		2000-01	27.78	Commissioner Appeals, Chandigarh
		2005-06	1.33	Remanded back to Commissioner Appeals by CESTAT in August, 2010
		2013-14	1.46	CESTAT, Ludhiana
		2012-13	0.85	CESTAT, Ludhiana
		2013-14	0.25	CESTAT, Ludhiana
		2014-15	0.71	Commissioner Of Central Excise Appeal, Ludhiana
		2015-16	1.93	Commissioner Of Central Excise Appeal, Ludhiana
Sales Tax	Punjab VAT & CST	2011-12, 2012-13 & 2013-14	1900.00	High Court Punjab & Haryana-Chandigarh

*Net of Payment

viii) In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of loan or borrowing to any banks and financial institutions as at Balance Sheet date.

As per information and explanation given to us the Company had not taken any loan or borrowings from the government. Further, the Company had not issued any debenture.

ix) According to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) during the year. The term loans availed by the company were prima facie applied for the purposes for which they were raised.

x) To the best of our knowledge and according to the information and explanations given to us, no instance of fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.

xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with section 177 and 188 of the Act where applicable, for all transactions with the related parties and the details of related parties transactions have been disclosed in the financial statements as required by the applicable Accounting standards.

xiv) During the year, the Company has not made any preferential allotment or private placement of shares and hence reporting under clause 3(xiv) of the order is not applicable to the Company.

xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's Registration Number: 022150N

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram
Date: April 27, 2018

"ANNEXURE B" TO THE INDEPENDENT AUDITOR'S REPORT

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT") AS REFERRED TO IN PARAGRAPH 2(F) OF 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION

We have audited the internal financial controls over financial reporting of **Vardhman Special Steels Limited** ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit.

We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's Registration Number: 022150N

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram

Date: April 27 ,2018

Balance Sheet

As at March 31, 2018

(Amounts in ₹ Lakhs)

Particulars	Note	As at March 31, 2018	As at March 31, 2017
ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	3	24,926.90	26,417.88
(b) Capital work-in-progress		698.76	111.32
(c) Other intangible assets	3.1	29.00	38.62
(d) Financial assets			
Investments	4	-	67.87
Loans	5	142.40	46.42
(e) Other non-current assets	6	2,086.45	1,077.42
Total non-current assets		**27,883.51**	**27,759.53**
2. Current assets			
(a) Inventories	7	15,860.29	11,783.09
(b) Financial assets			
Investments	8	816.01	30.53
Trade receivables	9	19,455.40	18,897.16
Cash and cash equivalents	10	748.50	594.54
Bank balances other than above	11	-	0.10
Loans	12	101.92	69.92
Other financial assets	13	591.76	81.71
(c) Current tax assets (Net)		36.28	76.36
(d) Other current assets	14	2,171.82	1,974.48
Total current assets		**39,781.98**	**33,507.89**
TOTAL ASSETS		**67,665.49**	**61,267.42**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	15	3,569.74	1,855.54
(b) Other equity		30,361.87	17,952.55
Total equity		**33,931.61**	**19,808.09**
Liabilities			
1. Non-current liabilities			
(a) Financial liabilities			
Borrowings	16	10,145.99	11,545.50
(b) Provisions	17	84.51	80.31
(c) Other non-current liabilities	18	2.90	19.72
Total non-current liabilities		**10,233.40**	**11,645.53**
2. Current liabilities			
(a) Financial liabilities			
Borrowings	19	11,849.73	13,871.47
Trade payables:	20		
(i) Total outstanding dues of micro enterprises and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises.		6,060.80	3,490.94
Other financial liabilities	21	5,225.14	11,718.63
(b) Other current liabilities	22	302.30	706.12
(c) Provisions	23	62.51	26.64
Total of current liabilities		**23,500.48**	**29,813.80**
TOTAL EQUITY AND LIABILITIES		**67,665.49**	**61,267.42**

The accompanying notes form an integral part of the financial statements 1-44

As per our report of even date attached
For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's registration number: 022150N

For and on behalf of the Board of Directors of
Vardhman Special Steels Limited

Harish Gupta
Partner
Membership number: 098336

Sachit Jain
(Vice Chairman & MD)
DIN : 00746409

Suchita Jain
(Director)
DIN : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No: A34338

Place: Gurugram
Date: April 27, 2018

Statement of Profit and Loss

For the year ended March 31, 2018

(Amounts in ₹ Lakhs, except equity share & per equity share data)

Particulars	Note	For the March 31, 2018	For the March 31, 2017
Revenue from operations	24	88,088.57	75,651.54
Less: Discount		299.84	338.64
Net sales		**87,788.73**	**75,312.90**
Other income	25	610.79	564.29
I. Total income		**88,399.52**	**75,877.19**
II. Expenses :			
Cost of materials consumed	26	48,890.38	36,421.86
Changes in inventories of finished goods, work-in- progress and stock-in-trade	27	(1,921.87)	(1,164.88)
Excise duty expense	40	1,892.50	7,932.08
Employee benefit expense	28	4,672.50	3,979.68
Finance cost	29	2,143.08	2,827.97
Depreciation and amortization expense	3	2,151.04	1,806.70
Other expenses	30	28,062.33	22,160.36
Total expenses		**85,889.96**	**73,963.77**
III. Profit before tax (I-II)		**2,509.56**	**1,913.42**
IV. Tax expense:			
Current tax		584.93	400.26
MAT Credit Entitlement		(579.00)	(393.99)
Income tax relating to earlier year		-	(6.53)
Deferred tax		-	-
Total of tax expenses		**5.93**	**(0.26)**
V. Profit for the period (III-IV)		**2,503.63**	**1,913.68**
VI. Other Comprehensive Income			
A. Items that will not be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit liability / asset		(29.77)	(22.67)
Income tax relating to items that will not be reclassified to profit or loss		-	-
B. Items that will be reclassified subsequently to profit or loss		-	-
Total Other Comprehensive Income / (Loss): Net of tax		**(29.77)**	**(22.67)**
VII. Total comprehensive income for the period (V+VI)		**2,473.86**	**1,891.01**
Earnings per equity share (₹)	31		
Basic - Par Value of ₹10 per share		7.91	10.31
Diluted - Par Value of ₹10 per share		7.88	10.31
Re-instated Basic - Par Value of ₹10 per share		-	7.80
Re-instated Diluted - Par Value of ₹10 per share		-	7.80

The accompanying notes form an integral part of the financial statements 1-44

As per our report of even date attached
For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's registration number: 022150N

For and on behalf of the Board of Directors of
Vardhman Special Steels Limited

Harish Gupta
Partner
Membership number: 098336

Sachit Jain
(Vice Chairman & MD)
DIN : 00746409

Suchita Jain
(Director)
DIN : 00746471

Subhasis Dey
(President & CE)

Place: Gurugram
Date: April 27, 2018

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No: A34338

Statement of Cash Flow

For the year ended March 31, 2018

(Amounts in ₹ Lakhs)

Particulars	For the March 31, 2018	For the March 31, 2017
A. Cash flow from operating activities		
Profit for the period (Before tax)	**2,509.56**	**1,913.43**
Adjustments to reconcile net profit to net cash by operating activities		
Other comprehensive income	(29.77)	(22.67)
Depreciation & amortization expense	2,151.04	1,806.70
Provision for fall in value of investment	-	61.79
Loss on sale of investments	-	65.51
Loss on Forex Fluctuation	510.76	-
Net profit on sale of Property plant and equipment	(2.37)	-
Share based payments to employees (ESOP expense)	55.13	-
Net Loss on sale of property, plant and equipment	-	77.55
Balances written off	54.25	34.10
Bad debts	52.68	51.15
Allowances for doubtful trade receivables	150.00	100.00
Finance costs	2,143.08	2,827.97
Interest income	(68.70)	(111.13)
Dividend income from current investments	(1.42)	(0.38)
Profit on sale of current investments	(245.04)	(218.07)
Interest income from current Investments	(12.73)	(60.54)
Provision no longer required written back	(203.64)	(0.61)
Sundry balances written back	(28.32)	(153.07)
Operating profit before working capital change	**7,034.51**	**6,371.73**
Adjustments for:		
(Increase)/ decrease in inventories	(4,077.20)	(1,092.70)
(Increase)/ decrease in trade receivables	(507.19)	368.63
(Increase)/ decrease in short-term loans	(31.99)	(15.92)
(Increase)/ decrease in other financial current assets	(510.05)	27.69
(Increase)/ decrease in other current assets	(197.34)	690.97
(increase)/ decrease in non current financial asset - long-term loans	(150.24)	(54.55)
(Increase)/ decrease in other non-current assets	(1,009.02)	143.42
(Decrease)/ increase in long term provision	4.20	17.43
(Decrease)/ increase in other non current liabilities	(16.82)	5.82
(Decrease)/increase in trade payable	2,245,.27	(455.06)
(Decrease)/ increase in other financial current liabilities	(1,329.32)	703.26
(Decrease)/ increase in other current liabilities	(403.82)	106.03
(Decrease)/ increase in short term provision	35.87	(35.50)
Cash (used in)/from operations	**1,086.86**	**6,781.25**
Direct taxes	34.15	22.29

Statement of cash flow Continues...

Particulars	As at March 31, 2018	As at March 31, 2017
Net cash flow (used in)/from operating activities	**1,121.01**	**6,803.54**
B. Cash flow from investing activities		
Expenditure on Property, plant and equipment including CWIP	(1,295.37)	(3,261.49)
Expenditure on intangible fixed assets	-	(10.46)
Proceeds from Property, plant and equipment selling	59.85	90.73
Dividend income from current investments	1.42	0.38
Sale/(purchase) of non-current investments (Net)	67.87	8.58
Sale/(purchase) of current investments (Net)	(527.71)	1,494.41
Interest received	68.70	112.43
Net cash flow from/ (used in) investing activities	**(1,625.24)**	**(1,565.42)**
C. Cash flow from financing activities		
Proceeds from Issue of shares	11,594.53	-
Proceeds from non-current borrowings	-	660.36
Repayments of non-current borrowings	(6,766.96)	-
Proceed from current borrowing (Net)	(2,021.75)	(2,810.87)
Interest paid	(2,147.73)	(2,872.03)
Net cash Flow from/ (used in) financing activities	**658.09**	**(5,022.54)**
Net increase /(decrease) in cash and cash equivalent (A+B+C)	**153.86**	**215.58**
Cash and cash equivalent at the beginning of the year	594.64	379.06
Cash and cash equivalent at the end of the year	**748.50**	**594.64**
Cash and cash equivalents		
Current accounts	741.93	589.84
Cash on hand	3.07	4.70
Bank deposits	3.50	0.10
Cash and cash equivalent at the end of the year	**748.50**	**594.64**

The accompanying notes form an integral part of the financial statements 1-44

As per our report of even date attached
For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's registration number: 022150N

For and on behalf of the Board of Directors of
Vardhman Special Steels Limited

Harish Gupta
Partner
Membership number: 098336

Sachit Jain
(Vice Chairman & MD)
DIN : 00746409

Suchita Jain
(Director)
DIN : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No: A34338

Place: Gurugram
Date: April 27, 2018

Vardhmān
Delivering Excellence. Since 1965.

Statement of Changes in Equity

For the year ended March 31, 2018

(Amounts in ₹Lakhs)

a. Equity Share Capital

Particulars	As at March 31, 2018	As at March 31, 2017
Balance at the beginning of the reported period	1,855.54	1,855.54
Changes in the equity share capital during the year*	1,714.20	-
Balance at the closing of the reported period	**3,569.74**	**1,855.54**

b. Other Equity

Particulars	Reserve & Surplus				Other comprehensive income	Total
	General Reserve	Retained Earnings	Securities Premium Account	Employee Options Outstanding Account	Other items of other comprehensive income	
Balance as at April 1, 2016	**13,890.62**	**2,187.45**			**(16.53)**	**16,061.54**
Profit for the period					-	1,913.68
Remeasurement of the net defined benefit liability / asset	-	1,913.68			(22.67)	(22.67)
Balance as at March 31, 2017	**13,890.62**	**4,101.13**			**(39.20)**	**17,952.55**
Profit for the period	-	2,503.63	-	-	-	2,503.63
Remeasurement of the net defined benefit liability / asset	-	-	-	-	(29.77)	(29.77)
Issue of equity shares, net of transaction cost*	-	-	9,880.33	-	-	9,880.33
Share based payment expense	-	-	-	55.13	-	55.13
Balance as at March 31, 2018	**13,890.62**	**6,604.76**	**9,880.33**	**55.13**	**(68.97)**	**30,361.87**

*** refer note 15**

The accompanying notes form an integral part of the financial statements 1-44

As per our report of even date attached
For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's registration number: 022150N

For and on behalf of the Board of Directors of
Vardhman Special Steels Limited

Harish Gupta
Partner
Membership number: 098336

Sachit Jain
(Vice Chairman & MD)
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Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No: A34338

Place: Gurugram
Date: April 27, 2018

Notes to Financial Statements

For the year ended March 31, 2018

1. CORPORATE INFORMATION

Vardhman Special Steels Limited (the Company) is a public company incorporated under the provisions of the Companies Act, 1956 on 14th May, 2010. The company is engaged in manufacturing of Billets, Steel bars & Rods and Bright Bars of various categories of special and alloy steels.
These financial statements were approved and adopted by Board of Directors of the Company in its meeting held on April 27, 2018.

I BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(i) STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION:

These financial statements are prepared in accordance with Indian Accounting Standard (Ind AS), under the historical cost convention on the accrual basis except for certain financial instrument which are measured at fair value, the provisions of the Companies Act, 2013 (the Act) (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Effective April 1, 2016, the company has adopted all the Ind As standards and the adoption was carried out in accordance with Ind AS 101, "First Time Adoption of Indian Accounting Standards, with April 1, 2015 as the transition date. The transition was carried out from Indian Accounting Principles generally accepted in India as prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

(ii) USE OF ESTIMATES

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

(iii) CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

All Assets and Liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of product & activities of the Company and their realisation in cash and cash equivalent, the Company has determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Note No 2. SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED MARCH 31, 2018.

(I) REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received or receivable. The amount disclosed as revenue is inclusive of excise duty and net of returns, trade discounts, value added tax and amount collected on behalf of third parties. The company recognizes revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Export Incentives

Revenue in respect of the export incentives is recognized on post export basis.

Interest Income

Interest income is recognized using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Dividend Income

Dividend income is recognized when the right to receive the payment is established which is generally when shareholders approve the dividend.

Insurance and Other Claims

Revenue in respect of claims is recognized when no significant uncertainty exists with regard to the amount to be realized and the ultimate collection thereof.

(II) INVENTORY VALUATION

Inventories are valued at cost or net realizable value, whichever is lower. The cost in respect of the various items of inventory is computed as under:

In case of raw materials: at weighted average cost and other costs incurred in bringing the inventories to their present location and condition.

In case of stores and spares: at weighted average cost and other costs incurred in bringing the inventories to their present location and condition.

In case of work in progress: at raw material cost plus conversion costs depending upon the stage of completion.

In case of finished goods: at raw material cost plus conversion costs, packing cost, excise duty (if applicable) and other overheads incurred to bring the goods to their present location and condition.

(III) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand cash at bank and demand deposits with banks with an original maturity of three months or less which are subject to an insignificant risk of change in value.

(IV) PROPERTY, PLANT AND EQUIPMENT

Under the Indian GAAP, Property, Plant and Equipment were carried in the balance sheet on historical cost. The Company has elected to regard those values as deemed cost under Ind AS as on transition date i.e. April 1, 2015.

Property, plant and equipment are stated at cost, less accumulated depreciation. The Cost of an item of Property, Plant and Equipment comprises:

Notes to Financial Statements

For the year ended March 31, 2018

a) Its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates.

b) Any attributable expenditure directly attributable for bringing an asset to the location and the working condition for its intended use and

c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Depreciation is provided on Straight Line Method on the basis of useful lives of such assets in accordance with and in the manner specified under Schedule II of the Companies Act, 2013 except the assets costing ₹5000/- or below on which depreciation is charged @ 100% per annum on proportionate basis.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under ‘Capital work-in-progress’. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in net profit in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the statement of profit and loss. Assets to be disposed off are reported at the lower of the carrying value or the fair value less cost to sell.

Intangible Assets

Intangible assets are stated at cost less accumulated amount of amortization.

Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, known technological advances and other economic factors. The amortization method and useful lives are reviewed periodically at end of each financial year.

The useful life of the computer software is taken at 5 years.

(V) LEASES

Leases under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Lease under which the risks and rewards incidental to ownership are not transferred to lessee is classified as operating lease. Lease payments under operating leases are recognized as an expense in net profit in the statement of profit and loss.

(VI) IMPAIRMENT

a) Financial assets

The company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognized as an impairment gain or loss in statement of profit or loss.

Notes to Financial Statements

For the year ended March 31, 2018

b. Non-financial assets

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years..

(VII) FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and measurement

On initial recognition, all the financial assets and liabilities are recognized at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability except trade receivables which are recognized at transaction price.

SUBSEQUENT MEASUREMENT

Non-derivative financial instruments

(i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

A financial asset which is not classified in any of the above categories is subsequently measured at fair valued through profit or loss.

(iv) Financial liabilities

The financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Notes to Financial Statements

For the year ended March 31, 2018

Derivative financial instruments

The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind-AS 109, Financial Instruments. Any derivative that is either not designated a hedge, or is so designated but is ineffective as per Ind-AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in the statement of profit and loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in statement of profit and loss. Assets/ liabilities in this category are presented as current assets/ current liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

Equity Share Capital

(i) Equity Shares

Equity shares issued by the company are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognized as a deduction from equity, net of any tax effects.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired.

Fair value measurement of financial instruments

The fair value of financial instruments is determined using the valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Based on the three level fair value hierarchies, the methods used to determine the fair value of financial assets and liabilities include quoted market price, discounted cash flow analysis and valuation certified by the external valuer.

In case of financial instruments where the carrying amount approximates fair value due to the short maturity of those instruments, carrying amount is considered as fair value.

(VIII) EMPLOYEES BENEFITS

Short term Employee Benefits:

Short Term Employee Benefits are recognized as an expense on an undiscounted basis in the statement of profit and loss of the year in which the related service is rendered.

Post-Employment Benefits

Defined Contribution Plans:

Provident Fund

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

Superannuation

Certain employees of the Company are participants in a defined contribution plan. The Company has no further obligations to the Plan beyond its monthly contributions which are periodically contributed to a trust fund, the corpus of which is invested with the Life Insurance Corporation of India.

Defined Benefit Plans

Gratuity

The Company provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The company fully contributes all ascertained liabilities to the VSSL Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trusts and contributions are invested in the schemes as permitted by law of India.

The Company recognizes the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling(excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognised in Other Comprehensive Income which are not reclassified to profit or loss in subsequent periods.

Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date as per Ind-AS 102. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note. 36.

The fair value determined at the grant date of the equity-settled share-based payments is expensed. The fair value has been calculated using the Black Scholes Option Pricing model over the vesting period. Based on the Company's estimate of equity instruments this will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Compensated absences

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each balance sheet date using projected unit credit method. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

(IX) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Notes to Financial Statements

For the year ended March 31, 2018

(X) EARNING PER SHARE

Basic earnings per equity share are computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

(XI) INCOME TAXES

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in net profit in the statement of profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax assets and liabilities are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(XII) GOVERNMENT GRANTS

The government grants are recognized only when there is reasonable assurance that the conditions attached to them shall be complied with, and the grants will be received. Government grants related to assets are treated as deferred income and are recognized in the statement of profit and loss on a systematic and rational basis over the useful life of the asset. Government grants related to revenue are recognized on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate.

(XIII) FOREIGN CURRENCY TRANSACTIONS

Functional and Presentation currency

The functional currency of the company is Indian rupee. These financial statements are presented in Indian rupee (rounded off to lakhs)

Transaction and balances

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Notes to Financial Statements

For the year ended March 31, 2018

The foreign currency monetary items are translated using the closing rate at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statements of profit and loss, within finance cost. All other foreign exchange gains and losses are presented in the statement of profit and loss on net basis.

(XIV) DIVIDENDS

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the company's Board of Directors.

(XV) PROVISIONS AND CONTINGENT LIABILITIES/ ASSETS

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent Liability is disclosed after careful evaluation of facts, uncertainties and possibility of reimbursement. Contingent liabilities are not recognised but are disclosed in notes.

Contingent Assets are not recognised in financial statements but are disclosed, since the former treatment may result in the recognition of income that may or may not be realised. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

(XVI) STATEMENT OF CASH FLOWS

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

Amendment to Ind AS 7

Effective April 1, 2017, the company adopted the amendment to Ind As 7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liability arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balance in the Balance Sheet for the liabilities arising from financing activities, to meet the disclosure requirement. The adoption of amendment did not have any material impact on financial statement.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Company's accounting policies, management has made the following estimates, assumptions and judgements which have significant effect on the amounts recognized in the financial statement:

a. CONTINGENCIES

Judgment of the Management is required for estimating the possible outflow of resources, if any, in respect of contingencies/claim/litigations against the company as it is not possible to predict the outcome of pending matters with accuracy.

Notes to Financial Statements

For the year ended March 31, 2018

b. **ALLOWANCE FOR UNCOLLECTED ACCOUNTS RECEIVABLE AND ADVANCES**

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not collectible. Impairment is made on ECL, which are the present value of the cash shortfall over the expected life of the financial assets.

c. **DEFINED BENEFIT PLANS**

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in future. These Includes the determination of the discount rate, future salary increases, mortality rates and attrition rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

d. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

RECENT ACCOUNTING PRONOUNCEMENTS

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration : On March 28, 2018, Ministry of Corporate Affairs (*MCA*) has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115 - Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs (*MCA*) has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires the enhanced disclosures about the nature, amount, timing and uncertainity of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach- Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors

- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch-up approach)

The effective date for adoption of Ind AS 115 is financial beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using cumulative catch-up transition method and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Notes to Financial Statements

For the year ended March 31, 2018

(Amounts in ₹Lakhs)

3. PROPERTY,PLANT & EQUIPMENT

Particulars	Land-Freehold	Buildings	Plant & Equipment	Furniture & Fixtures	Vehicles	Office Equipments	Total
Gross carrying value							
As at April 1, 2016	**844.94**	**4,971.15**	**26,591.26**	**130.34**	**304.43**	**268.31**	**33,110.43**
Additions	-	161.45	2,942.11	6.40	214.73	36.32	3,361.01
Disposals	-	-	(141.05)	-	(168.78)	-	(309.83)
Other adjustments	-	2.95	61.20	(44.84)	(53.95)	29.29	(5.35)
As at March 31, 2017	**844.94**	**5,135.55**	**29,453.52**	**91.90**	**296.43**	**333.92**	**36,156.26**
Additions	-	139.24	484.75	1.59	18.22	64.13	707.93
Disposals	-	-	(21.00)	(0.20)	(71.94)	-	(93.14)
As at March 31, 2018	**844.94**	**5,274.78**	**29,917.28**	**93.29**	**242.71**	**398.05**	**36,771.05**
Accumulated depreciation as at April 1, 2016	**-**	**1,263.07**	**6,457.61**	**66.38**	**139.65**	**158.91**	**8,085.62**
Depreciation for the year	-	167.23	1,557.77	6.61	29.85	36.93	1,798.39
Disposals	-	-	(38.56)	-	(102.98)	-	(141.54)
Others	-	2.82	26.25	(22.26)	(24.74)	13.85	(4.09)
Accumulated depreciation as at March 31, 2017	**-**	**1,433.11**	**8,003.08**	**50.74**	**41.76**	**209.69**	**9,738.38**
Depreciation for the year	-	175.81	1,891.21	5.61	30.83	37.96	2,141.43
Disposals	-	-	(19.95)	(0.16)	(15.55)	-	(35.66)
Accumulated depreciation as at March 31, 2018	**-**	**1,608.93**	**9,874.34**	**56.19**	**57.05**	**247.65**	**11,844.15**
Carrying Value as at April 1, 2016	**844.94**	**3,708.08**	**20,133.65**	**63.97**	**164.78**	**109.40**	**25,024.81**
Carrying Value as at March 31, 2017	**844.94**	**3,702.44**	**21,450.45**	**41.16**	**254.66**	**124.23**	**26,417.88**
Carrying Value as at March 31, 2018	**844.94**	**3,665.86**	**20,042.94**	**37.10**	**185.66**	**150.40**	**24,926.90**

Notes to Financial Statements

For the year ended March 31, 2018

3.1 INTANGIBLE ASSET

(Amounts in ₹ Lakhs)

Particulars	Software
Gross carrying value	
As at April 1, 2016	**36.38**
Additions	10.46
Others	5.35
As at March 31, 2017	**52.19**
Additions	-
Disposals	-
As at March 31, 2018	**52.19**
Accumulated amortization as at April 1, 2016	**1.18**
Charge for the year	8.32
Disposals	
Other	4.08
Accumulated amortization as at Macrh 31, 2017	**13.58**
Charge for the year	9.61
Disposals	-
Accumulated amortization as at Macrh 31, 2018	**23.19**
Net carrying value	
As at April 1, 2016	**35.20**
As at March 31, 2017	**38.62**
As at March 31, 2018	**29.00**

4 Investment (Non-current financial asset)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial assets measured at fair value through profit and loss		
Others (un quoted) Alternate Investment Fund		
IIFL real estate fund (domestic) series-I	-	67.87
Total	**-**	**67.87**
Aggregate amount of quoted investments		-
Aggregate amount of un-quoted Investments	**-**	**67.87**

5 Loans: (Non-current financial asset) (Unsecured considered good, unless otherwise stated) (Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial assets at amortized cost		
Loans to employees	142.40	46.42
Total	**142.40**	**46.42**

Notes to Financial Statements

For the year ended March 31, 2018

6. Other non current assets

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Capital advances	1,055.34	48.63
Advances other than capital advances:		
-Security deposits	872.99	885.36
Others		
-Prepaid expenses	14.17	3.20
-Prepaid (Deferred) expenses for employee benefits	2.09	17.39
-Other recoverable	141.86	122.84
Total	**2,086.45**	**1,077.42**

7. Inventories (At cost or net realizable value, whichever is lower)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Raw materials	2,688.12	1,133.86
Raw materials in transit	788.08	951.86
Stores and spares	3,399.64	1,980.82
Stores and spares in transit	81.25	42.88
Finished goods	8,903.19	7,673.67
Total	**15,860.29**	**11,783.09**

8. Current investments

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial assets measured at fair value through statement of profit and loss		
Investments in debt funds (Un-quoted)		
Baroda pioneer liquid fund plan	-	30.01
(March 31, 2018: NIL and March 31, 2017: 2997.71 Units)		
SBI PLF-REG Plan Growth	814.98	-
(March 31, 2018: 29914.259 units and March 31, 2017: NIL)		
Equity instruments (Quoted)		
GNA Axles ltd.	1.03	0.52
March 31, 2018: 235 shares and March 31, 2017: 235 shares)		
Total	**816.01**	**30.53**
Aggregate amount of un-quoted Investments	814.98	30.01
Aggregate amount of quoted investments	1.03	0.52

Notes to Financial Statements

For the year ended March 31, 2018

9. Trade receivables

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Unsecured, considered good	19,455.40	18,897.16
Unsecured, considered doubtful	250.00	100.00
	19,705.40	**18,997.16**
Less: Allowances for doubtful trade receivables	250.00	100.00
Total	**19,455.40**	**18,897.16**

10. Cash and cash equivalents

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Cash and cash equivalents		
Balance with banks in		
Current accounts	741.93	589.84
In deposit accounts with maturity up to three months	3.50	-
Cash on hand	3.07	4.70
Total	**748.50**	**594.54**

11. Bank balances other than cash and cash equivalents

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Other Bank Balance		
Bank deposits *	-	0.10
Total	**-**	**0.10**

* Lien marked on fixed deposit in favour of Sale Tax Department of Himachal Pradesh CY : Nil & PY : ₹0.10 Lakh

12. Loans (current)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial assets at amortized cost		
Other loans		
Loans to employees	101.92	69.92
Total	**101.92**	**69.92**

Notes to Financial Statements

For the year ended March 31, 2018

13. Other financial assets (current)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial assets at amortized cost		
Other recoverables	566.39	80.88
Advances to employees	0.21	0.83
Financial Assest measured at fair value through Profit and loss		
Derivative financial instruments	25.16	-
Total	**591.76**	**81.71**

14. Other current assets (Unsecured considered good, unless otherwise stated)

(Amounts in ₹Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Other advances		
Advances to suppliers & contractors	595.18	368.58
Others		
Prepaid expenses	53.80	83.72
Other current assets	267.21	54.88
Prepaid (deferred) expenses for employee benefits	2.15	2.27
MAT Credit entitlement	972.99	393.99
Balance with government authorities	280.49	1,071.04
Total	**2,171.82**	**1,974.48**

15. Share capital

(Amounts in ₹ Lakhs, except equity share & per equity share data)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of ₹10/- par value	6,00,00,000	6,000.00	6,00,00,000	6,000.00
	6,00,00,000	**6,000.00**	**6,00,00,000**	**6,000.00**
Issued, subscribed and paid up				
Equity shares of ₹10/- par value	**3,56,97,376**	**3,569.74**	**1,85,55,376**	**1,855.54**

a. Movement in equity share capital

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
At the beginning of the year	1,85,55,376	1,855.54	1,85,55,376	1,855.54
Add: Right issue	1,35,70,000	1,357.00	-	-
Add: Share issued to Qualified institutional buyer	35,72,000	357.20	-	-
At the end of the year	**3,56,97,376**	**3,569.74**	**1,85,55,376**	**1,855.54**

Notes to Financial Statements

For the year ended March 31, 2018

During the year ended March 31, 2018 the company has made allotment of 1,35,70,000 equity shares and 35,72,000 quity shares of ₹6,785.00 Lakhs & 5,000.80 Lakhs on May 13, 2017 and Feb 21, 2018 respectively through Right Issue and Qualified Institutional Buyer at an issue price of ₹50/equity share and ₹140/equity share. (Including premium of ₹40 / equity share and ₹130 / equity share).

b Rights, preferences and restrictions attached to shares

Equity Shares:

The Company has only one class of Equity Shares having face value of ₹10/-. Each shareholder of equity share is entitled to one vote per share. In the event of liquidation of the company, the equity shareholders will be entitled to receive the remaining balance of assets if any, after preferential payments and to have a share in surplus assets of the Company, proportionate to their individual shareholding in the paid up equity capital of the Company.

c The Aggregate number of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash in the last five years immediately preceding the balance sheet date is NIL

d Details of shareholders holding more than 5% shares of the Company

Particulars	As at March 31, 2018		As at March 31, 2017	
	Number of shares	% holding in the class	Number of shares	% holding in the class
Equity shares of ₹10/-each fully paid up held by				
- Vardhman Textiles Limited	97,08,333	27.20	58,25,000	31.39
- Vardhman Holdings Limited	51,34,195	14.38	30,80,517	16.60
- Adishwar Enterprises LLP (Formerly Adinath Investment & Trading Company)	-	-	25,22,655	13.60
- Devakar Investment & Trading company (P) Ltd	22,15,016	6.20	13,29,012	7.16
- DSP Blackrock Small Cap Fund	17,86,000	5.00	-	-
- Mr. Sachit Jain	45,04,742	12.62	-	-
Total	**2,33,48,286**	**65.41**	**1,27,57,184**	**68.75**

e. Share issue expenses amounting to ₹191.33 Lakhs have been charged to securities premium account as per the provisions of the Companies Act 2013 and expenses amounting to ₹39.70 Lakhs charged to profit & loss account as incurred in financial year 2016-17.

f. Utilization of proceeds from right issue & Qualified Issue Placement

From the total proceeds of ₹11,785.80 lakhs through right issue & Qualified Institutional Placement (QIP), the company has utilized ₹6,936.03 lakhs.

Right issue utilization (Amounts in ₹ Lakhs)

Particulars	As per prospectus	Utilized up to March 31, 2018	Un-utilized amount as at March 31, 2018
Repayment of two installments of ECB	3,025.00	3,025.00	-
Working Capital	2,000.00	2,000.00	-
General Corporate Purposes	1,680.00	1,680.00	-
Issue related Expense	80.00	80.00	-
Total	**6,785.00**	**6,785.00**	**-**

Qualified Institutional Placement (QIP) utilization (Amounts in ₹ Lakhs)

Particulars	As per prospectus	Utilized up to March 31, 2018	Un-utilized amount as at March 31, 2018
General Corporate Purposes	5,000.80	151.03	4,849.77
Total	**5,000.80**	**151.03**	**4,849.77**

₹151.03 lakhs utilised for issue related expense.

Notes to Financial Statements

For the year ended March 31, 2018

16. Borrowings: (Non current financial liabilities)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Secured		
Term loans (refer note 16.1)		
From banks (net of unamortized processing charges)	10,963.49	11,685.50
External commercial borrowings- Axis Bank	-	6,044.95
	10,963.49	17,730.45
Less: Current maturities of long term borrowings	817.50	6,184.95
Total	**10,145.99**	**11,545.50**

16.1 : The requisite particulars in respect of secured borrowings are as under: -

Particulars	As at March 31, 2018	As at March 31, 2017	Particulars of security / guarantees / default	Terms of Repayment
SBI - Term Loan ₹720 Lakhs			**PRIMARY SECURITY** 1st Pari Pasu charge on Land & Building and hypothecation charge on P & M of the company (Both present & future) **COLLATERAL SECURITY** 2nd pari Passu charge on entire current assets of the company	1. 2016-17- 4 nos. of quarterly instalments of ₹10 Lakh. Company had repaid full amount of loan during the FY 2017-18.
Balance Outstanding	-	720.00		
Current Maturity	-	60.00		
Non-Current Maturity	-	660.00		
SBI - Term Loan Rs1600 Lakhs			**PRIMARY SECURITY** 1st Pari Pasu charge on Land & Building and hypothecation charge on P & M of the company (Both present & future) **COLLATERAL SECURITY** 2nd pari Passu charge on entire current assets of the company	1. 2017-18- 4 nos. of quarterly instalments of ₹20 Lakh each 2. 2018-19- 4 nos. of quarterly installments of ₹20 Lakh each 3. 2019-20- 4 no's of quarterly installments of ₹40 Lakh each 4. 2020-21- 4 no's of quarterly installments of ₹60 Lakh each 5. 2021-22- 4 no's of quarterly installments of ₹60 Lakh each 6. 2022-23- 4 no's of quarterly installments of ₹60 Lakh each 7. 2023-24- 4 no's of quarterly installments of ₹60 Lakh each 8. 2024-25- 4 no's of quarterly installments of ₹80 Lakh each
Balance Outstanding	1,520.00	1,600.00		
Current Maturity	80.00	80.00		
Non-Current Maturity	1,440.00	1,520.00		

Notes to Financial Statements

For the year ended March 31, 2018

Particulars	As at March 31, 2018	As at March 31, 2017	Particulars of security / guarantees / default	Terms of Repayment
SBI - Term Loan ₹6500 Lakhs				
Balance Outstanding	6,500.00	6,500.00	**PRIMARY SECURITY** 1st Pari Pasu charge on Land & Building and hypothecation charge on P & M of the company (Both present & future) **COLLATERAL SECURITY** 2nd pari Passu charge on entire current assets of the company	1. 2018-19- 4 no's of quarterly installments of ₹100 Lakh each 2. 2019-20- 4 no's of quarterly installments of ₹100 Lakh each 3. 2020-21- 4 no's of quarterly installments of ₹200 Lakh each 4. 2021-22- 4 no's of quarterly installments of ₹200 Lakh each 5. 2022-23- 4 no's of quarterly installments of ₹300 Lakh each 6. 2023-24- 4 no's of quarterly installments of ₹350 Lakh each 7. 2024-25- 4 no's of quarterly installments of ₹375 Lakh each
Current Maturity	400.00	-		
Non-Current Maturity	6,100.00	6,500.00		

Particulars	As at March 31, 2018	As at March 31, 2017	Particulars of security / guarantees / default	Terms of Repayment
YES BANK - Term Loan ₹7500 Lakhs			**PRIMARY SECURITY** 1st Pari Pasu charge on entire movable fixed assets of the borrower (Both present & future) including land & Building situated at Focal Point Ludhiana & Pioneer Industrial park Pathrerdi. **COLLATERAL SECURITY** 2nd pari Passu charge on entire current assets of the company (Both present & future).	1. 2018-19- 3 no's of quarterly installments of ₹112.50 Lakh each; 2. 2019-20- 1 no of quarterly installments of ₹112.50 Lakh each & 3 no's of quarterly installments of ₹164.30 Lakh each 3. 2020-21- 1 no of quarterly installments of ₹164.30 each & 3 no's of quarterly installments of ₹216.10 Lakh each 4. 2021-22- 1 no of quarterly installments of ₹216.10 Lakh & 3 no's of quarterly installments of ₹267.90 Lakh each 5. 2022-23-1 no of quarterly installments of ₹267.90 Lakh each & 3 no's of quarterly installments of ₹319.60 Lakh each 6. 2023-24- 1 no of quarterly installments of ₹319.60 Lakh each & 3 no's of quarterly installments of ₹371.40 Lakh each 7. 2024-25- 1 no of quarterly installments of ₹371.40 Lakh each & 3 no's of quarterly installments of ₹423.20 Lakh each 8. 2025-26- 1 no of quarterly installments of ₹423.20 Lakh
Balance Outstanding	3,000.00	3,000.00		
Current Maturity	337.50	-		
Non-Current Maturity	2,662.50	3,000.00		

Notes to Financial Statements

For the year ended March 31, 2018

Axis Bank - ECB $ 16.66 Million			**PRIMARY SECURITY** 1st charge by way of EM on land & Building and hypothecation of plant & machinery of company's Ludhiana unit (Both present & future). **COLLATERAL SECURITY** 2nd charge on entire current assets of the company by way of hypothecation both present & future.	
Balance Outstanding	-	6,044.95		
Current Maturity	-	6,044.95		
Non-Current Maturity	-	-		
Balance Outstanding	11,020.00	17,864.95		
Current Maturity	817.50	6,184.95		
Non-Current Maturity	10,202.50	11,680.00		

17. Provisions : (Non current)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Leave encashment (unfunded)	84.51	80.31
Total	**84.51**	**80.31**

18. Other non-current liabilities

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Superannuation payable	-	4.57
Securities received	2.90	15.15
Total	**2.90**	**19.72**

19. Borrowings: (Current)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Loan repayable on demand		
Secured:		
From banks*	9,610.76	11,662.40
Unsecured		
From related parties (refer note no.36)	1,500.00	1,500.00
Buyer credit	738.97	709.07
Total	**11,849.73**	**13,871.47**

*includes Working Capital Borrowings from Consortium Banks which are secured by hypothecation of entire present and future tangible current assets of the Company as well as a second charge on the entire present and future fixed assets of the company.

Notes to Financial Statements

For the year ended March 31, 2018

20. Trade Payable

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Trade Payables		
(i) Total outstanding dues of micro enterprises and small enterprises (refer note no.35)		-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises.	6,060.80	3,490.94
Total	**6,060.80**	**3,490.94**

21. Other financial current liabilities

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Financial liabilities at amortized cost		
Current maturity of non current borrowings	817.50	6,184.95
Interest accrued but not due on borrowings from banks	45.13	49.79
Others		
-Capital creditors	136.72	27.69
-Dues to employees	436.64	376.39
-Expense payable	3,777.69	4,302.39
-Security deposits	11.46	6.81
Financial liabilities measured at fair value through Profit and loss		
Derivative financial instruments	-	770.61
Total	**5,225.14**	**11,718.63**

22. Other current liabilities

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Advances from customers	97.68	45.29
Statutory dues	204.62	659.57
Other payable	-	1.26
Total	**302.30**	**706.12**

23. Short-term provisions

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits :		
Gratuity (funded) (refer note no. 36)	38.03	1.48
Leave encashment (unfunded)	24.48	25.16
Total	**62.51**	**26.64**

Notes to Financial Statements

For the year ended March 31, 2018

24. Revenue from operations (Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Sale of products		
Own manufactured :		
Steel Bars	87,643.56	75,093.77
By Product & miscellaneous sale	290.04	419.85
Other operating revenue		
Export Incentives	154.97	137.92
Revenue from operations	**88,088.57**	**75,651.54**

25. Other income (Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income	68.70	111.13
Dividend income from current investments	1.42	0.38
Profit on sale of current investments	245.04	218.07
Interest income from current Investments	12.73	60.54
Provision no longer required written back	203.64	0.61
Sundry balances written back	28.31	153.07
Profit on sale of Property plant and equipment	2.37	-
Net profit on sale of long term Investment	14.96	-
Miscellaneous income	33.62	20.49
	610.79	**564.29**

26. Cost of raw materials consumed (Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Raw material scrap & ferro alloys	48,890.38	36,421.86
	48,890.38	**36,421.86**

27. Changes in inventories of finished goods, work in progress and stock-in-trade (Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Opening stock		
Finished goods	7,673.67	6,130.92
	7,673.67	**6,130.92**
Closing stock		
Finished goods	8,903.19	7,673.67
	8,903.19	**7,673.67**
Excise duty variation on closing Stock	(692.35)	377.87
Net (Increase) / Decrease	**(1,921.87)**	**(1,164.88)**

Notes to Financial Statements

For the year ended March 31, 2018

28. Employee benefit expense

(Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, wages and bonus	4,166.01	3,556.05
Contribution to provident and other fund	271.07	247.94
Share based payments to employees (refer note no 36)	55.13	-
Provision for employee benefit (refer note no 36)	92.02	100.02
Staff welfare expense	88.27	75.67
Total	**4,672.50**	**3,979.68**

29. Finance cost

(Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest On		
Term loan	802.92	1,532.41
Others	1,206.92	1,209.28
Other borrowing cost		
Bank & financial charges	133.24	86.28
Total	**2,143.08**	**2,827.97**

30. Other expenses

(Amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Consumption of stores and spare parts	8,072.49	4,814.53
Power and fuel	12,780.92	10,948.43
Packing material	165.49	131.90
Processing Charges	731.76	385.53
Rent	90.58	87.13
Repairs & maintenance (Building)	157.53	190.42
Repairs & maintenance (Machinery)	1,669.70	1,476.07
Insurance	68.23	53.79
Rates and taxes	32.65	38.21
Payment to auditors (refer note no.41.1)	6.86	9.22
Loss on fair value of investments	-	61.79
Loss on sale of investments	-	65.51
Net loss on account of foreign exchange fluctuation	510.76	616.85
Net Loss on sale of Property plant and equipment	-	77.55
Balances written off	54.25	34.10
Bad debts	52.68	51.15
Legal & professional expenses	115.73	150.88
Director sitting fees	10.15	5.65
Director Commission	43.61	10.10
Allowances for doubtful trade receivables	150.00	100.00
Provision against slow moving stock	-	72.92
Freight & cartage on sale	2,214.39	2,074.41
Commission	368.65	19.82
CSR Expense (refer note no. 41.2)	5.65	-
Miscellaneous expenses	760.25	684.40
TOTAL	**28,062.33**	**22,160.36**

Notes to Financial Statements

For the year ended March 31, 2018

31. Earning per share (EPS)

Particulars	As at March 31, 2018	As at March 31, 2017
a. Net profit after tax attributable to equity shareholders	2,503.63	1,913.68
b. Weighted average number of equity shares outstanding at beginning of period	1,85,55,376	1,85,55,376
Add: Bonus Element in Right issue	59,87,168	59,87,168
Add: Weighted Average shares at fair value in Right Issue	67,31,062	-
Add: Weighted Average shares at fair value in QIP	3,91,452	-
Total Weighted Average number of equity shares outstanding for EPS	**3,16,65,058**	**2,45,42,544**
Add: Effect of dilutive common equivalent shares - share option outstanding	1,14,098	-
Total Weighted Average number of equity shares outstanding for Diluted EPS	**3,17,79,156**	**2,45,42,544**
c. Earning Per Equity Share (₹)		
Basic - Par Value of ₹10 per share	7.91	7.80
Diluted - Par Value of ₹10 per share	7.88	7.80
d. Nominal Value of Equity Shares (₹ per share)	10/-	10/-

32. Contingent liabilities & commitments (to the extent not provided for)

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
a. Claim against the company not acknowledged as debts.		
Excise duty/ Custom duty/Service tax in respect of matters in disputes	47.08	88.95
Sales tax/ VAT/ liability in respect of matters in disputes	33.40	3.92
Income tax liability that may arise in respect of matters in disputes	-	267.50
Other matters*	-	370.71
b. Bank Guarantees and letters of credit outstanding	4,677.09	5,461.23
c. Commitments:		
Contracts remaining to be executed on capital account	5,812.74	635.49
Export commitments against import of capital goods under EPCG scheme (Duty saved amount)	2,076.85	1,552.49

* Other matters include contingent liability of Nil (P.Y. ₹370.71 lakhs) relating to matters on power/electricity with PSPCL.

Notes to Financial Statements

For the year ended March 31, 2018

33. Leases

The Company has leased facilities under cancellable operating leases arrangements with a lease term ranging from one to ten years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized for the year ended March 31, 2018 amounts to ₹90.58 Lakhs (PY ₹87.13 Lakh). The future minimum lease payments are given below:

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Within one year	49.42	90.58
After one year but not more than five years	84.99	29.84
More than five years	78.75	-

34. Segment information

The Company has only one operating segment i.e. 'STEEL' and operations are mainly within India. Hence, it is the only reportable segment under IND AS 108 'Operating Segments'. Entity wide disclosure required by IND AS 108 are made as follows:

a. (Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Domestic	Foreign	Domestic	Foreign
Revenues from sale of products to external customers	82,701.89	4,941.67	71,140.49	3,953.28
Non - Current assets :				
Property, Plant and Equipment	24,926.90	-	26,417.88	-
Capital work in progress	698.76	-	111.32	-
Intangible Assets	29.00	-	38.62	-
Other non current assets	2,086.45	-	1,077.42	-

b. Major customers

2017-18 Revenues from 2 major customers represented 11.06% and 10.82% (21.88% in aggregate) of the total sales of the Company.

2016-17 Revenues from 1 major customer represented 12.47% of the total sales of the Company.

35. The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

Based on the information available, there are no vendors who have confirmed that they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. Disclosures as required by section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006, are given below:

Particulars	As at March 31, 2018	As at March 31, 2017
a. Principal amount and Interest due thereon remaining unpaid to any supplier as on 31st March	-	-
b. Interest paid by the Company in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year.	-	-
c. the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
d. the amount of interest accrued and remaining unpaid	-	-
e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of this Act.	-	-
	-	-

Notes to Financial Statements

For the year ended March 31, 2018

36. Employee benefits

a. Defined contribution plans:-

During the year, the Company has recognized an expense of ₹193.64 Lakhs (Previous year ₹173.01 Lakhs) in respect of contribution to Provident Fund and Nil (Previous Year ₹4.57 Lakhs) in respect of contribution to superannuation scheme.

b. Defined benefits plans - as per actuarial valuation

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
	Gratuity (Funded)	Gratuity (Funded)
I. Change in present value of obligation during the year		
Present value of obligation at the beginning of the year	533.67	487.72
Included in profit and loss:		
- Current service cost	61.50	52.77
- Interest cost	40.24	39.02
- Past service cost	12.64	-
Included in OCI:		
Actuarial losses/(gains)	35.70	31.37
Others		
Benefits paid	(66.40)	(77.21)
Present value of obligation as at year-end	617.35	533.67
II. Change in Fair Value of Plan Assets during the year		
Plan assets at the beginning of the year	532.19	447.14
Included in profit and loss:		
Expected return on plan assets	40.13	35.77
Included in OCI:		
Actuarial Gain/(Loss) on plan assets	5.93	8.70
Others:		
Employer's contribution	1.13	40.58
Benefits paid	(0.06)	-
Plan assets at the end of the year	579.32	532.19
The plan assets are managed by the Gratuity Trust formed by the Company. .		
III. Reconciliation of Present value of Defined Benefit Obligation and Fair Value of Plan Assets		
1. Present value of obligation as at year-end	617.35	533.67
2. Fair value of plan assets at year -end	579.32	532.19
3. Funded status {Surplus/(Deficit)}	(38.03)	(1.48)
Net Asset/(Liability)	**(38.03)**	**(1.48)**

Notes to Financial Statements

For the year ended March 31, 2018

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
	Gratuity (Funded)	Gratuity (Funded)
IV. Expenses recognised in the Statement of Profit and Loss		
1. Current service cost	61.50	52.77
2. Interest cost	40.24	39.02
3. Past service cost	12.64	-
4. Expected return on plan assets	(40.12)	(35.77)
Total expense	**74.26**	**56.02**
V. Expenses recognised in the Statement of Other Comprehensive Income		
1. Net Actuarial (Gain)/Loss	29.77	22.67
Total Expense	**29.77**	**22.67**
VI. Constitution of Plan Assets		
1. Equity Instruments	14.57%	10.79%
2. Debt Instruments	83.24%	62.40%
3. Bank balances	1.52%	7.71%
4. Others	0.67%	19.10%
VII. Bifurcation of PBO at the end of the year		
1. Current Liability	134.77	142.28
2. Non-Current Liability	482.58	391.39
Total	**617.35**	**533.67**
VIII. Actuarial Assumptions		
1. Discount Rate	7.71%	7.54%
2. Mortality Table	IALM (2006-08)	IALM (2006-08)
3. Salary Escalation	6.00%	6.00%

IX. The expected Expense for Defined Benefit Plan for the next financial year will be ₹69.20 Lakhs

X Sensitivity Analysis

Gratuity	Year ended March 31, 2018		Year ended March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (.50 % movement)	(18.62)	19.95	(15.43)	16.55
Future salary growth (.50 % movement)	19.27	(18.14)	16.72	(15.72)

Notes to Financial Statements

For the year ended March 31, 2018

XI. Maturity profile of Defined Benefit Obligation

(Amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
	Gratuity (Funded)	Gratuity (Funded)
April 2017 - March 2018	-	142.28
April 2018 - March 2019	134.77	18.86
April 2019 - March 2020	26.00	19.09
April 2020 - March 2021	28.58	18.52
April 2021 - March 2022	44.21	23.65
April 2022 - March 2023	40.41	22.66
April 2023 onwards	343.38	288.61
Total	**617.35**	**533.67**

c) Share based payments to employees

The Board of director in its meeting held on August 24, 2016, approved introduction of an equity based compensation scheme called "Vardhman Special Steels Limited Employee Stock option plan 2016" for its eligible employees. The Board had delegated necessary power to the Nomination and Remuneration Committee to Implement and administer the plan. Accordingly, the Nomination and Remuneration Committee of the company in its meeting held on November 12, 2016 has granted 2,10,000 options to its eligible employees against the plan under the first grant out of total of 3,71,108 options.

I. Option movement during the year ended March 31, 2018

Particulars	Year ended March 31, 2018	
	No's of Options	Wt. Avg exercise Price (in ₹)
No's of options exercisable at the end of the year	1,14,098	142.30

II. The fair value has been calculated using the Black Scholes Option Pricing model
The Assumptions used in the model are as follows

Particulars	Year ended March 31, 2018
1. Risk free interest rate	6.53%
2. Expected life (In year)	4.00
3. Expected Volatility	31.82%
4. Dividend yield	-
5. Excersie Price (in ₹)	65.00
6. Price of the underlying share in the market at the time of option grant (in ₹)	99.00

III Assumptions

1. Stock Price - Closing price on National Stock Exchange on the date of grant has been considered.
2. Volatility - The historical volatility over the expected life has been considered to calculate the fair value.
3. Risk-free rate of return - The risk free interest rate being considered for the calculation is the interes arte applicable for a maturity equal to the expected life of the options based on the bond yield.
4. Exercise Price - Exercise price is the price as mentioned in "Vardhman Special Steels Limited Employee Stock option plan 2016

IV.

(Amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2018
Employee Option plan expense	55.12
Total liability as the end of the period	55.12

Notes to Financial Statements

For the year ended March 31, 2018

37. Related party disclosures

a) Related Party Relationships

i. Associate of

ii. Key Management Personnel (KMP)

Vardhman Textiles Limited

NAME	DESIGNATION
Mr. Sachit Jain	Vice Chairman & Managing Director
Mr. Subhasis Dey (w.e.f. June 10, 2016)"	President & Chief Executive
Mr. Sanjeev Singla	Chief Financial Officer
Ms. Sonam Taneja	Company Secretary
Mr. Naresh Bansal (up to July 13, 2016)"	Chief Executive

Non- Executive Directors
Mr. Rajeev Gupta
Mr. Sanjeev Pahwa
Mr. Rajinder Kumar Jain
Mr. Sanjoy Bhattacharyya
Mr. Jayant Davar
Mr. Bal Krishan Choudhary
Mrs. Suchita Jain
Mr. Praful Bhai Anubhai Shah
(up to November 5, 2017)

iii. Enterprise over which KMP's have significant influence

Vardhman Holdings Limited
Vardhman Acrylics Limited
Vardhman Yarns and Threads Limited (up to 31.08.2016)
Vardhman Nisshinbo Garments company Limited
VMT Spinning company Limited
Vardhman Acrylics Limited
Devakar Investment & Trading Co. Pvt. Ltd.
Ralson (India) Limited
Ram Commercial Enterprises Ltd.
Kosani Finance & Investments Pvt.Ltd.
Shivanshi Investments Pvt.Ltd.
Ralco Finance & Investments Pvt.Ltd.
Ralson Tyres Pvt.Ltd.
Ralson Communication Technologies Pvt.Ltd.
Ralco Enterprises Ltd.
Ujjwal Investments & Trading Ltd.
DSA Traders Pvt.Ltd.
Fortuna Capital (FIRM)
Sandhar Technologies Limited
Sandhar Infosystems Limited
KDB Investments Private limted
Raasaa Retail Private Limited

No transaction has taken place during the year

Notes to Financial Statements

For the year ended March 31, 2018

b) The following transactions were carried out with related parties in the ordinary course of business:

(Amounts in ₹ Lakhs)

	Particulars	Related party involved	2017-18	2016-17
(i)	Purchase/Processing of goods	VMT Spinning Company Ltd.	1.75	0.56
		Vardhman Yarns & Threads Ltd.	1.38	2.99
		Vardhman Textiles Ltd.	72.27	34.07
		Vardhman Nisshinbo Garments Company Ltd.	-	0.63
			75.40	**38.25**
(ii)	Sale of FOCUS/DEPB licenses	VMT Spinning Company Ltd.	-	6.55
				6.55
(iii)	Sale of car	Vardhman Textiles Ltd.	30.68	48.54
			30.68	**48.54**
(iv)	Logo Charges (Inc.GST or Service Tax)	Vardhman Holdings Ltd.	14.71	14.38
			14.71	**14.38**
(v)	Interest received	Vardhman Textiles Ltd.	0.10	0.02
			0.10	**0.02**
(vi)	Common Corporate Charges (Inc. GST or Service Tax)	Vardhman Textiles Ltd.	105.66	108.38
			105.66	**108.38**
(vii)	Interest Paid	Vardhman Textiles Ltd.	110.15	117.28
		VMT Spinning Company Ltd.	0.10	0.30
			110.25	**117.58**
(viii)	Loan taken :	Vardhman Textiles Ltd.		
	Loan taken including opening balance		1,500.00	1,500.00
	Less: Loan Repayment		-	-
	Closing Balance of Loan		**1,500.00**	**1,500.00**
(ix)	Remuneration:	Key Managerial Personnel (KMP)		
	Short-term employee benefits *		391.73	227.82
	Termination benefits		-	13.82
			391.73	**241.64**

* Including sitting fees, commission and value of perquisites

The above said remuneration is excluding provision for Gratuity & Leave Encashment, where the actuarial valuation is done on overall Company basis.

Notes to Financial Statements

For the year ended March 31, 2018

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Outstanding balances at the year- end are unsecured.

38. Deferred tax:

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Deferred tax liabilities (a)	**(2,653.93)**	**(2,323.62)**
Accelerated depreciation		
Deferred tax assets		
Deferred Tax Asset arising on account of expenses allowable for tax purposes when paid u/s 43B	778.02	471.87
Deferred Tax Asset arising on account of provision for doubtful debt	87.36	34.61
Fair valuation loss on investments	-	21.39
MTM forex fluctuation on forward contracts	-	137.07
Unabsorbed losses and depreciation*	1,788.55	1,658.68
Total	**2,653.93**	**2,323.62**
Deferred tax assets (DTA) (b)	**2,653.93**	**2,323.62**
Net deferred tax assets/(liability) [(a)-(b)]	**Nil**	**Nil**

* DTA created on unabsorbed losses & depreciation up to deferred Tax liability.

39. Impairment Review

Assets are tested for impairment whenever there are any internal or external indicators of impairment. Impairment test is performed at the level of each Cash Generating Unit ('CGU') or groups of CGUs within the Company at which the assets are monitored for internal management purposes, within an operating segment. The impairment assessment is based on higher of value in use and value from sale calculations. During the year, the testing did not result in any impairment in the carrying amount of other assets. The measurement of the cash generating units' value in use is determined based on financial plans that have been used by management for internal purposes. The planning horizon reflects the assumptions for short to- mid-term market conditions. Key assumptions used in value-in-use calculations:

- Operating margins (Earnings before interest and taxes)

- Discount rate

- Growth rates

- Capital expenditures

40. Introduction of Goods and Service Tax (GST) with effect from July 1, 2017

Consequent to the introduction of Goods and Service Tax (GST) with effect from July 1, 2017, Central Excise, Value Added Tax (VAT) etc. have been subsumed into GST. In Accordance with Indian Accounting Standards-18 on Revenue and Schedule-II of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT etc. are not part of revenue. Accordingly the excise duty expense in the year ended March 31, 2018 contains the excise expense amount up to June 30, 2017 only whereas in the year ended March 31, 2017 excise expense amount pertains to full year.

Notes to Financial Statements

For the year ended March 31, 2018

41. Other disclosures required by statute

(Amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
41.1 Auditors Remuneration		
1. Statutory auditors*		
i. Audit fee	4.75	2.75
ii. Tax audit fee	1.25	0.75
iii. Certification charges	0.30	5.00
iii. Reimbursement of expenses	0.08	0.36
Total	**6.38**	**8.86**
2. Cost auditors		
Audit fee	0.48	0.36
Total	**0.48**	**0.36**

* In addition to this, certification charges amounting to ₹4.58 Lakhs related to QIP has been adjusted with Securities premium

41.2 Detail of CSR Expenditure

(Amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
a) Gross amount required to be spent by the company during the year	5.53	Nil
b) Amount spent during the year:		

(Amounts in ₹ Lakhs)

Particulars	Expense incurred in the year ended March 2018	Expense incurred in the year ended March 2017
b) Amount spent during the year:		
Construction / acquisition of any asset	-	Nil
On purpose other than above (i) above *	5.65	Nil

* Donation of ₹3 Lakhs to a woman mountaineer as support to climb Mount Everest , Plantation at Municipal Corporation Park for ₹0.66 Lakh, Safety jackets distributed for road safety for ₹0.78 Lakh, Donation of ₹0.59 Lakh to Local Police for CCTV installation and Donation of ₹0.50 Lakh to The North India Cerebral Palsy Association.

Notes to Financial Statements

For the year ended March 31, 2018

42. Financial instruments

Financial Assets

(Amounts in ₹ Lakhs)

Sr. No	Particulars	Fair value hierarchy	As at March 31, 2018		As at March 31, 2017	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
1	**Financial assets designated at fair value through profit and loss**					
a	Long term investments	Level-1	-	-	-	-
b	Long term investments	Level-2	-	-	67.87	67.87
n	Current investments	Level-1	816.01	816.01	30.53	30.53
2	**Financial assets designated at amortised cost**					
a	Long term loans and advances		142.40	142.40	46.42	46.42
b	Other financial non current assets		-	-	-	-
c	Trade receivables		19,455.40	19,455.40	18,897.16	18,897.16
d	Cash and bank balances		748.50	748.50	594.64	594.64
e	Short term loans		101.92	101.92	69.92	69.92
f	Other financial current assets		566.60	566.60	81.71	81.71
3	**Financial Assest designated at fair value through profit and loss**					
a	Derivatives - not designated as hedging instruments		25.16	25.16	-	-
			21,855.99	**21,855.99**	**19,788.25**	**19,788.25**

Financial Liabilities

Sr. No	Particulars	Fair value hierarchy	As at March 31, 2018		As at March 31, 2017	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
1	**Financial liability designated at fair value through profit and loss**					
a	Derivatives - not designated as hedging instruments	Level-2	-	-	770.62	770.62
2.	**Financial liability designated at amortised cost**					
a	Long term borrowings (including current maturity)		10,963.49	10,963.49	17,730.45	17,730.45
b	Short term borrowings		11,849.73	11,849.73	13,871.47	13,871.47
c	Trade payables		6,060.80	6,060.80	3,490.94	3,490.94
d	Other financial current liabilities (excluding Derivatives and current maturity)		4,407.64	4,407.64	4,763.07	4,763.07
			33,281.66	**33,281.66**	**40,626.55**	**40,626.55**

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties in an orderly market transaction, other than in a forced or liquidation sale.

Notes to Financial Statements

For the year ended March 31, 2018

The following methods and assumptions were used to estimate the fair values.

A. The fair values of derivatives are on MTM as per Bank

B. Company has opted to fair value its Long term and Current investments through profit & loss

C. Company has adopted effective rate of interest for calculating Interest. This has been calculated as the weighted average of effective interest rates calculated for each loan. In addition processing fees and transaction cost relating to each loan has also been considered for calculating effective interest rate.

D. The carrying amounts of current assets/ liability are to be the same as their fair values due to short term nature.

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

43. Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward contracts:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Foreign Currency In lakhs	₹ In lakhs	Foreign Currency In lakhs	₹ In lakhs
Assets				
Forward contracts				
In U.S. dollars	3.50	230.05	37.74	2,469.81
In Euros	6.49	525.33	6.72	468.71
Liabilities				
Forward contracts				
In U.S. dollars	187.32	12,351.34	257.46	17,037.73
In Euros	2.06	98.83	0.95	66.39
In AED	11.25	199.78	-	-
	210.62	**13,405.33**	**302.87**	**20,042.64**

The table below analyses the outstanding foreign exchange forward contracts into relevant maturity groupings based on the remaining period as of the balance sheet date:

(Amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2018
Not later than one month	1,538.80	2,374.47
Later than one month but not later than three months	1,969.77	4,784.53
Later than three months but not later than one year	9,896.76	12,883.64
Later than one year	-	-
	13,405.33	**20,042.64**

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Notes to Financial Statements

For the year ended March 31, 2018

44. Financial risk management objectives and policies

44.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

i. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency rate risk, interest rate risk and other price risks, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments, and derivative financial instruments. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at March 31, 2018 and March 31, 2017.

ii. Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

iii. Liquidity Risk

Liquidity risk is the risk that the Company may not be able to meet its present and future cash and collateral obligations without incurring unacceptable losses.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes.

Risk management is carried out by the treasury department under policies approved by the board of directors. The treasury team identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity."

MARKET RISK

a.) Foreign Currency Risk and sensitivity

The functional currency of the Company is Indian Rupee (INR). The Company is exposed to foreign exchange risk through its sales in international markets and purchases from overseas suppliers in various foreign currencies. . The Company has obtained foreign currency loans and has foreign currency trade payables and receivables and is therefore, exposed to foreign exchange risk. The Company holds derivative financial instruments such as foreign exchange contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are affected as the rupee appreciates/ depreciates against these currencies.

Notes to Financial Statements

For the year ended March 31, 2018

The following table analyses foreign currency risk from financial instruments as of March 31, 2018:

(Foreign Currency In Lakhs)

Particulars	USD	Euro	CHF	SEK
Trade receivables	16.39	1.70	-	-
Trade payables	38.52	0.68	-	-
Long term loans - External commercial borrowings	-	-	-	-
Short term loans	96.00	-	-	-
Net assets / (liabilities)	**(118.13)**	**1.02**	**-**	**-**

The following table analyses foreign currency risk from financial instruments as of March 31, 2017:

(Foreign Currency In Lakhs)

Particulars	USD	Euro	CHF	SEK
Trade receivables	19.72	1.95	-	-
Trade payables	30.43	0.53	-	-
Long term loans - External commercial borrowings	93.20	-	-	-
Short term loans	96.60	-	-	-
Net assets / (liabilities)	**(200.51)**	**1.42**	**-**	**-**

The following table summarizes the Company's exposure to foreign currency risk from financial instrument at the end of each reporting period:

(Foreign Currency In Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
a) Exposure on account of Financial assets		
Trade Receivable (A)		
-In USD	16.39	19.72
-In Euro	1.70	1.95
Amount hedged through forwards & options # (B)		
-In USD	3.50	19.72
-In Euro	1.70	1.95
Net Exposure of Foreign Currency Assets (C = A - B)		
-In USD	12.89	-
-In Euro	-	-
b) Exposure on account of Financial Liabilities		
Trade Payable, ECB & Short term laons (D)		
-In USD	134.52	220.23
-In Euro	0.68	0.53
Amount hedged through forwards & options # (E)		
-In USD	134.52	220.23
-In Euro	0.68	0.53
Net Exposure of Foreign Currency Assets (F = D - E)		
-In USD	-	-
-In Euro	-	-
Net Exposure to Foreign Currency Assets / (Liability) (C-F)		
-In USD	12.89	-
-In Euro	-	-

The forwards and options have been considered to the extent of financial assest/liability only

Notes to Financial Statements

For the year ended March 31, 2018

The followings are the significant exchange rates applied during the year:

Particulars	2017-18 (Average exchange rate)	2016-17 (Average exchange rate)	2017-18 (Year end rate)	2016-17 (Year end rate)
INR/USD	64.46	62.55	65.18	64.86
INR/EURO	75.45	72.20	80.22	69.31

Foreign currency sensitivity

The Impact on the company profit before tax due to changes in the fair value of monetary assets and liability including foreign currency derivatives on account of 1% change in USD and Euro exchange rate (With all other variables held consant) will be as under:

(Amount In Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
1 % Strengthening/weakening of USD against INR	8.40	-
1 % Strengthening/weakening of Euro against INR	-	-

b. Summary of Exchange difference accounted in Statement of Profit and loss:

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
Currency fluctuations		
Net foreign exchange (gain)/ losses shown as operating expenses	302.80	27.59
Net foreign exchange (gain)/ losses shown as Finance Cost	-	-
Net foreign exchange (gain)/ losses shown as Other Income	-	-
Derivatives		
Derivatives (gain) / losses shown as operating expenses	207.96	589.26
Total	**510.76**	**616.85**

CREDIT RISK

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:

(In %)

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
Revenue from top customer	11.06	12.47
Revenue from top five customers	36.62	32.86

Ageing analysis of trade receivables

Particulars	As March 31, 2018					As March 31, 2017				
	Not Due and Not Impaired	Upto Six Months	Six to Twelve Months	Above 12 Months	Total	Not Due and Not Impaired	Upto Six Months	Six to Twelve Months	Above 12 Months	Total
Unsecured	15,073.69	3,535.69	691.20	404.82	19,705.40	13,653.60	4,309.71	461.58	572.27	18,997.16
Allowances for doubtful trade receivables			102.47	147.53	250.00				100.00	100.00
Net Balance	**15,073.69**	**3,535.69**	**588.73**	**257.29**	**19,455.40**	**13,653.60**	**4,309.71**	**461.58**	**472.27**	**18,897.16**

Notes to Financial Statements

For the year ended March 31, 2018

CASH AND CASH EQUIVALENTS

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in liquid mutual fund units, quoted bonds issued by government and quasi government organizations and certificates of deposit which are funds deposited at a bank for a specified time period.

Liquidity risk

The company's approach in managing liquidity risk is to ensure that , as far as possible, it will have sufficient liquidity to meet its liabilities as and when they fall due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2018:

(All amounts in ₹ Lakhs)

Particulars	Upto 1 year	1-2 years	2-4 years	4-9 years	Total
Borrowings (Financial liability) including current maturity	817.50	1,165.40	3,912.40	5,124.70	11,020.00
Trade payables	6,060.80	-	-	-	6,060.80
Other financial liabilities (excluding derivatives)	4,407.64	-	-	-	4,407.64

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2017:

Particulars	Upto 1 year	1-2 years	2-4 years	4-9 years	Total
Borrowings (Financial liability) including current maturity	6,184.95	497.50	3,158.00	7,984.50	17,824.95
Trade payables	3,490.94	-	-	-	3,490.94
Other financial liabilities (excluding derivatives)	4,763.07	-	-	-	4,763.07

44.2 Competition and Price risk

The Company faces competition from local and foreign competitors. Nevertheless, it believes that it has competitive advantage in terms of high quality products and by continuously upgrading its expertise and range of products to meet the needs of its customers.

44.3 Capital Risk Management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity shareholders . The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

Notes to Financial Statements

For the year ended March 31, 2018

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
Borrowings	22,813.22	31,601.92
Trade payables	6,060.80	3,490.94
Other payables	4,859.85	5,595.86
Less: cash and cash equivalents	748.50	594.64
Net debt	**32,985.37**	**40,094.08**
Equity	33,931.61	19,808.09
Capital and net debt	**66,916.98**	**59,902.17**
Gearing Ratio	49.29%	66.93%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

As per our report of even date attached
For **S. S. Kothari Mehta & Company**
Chartered Accountants
Firm's registration number: 022150N

For and on behalf of the Board of Directors of
Vardhman Special Steels Limited

Harish Gupta
Partner
Membership number: 098336

Sachit Jain
(Vice Chairman & MD)
DIN : 00746409

Suchita Jain
(Director)
DIN : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No: A34338

Place: Gurugram
Date: April 27, 2018

VARDHMAN SPECIAL STEELS LIMITED
Vardhman Premises, Chandigarh Road,
Ludhiana, Punjab, 141010
Phone : 0161-2228943-48, & Fax : 0161-2601048
E-mail:secretarial.lud@vardhman.com & Website: www.vardhmansteel.com
CIN: L27100PB2010PLC033930

30th August, 2018

Dear Shareholder(s),

In order to facilitate payment of dividends, the Securities and Exchange Board of India (SEBI) vide its Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, as amended vide Circular dated July 16, 2018, has mandated the Company/ RTA to obtain copy of PAN Card and Bank account details from all the shareholders holding shares in physical form.

Accordingly, you are requested to furnish self-attested copy of your PAN card and original cancelled cheque leaf / attested bank passbook showing the name of account holder along with the details mentioned in Annexure 'A'.

You may send the above details latest by 22nd September, 2018 to the M/s. Alankit Assignments Limited, at 1E/13, Alankit Heights, Jhandewalan Extension, New Delhi - 110055.

Thanking you,

Yours faithfully,
FOR VARDHMAN SPECIAL STEELS LIMITED

Sd/-
Authorised Signatory

Annexure-A

To
M/s. Alankit Assignments Limited,
1E/13, Alankit Heights,
Jhandewalan Extension,
New Delhi -110055.

Dear Sir,

I/We hereby furnishing the following details as required by you. Kindly update the same in your records:

Name of Shareholder (s)	
Folio No.	
Pan (Enclose self-attested copy of Pan card/s of all holders)	
Bank Account No. (Enclose name printed original cancelled cheque / attested copy of passbook)	
Name of Bank	
Branch Address	
IFSC No.	
MICR No.	
Email ID	
Mobile / Telephone number	

Signature of Shareholder (s)

Name ______________

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Corporate Information

BOARD OF DIRECTORS
1. Mr. Rajeev Gupta – Chairman
2. Mr. B.K. Choudhary
3. Mr. Jayant Davar
4. Mr. Rakesh Jain
5. Mr. Rajinder Kumar Jain
6. Mr. Sanjeev Pahwa
7. Mr. Sanjoy Bhattacharyya
8. Mrs. Suchita Jain
9. Mr. Sachit Jain – Vice-Chairman & Managing Director

CHIEF FINANCIAL OFFICER
Mr. Sanjeev Singla

COMPANY SECRETARY
Ms. Sonam Taneja

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

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

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

REGISTERED OFFICE
Vardhman Premises, Chandigarh Road,
Ludhiana – 141010.
Phones: (0161)2228943-48
Fax: (0161) 2601048, 2220766
E-mail: secretarial.lud@vardhman.com
Website: www.vardhmansteel.com

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

BRANCHES & WAREHOUSES
- Plot Nos. 400-401, Block-C, Pioneer Industrial Park, Pathredi, Gurugram – 123 413.
- Survey No. 10/1, Bommasandra Village, Attibale Hubli, Anekal Taluka, Bangalore – 560 099.
- Village- Fauzi Matkota, Tehsil – Kichha, District – Udham Singh Nagar, Rudrapur – 263 153.
- DP No. 17, Sidco Womens Industrial Estate, Thirumullaivoyal, Chennai.
- C/o M/s Sudalloys Private Limited, B-26, MIDC Chakan, Pune – 410 501, Maharashtra.
- Gala #908A, Gat #71 B/s, Goodyear Tyre, Group Grampanchayat – Ghanegaon, Vitava Naryangaon (Khurad) – Aurangabad.

Vardhman

Vardhman

Delivering Excellence. Since 1965.

Vardhman Premises, Chandigarh Road,
Ludhiana – 141010.
Phones: (0161)2228943-48
Fax: (0161) 2601048, 2220766
E-mail: secretarial.lud@vardhman.com
Website: www.vardhmansteel.com

VARDHMAN SPECIAL STEELS LIMITED
CIN: L27100PB2010PLC033930
Regd. Office: Chandigarh Road, Ludhiana 141 010 (Punjab), India.
Phone No.: 0161-2228943-48, Fax: 0161-2601048
E-mail: secretarial.lud@vardhman.com; Website: www.vardhmansteel.com

ATTENDANCE SLIP
E-VOTING PARTICULARS

8TH ANNUAL GENERAL MEETING

2018

I/We hereby record my/ our presence at the 8th Annual General Meeting of Vardhman Special Steels Limited held at the Registered Office of the Company situated at Chandigarh Road, Ludhiana-141 010 on Thursday, the 27th day of September, 2018 at 09.00 a.m.

.... Member's Folio/DP ID-Client ID No.

.... Member's /Proxy's name in Block Letters

.... Member's/Proxy's Signature

Note:

1. Please complete the Folio / DP ID-Client ID No. and name, sign this Attendance Slip and hand it over at the Attendance Verification Counter at the entrance of the meeting place.
2. Electronic copy of the Annual Report for 2017-18 and Notice of the Annual General Meeting (AGM) alongwith Attendance Slip and Proxy Form is being sent to all the members whose email address is registered with the Company/Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
3. Physical copy of the Annual Report for 2017-18 alongwith Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email is not registered or have requested for a hard copy.

ELECTRONIC VOTING PARTICULARS

EVSN (E-Voting Sequence Number)	USER ID / Folio No. / DP / Client ID	SEQUENCE NO.
180823004		

NOTE: Please read instructions given at Point No. 13 of the Notice of 8th Annual General Meeting annexed in the Annual Report for 2017-18 of the Company, carefully before voting electronically.

VARDHMAN SPECIAL STEELS LIMITED
CIN: L27100PB2010PLC033930
Regd. Office: Chandigarh Road, Ludhiana 141 010 (Punjab), India.
Phone No.: 0161-2228943-48, Fax: 0161-2601048
E-mail: secretarial.lud@vardhman.com; Website: www.vardhmansteel.com

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

I/We being the holder(s) of...................shares of the above named Company bearing folio no. ....hereby appoint :

1. Name : ....Address : ....

   E-mail Id : ....Signature: .... or failing him;

2. Name : ....Address : ....

   E-mail Id : ....Signature: .... or failing him;

3. Name : ....Address : ....

   E-mail Id : ....Signature: ....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 8h Annual General Meeting of the Company, to be held on Thursday, the 27th day of September, 2018 at 09.00 a.m. at Registered Office of the Company situated at Chandigarh Road, Ludhiana-141 010 and at any adjournment thereof in respect of such resolutions as are indicated below:-

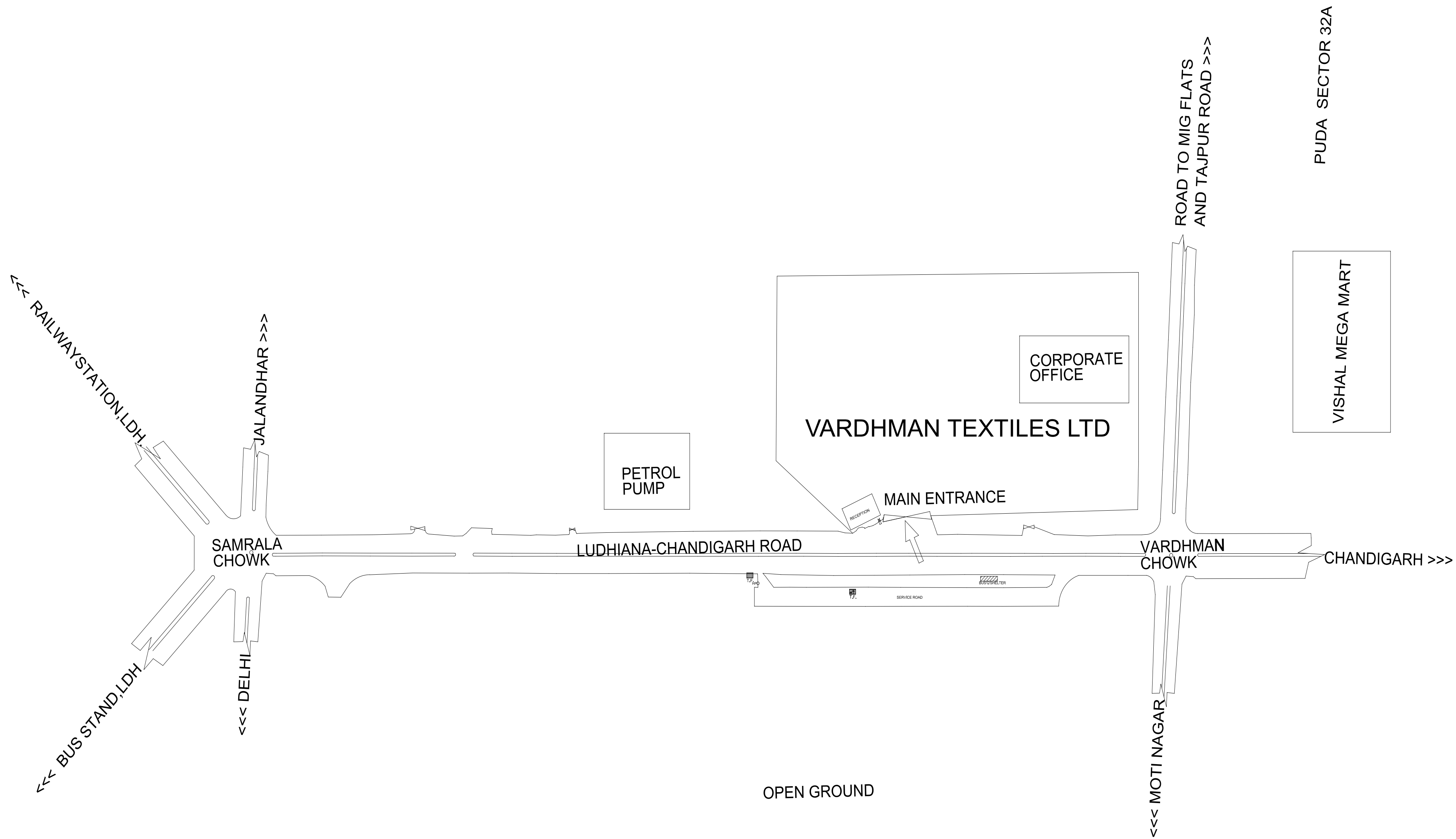
RESOLUTIONS:-	
Ordinary Business	
1.	To adopt Financial Statements.
2.	To re-appoint Mrs. Suchita Jain as a director liable to retire by rotation.
3.	To appoint Statutory Auditor.
Special Business	
4.	To appoint Mr. Rakesh Jain as an Independent Director of the Company.
5.	To approve revision in remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director.
6.	To ratify the remuneration payable to Cost Auditors for the financial year ending 31st March, 2019.
7.	To approve continuation of directorship of Mr. Rajinder Kumar Jain as a Non- Executive Director of the Company.

Sign this .... day of .... 2018.

Signature of shareholder .... Signature of Proxy holder(s) ....

Affix Revenue Stamp not less than Rs. 0.15

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.


PUDA SECTOR 32A
ROAD TO MIG FLATS
AND TAJPUR ROAD >>>
VISHAL MEGA MART
CORPORATE
OFFICE
VARDHMAN TEXTILES LTD
<<< RAILWAYSTATION,LDH.
JALANDHAR >>>
PETROL
PUMP
MAIN ENTRANCE
SAMRALA
CHOWK
LUDHIANA-CHANDIGARH ROAD
VARDHMAN
CHOWK
CHANDIGARH >>>
SERVICE ROAD
<<< BUS STAND,LDH
<<< DELHI
OPEN GROUND
<<< MOTI NAGAR