



Vardhman

Vardhman

Delivering Excellence. Since 1965.



DREAMS OF STEEL

Vardhman Special Steels Limited
Annual Report 2018-19

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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 Discussion and Analysis of the Annual Report.



We had a dream.

Of a certain tomorrow at a time when our today was being questioned.

A dream that just would not give in to the vagaries of the present; that had its eye only on the future.

We had a dream.

For which

...we overcame our temptation of becoming complacent with what we had and instead focused on what could be.

...we did not attach ourselves to possibilities in a way that could cause us disappointment but continued to believe in opportunities in a way that sparked our faith.



We had a dream.

And after eight years of patience, persistence and perseverance, that dream has finally seen the light of day.

The dream now promises to catapult us into a new orbit - from being just another alloy steel manufacturer to becoming one of the best in our business over the coming years.

The dream that we steeled ourselves for & refused to give up on, now holds the potential to make us a world-class special steel company.

Shaping the Dream...

We have entered into an alliance with Aichi Steel Corporation, one of the leading alloy steel manufacturers of Japan.

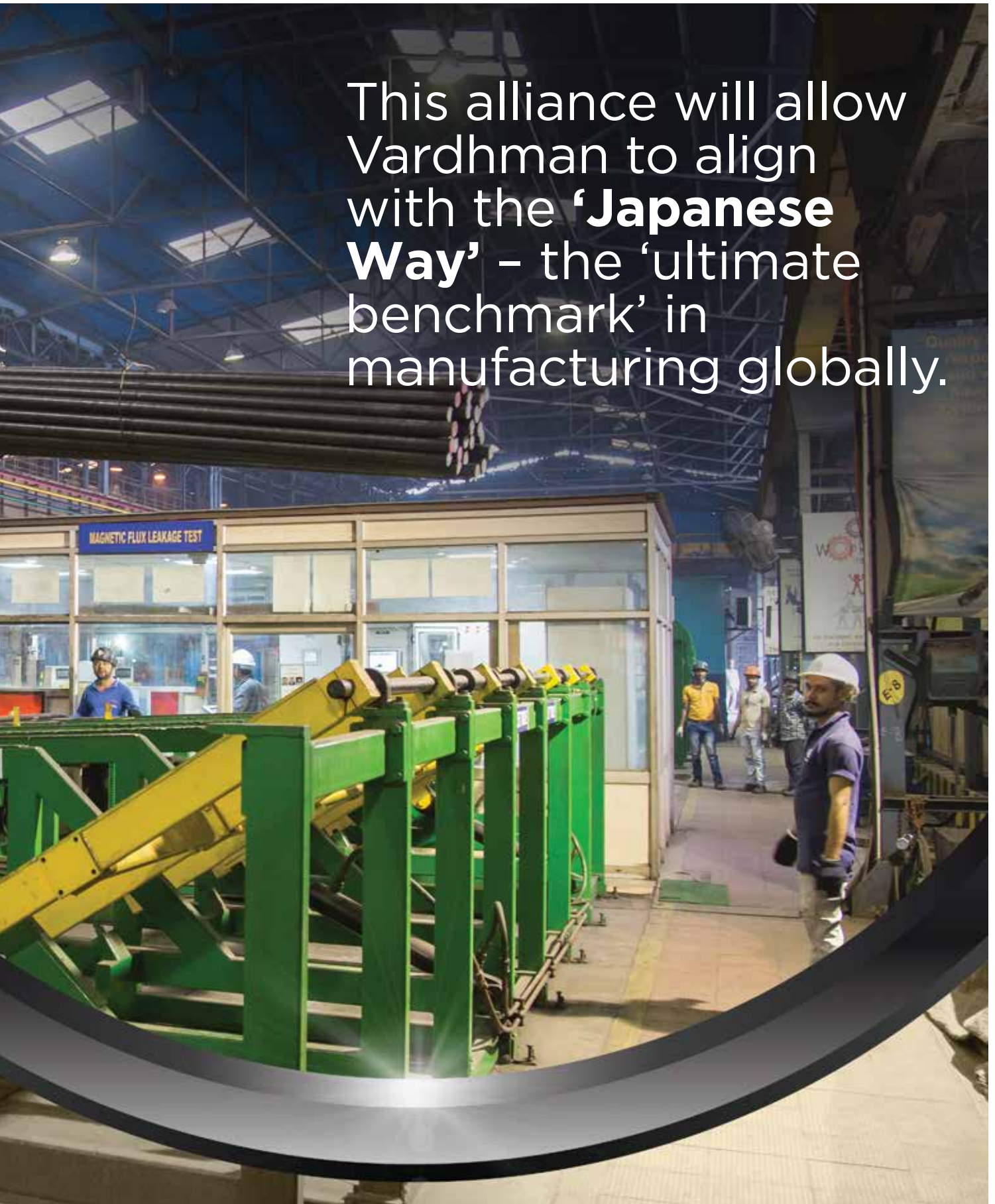
They will invest ₹50 crore in the Company for an 11.4% equity stake.

They will help us in improving our processes and quality and on-ground operations to make this vision see the light of day.



Aichi Steel, one of the leading alloy steel manufacturers of Japan, has developed so far by assuming the large mission of supporting Japan's automobile industry from the bottom up as a manufacturer of materials. Aichi Steel's products are offered all over the world with the best possible quality and prompt delivery.

This alliance will allow Vardhman to align with the '**Japanese Way**' - the 'ultimate benchmark' in manufacturing globally.



Statement from the
Vice Chairman's desk

“Over the medium term, we see a huge opportunity and we as an organisation are focussed on capitalising on the same. Our foundation is strong and we will work hard to build a world class special steel company.”

Dear Shareholders,

Once again, I am here to communicate with you after what can, at best be called an unprecedented year. What a roller coaster ride the past year has been. We started the year in a tough situation margin wise but a booming market. The demand from the auto sector was so high that we were unable to meet the requirements of our customers and we were forced to look for alternate sources of material. However, things took a turn for the worse starting December and we ended the year well below our forecasts. Let me explain things now in greater detail.

Dramatic Fall

As referred to earlier, we were in a very optimistic situation sitting in October. Demand for material was very high and there was bullishness everywhere in the auto sector. We had begun the negotiations for the 2nd half price increase and we were looking at a record performance from sales and profit point of view. And then IL&FS happened. Suddenly, the NBFC sector lost financing capability and liquidity got hit which along with some other factors like hiking insurance costs led to sales getting severely affected. Suddenly, we were looking at a crash scenario which also meant that the auto companies were looking at large drops in profits and so could not give us the price increase due to us. Till February, we were still hoping for a reasonable year but the final price settlement that we were forced to accept led to a performance much below our expectations. I have seen good years and I have seen bad years in my experience of 30 years of working, but I have never seen such a dramatic downturn and caught by so huge a surprise.

Plant Shutdown

The Plant shutdown that was to happen during March - April 2019 got postponed to end June to end August. It is progressing well at the time of this writing. With this replacement of the shell of the furnace and other advanced equipment added, we will have the capability to increase our production, improve our yield, reduce power consumption and reduce the consumption of consumables. However, as you may be aware that Ministry of Environment has put a ban on further environment clearances in Ludhiana under NGT directions and hence we withdrew our application for enhancement of capacity. Since then, we have reworked our plans and we will not be adding to the pollution load despite expansion and are resubmitting the application. We are hopeful that since we will be within the approved environmental norms, there is a reasonable chance that we may get approval for expansion in the coming months. I have been personally meeting top officials of Punjab Government, Punjab Pollution Control Board and Ministry of Environment, Government of India. They have all assured me of full support in case we are not adding to the Pollution load. Fingers crossed!

Dream Come True

I have been sharing over the last few years of my dream of forging an alliance with a global steel major. This along with the plant upgradation was the last of the unfinished agenda on my table to officially complete Phase 1 of our plan for VSSL. I am delighted to share with you all that finally we have succeeded in getting an agreement to have a Joint Venture and Technical Assistance from Aichi Steel Corporation of Japan, one of the leading

alloy steel manufacturers of the world, subject to your approval, of course. This has been a long journey of 8 years when we first broached the topic of an alliance with them in July 2011. It has been a journey of earning respect and trust and building a friendship beyond business. The idea is to start their engagement in India with us in a small way, and if all goes well, to grow this company in size and capability to a leader in the space of special alloy steels for the automotive sector. The advantage we will get is to not only get the technical knowhow and special products that Aichi has but also get the manufacturing knowhow which is an inherent part of most Japanese companies. Over time, we will also build up a non-automotive business but that is not the focus for the immediate present. Also over the next couple of years as we find more opportunities to grow and invest, there remains a possibility of them increasing their stake from the current level of around 11.5%.

Real Work

Getting Aichi to come to invest in VSSL was our objective since the last 8 years but now that they have decided to invest, this becomes the foundation and we have to look ahead. The objective will now change to how to make this investment and the relationship with Aichi a success. The purpose will be to learn from them the Japanese techniques of producing high quality steel at a competitive cost. For this, we will have to be willing to change our methods of working. This will mean a huge cultural change as we are going to have a few Japanese managers working in VSSL full time for a few years. We have already started the process of communicating the need for this change to all our people. I have myself communicated this

We have done a lot of work over the years on involving and improving communication with the employees down the line.

This resulted in an improvement in Employee engagement scores which improved to 83.3% from 76% in the year 2015.



need down to the level of our workers. The good part I find is that there is high level of excitement throughout the organisation and a high level of anticipation. The people are desirous of learning newer methods and have committed to making the desired change. However, we realise that accepting the need to change and making the change happen are two different things and it will be difficult. I am committing to putting my best in this area.

Employee Engagement

We have done a lot of work over the years on involving and improving communication with the employees down the line. This has led to having a stable work force with low attrition. Further, this resulted in an improvement in Employee engagement scores which improved to 83.3% from 76% in the year 2015. A highly engaged workforce adds a lot to the working environment in creating a positive work culture and we are lucky that we have been able to do that. In addition to sending teams for white water rafting, this year some of our team members went for trekking too. I personally went to the Sandakphu trek in West Bengal where we could get a fabulous view of the Sleeping Buddha. A trek always leaves me breathless with nature's beauty on display and inspires me to reach newer heights like the tall mountains we get to see.

Outlook

In the immediate future, the outlook is quite uncertain, however, I am looking at

business in a very optimistic and positive way. We are continuing to increase our focus on the car segment which is more demanding and requires better quality steel. On our own too, we were able to do that and now with the Technical assistance from Aichi, we expect this process will pick up speed. Currently auto markets are in a state of turmoil but things should settle down in a few months and when they do, we will be prepared to take advantage of the opportunities. Meanwhile, we also see the effect of the slowdown in terms of reduction of raw material prices and electrode prices too. These should give benefit in the coming months. Over the medium term of course, I see a huge opportunity and we as an organisation will be focussed on capitalising on the same. The dream that we had, has got realised and now onwards we have to work hard to derive benefits for VSSL and its shareholders. We officially will be ending Phase 1 of our plans on 30th September, 2019 and Phase 2 begins on the 1st October, 2019. I am satisfied with our overall progress. The foundation is strong and we can build a world class special steel company on this.

With warm regards

Sachit Jain
A fellow shareholder



Vardhman Special Steels Limited

A proxy of the Indian
automobile sector

One of India's
leading
manufacturers of
special steels

Placed among the leading producers of Special and Alloy Steels, Vardhman Special Steels Limited caters to diverse requirements of hot-rolled bars (steel bars and bright bars) for Engineering, Automotive, Tractor, Bearing and Allied Industries. The Company, for more than 40 years, has emphasised on total customer focus in all operational areas, monitoring and nurturing relationships with clients and business associates.

Vardhman Special Steels incorporates some of the most advanced manufacturing facilities with equally reliable support facilities. Leveraging state-of-the-art manufacturing facilities and vast experience in the domain, the Company has an extensive list of clientele, including various globally-renowned corporations operating in India.

Committed to delivering unmatched quality, Vardhman Special Steels is an ISO 14001:2004; OHSAS 18001:2007; ISO 9001:2008; ISO/TS 16949:2009 certified organisation.

Headquartered in Ludhiana, Punjab, the Company is part of the US\$1.2 bn Vardhman Group. The Company is spearheaded by Mr. Sachit Jain and its day-to-day operations are managed by a team of enthusiastic professionals.





BSE Code: 534392

NSE Code: VSSL

Face value of share: ₹10/-
 per share

Promoters' holding:
 66.48%

Mission

Endeavours 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.

Core ideology

- Absolute market orientation for a quick and positive response to customer needs.
- Uncompromising commitment to flexible, professional and personalized services.
- Delivery to a consistent standard, competitively and meeting deadlines.
- Responsive approach to the benefits of R&D and modern technology.
- Having faith in individual potential and respect for human values.
- Being a responsible corporate citizen with due respect to laws of the land and environment.

1120.76

Revenue (₹ crore)

361.99

Networth (₹ crore)

347.22

Market capitalisation
 (₹ crore)

997

Team size

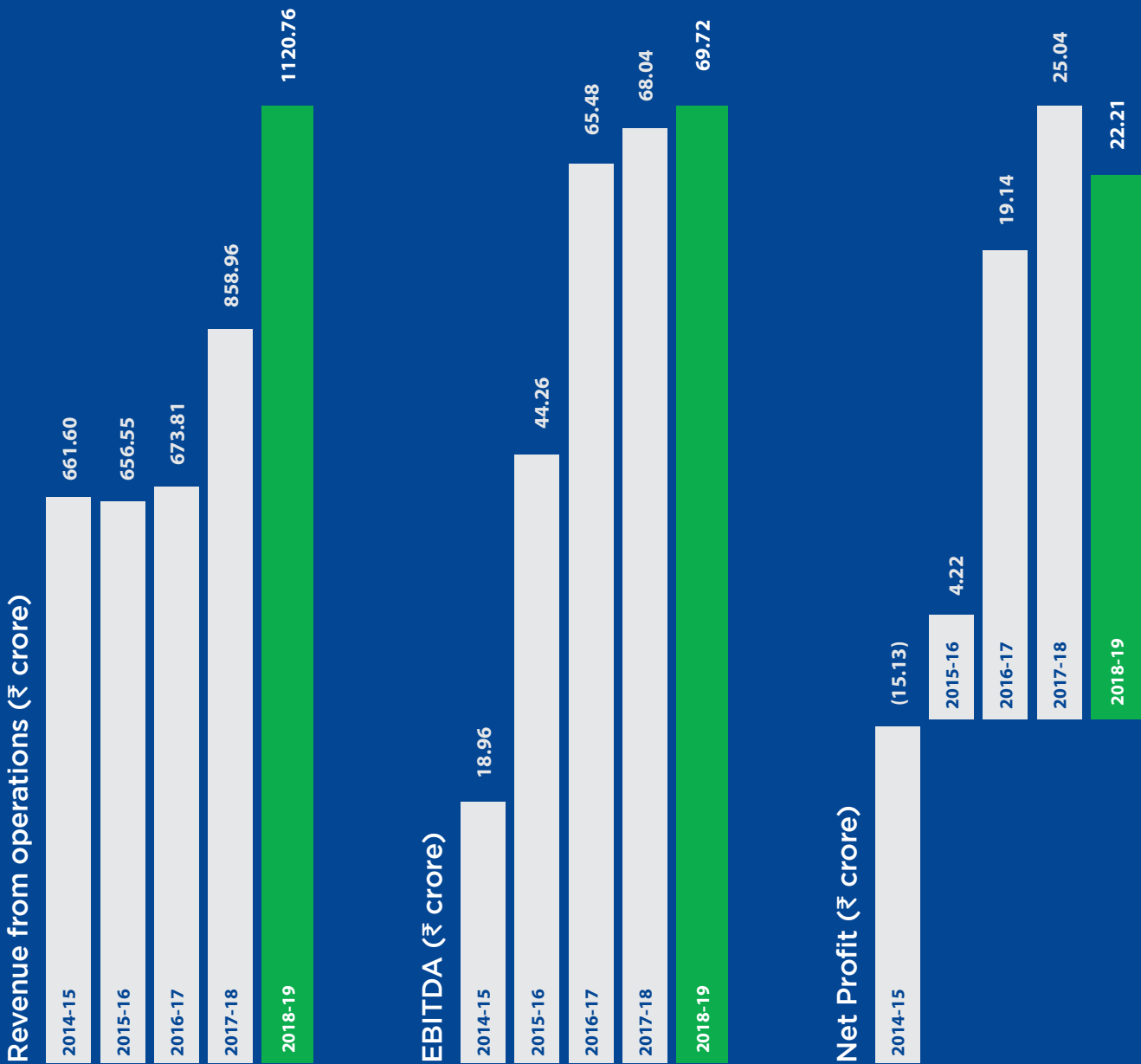
170+

Customers

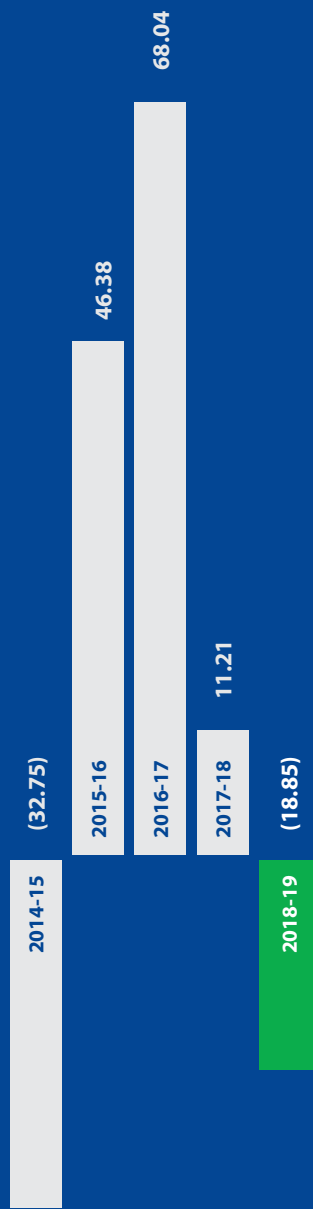
35+

OE customers

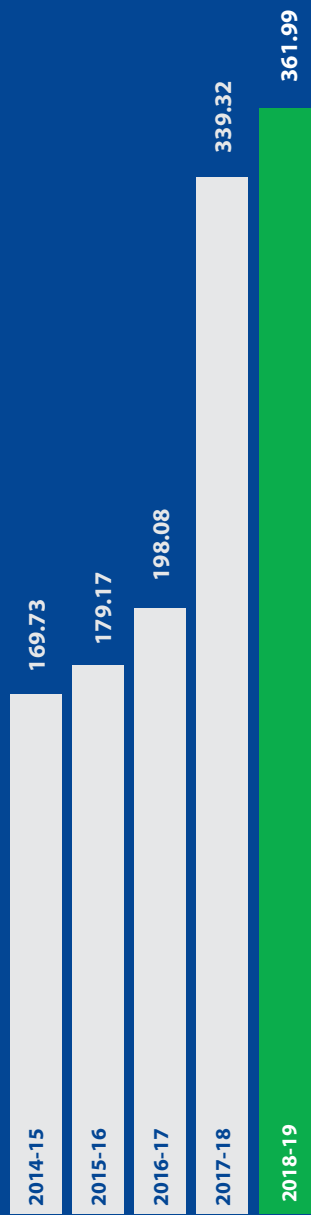
Our progress thus far



Net cash flow from operations (₹ crore)



Networth (₹ crore)



Net Debt-equity (x)



Management discussion and analysis

An economic overview

How the world progressed

The momentum gained by the global economy from the second half of 2016 started its downward descent in 2018. In a year, a number of factors crept in which contributed to weakened global expansion, especially in the second half of 2018.

Moreover, with this weakness expected to persist into the first half of 2019. The World Economic Outlook projects a decline in growth in 2019. Global growth, which peaked at close to 4% in 2017, softened to 3.6% in 2018 and is projected to decline further to 3.3% in 2019.

Changes that derailed the world from moving forward

- Escalation of US-China trade tensions.
- Macroeconomic stress in Argentina and Turkey.
- Disruptions to the auto sector in Germany.
- Tighter credit policies in China.
- Financial tightening in the larger advanced economies.



3.60

The global GDP growth in 2018 (%)

2.20

GDP growth in advanced economies in 2018 (%)

4.50

GDP growth in developing economies in 2018 (%)



An economic overview

How India performed

India's economic progress could not match expectations – India's GDP growth stood at 6.8% even as economic experts had estimated an economic expansion of 7.4%. Despite this moderation, India continued to be one of the fastest growing major economy in the world in 2018-19.

So, what led to the decline? India started on a healthy note with an 8% GDP growth in the first quarter and a 7% growth in the second. But in the second half growth slipped below 6.5%. This was due to the poor performance of farm, mining and manufacturing sectors – it led to an overall deceleration in economic progress.

India's industrial production contracted by 0.1% in March 2019, the lowest in 21 months, mainly due to a slowdown in the manufacturing sector. On an annual basis, IIP growth slowed to a three-year low of 3.6% in the 2018-19 fiscal as against 4.4% in the previous fiscal.

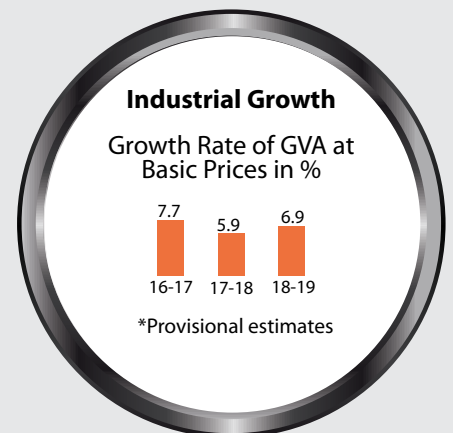
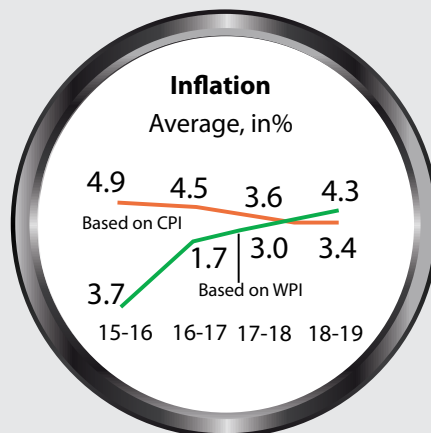
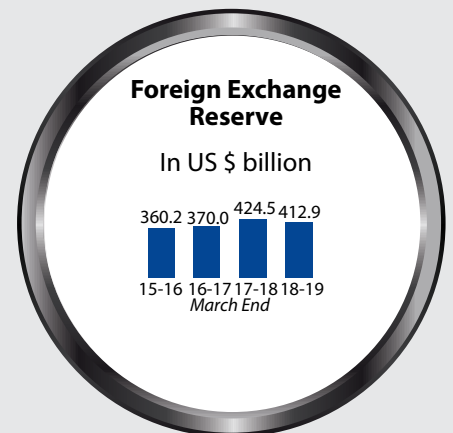
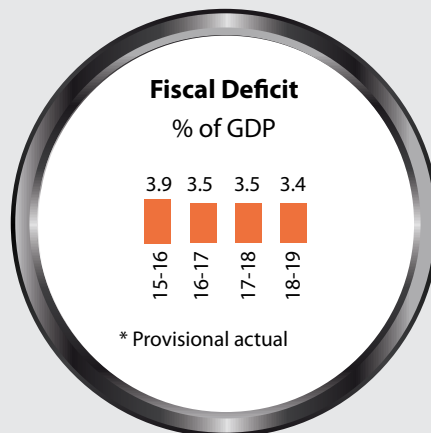
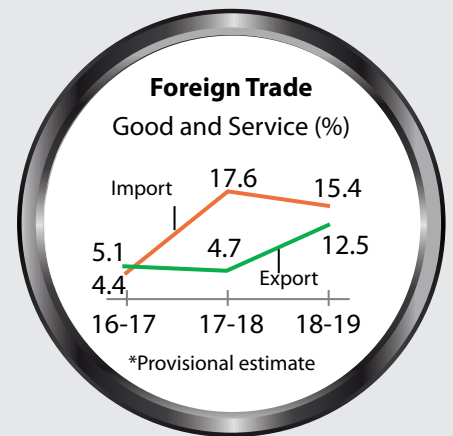
But behind this subdued performance, there were some positives

- Revenue from Goods and Services Tax (GST) witnessed 10% growth from the year-ago period at ₹1.13 trillion in April (for March 2019), the highest ever since its implementation.

- The per-capita income at current prices during 2018-19 is estimated to have attained a level of ₹1,26,406 (₹10,533.83 monthly) as compared to the estimated of ₹1,14,958 (₹9,579.83 a month) for 2017-18 - a rise of 10%.
- India moved up by 23 places in the World Bank's Ease of Doing Business Index 2018 to the 77th rank.
- India moved up one place to rank 43rd most competitive economy in the world in the IMD World Competitiveness Rankings.

Going forward: The International Monetary Fund (IMF) cut India's GDP growth forecast for 2019-20. They project growth

to pick up to 7.0% in 2019 (2019-20) and 7.5% in 2020, supported by the recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy.



The steel sector

It's indispensable and invaluable

Every individual every hour is in touch with this metal – steel. Almost everything that we use is either made from or manufactured with steel. It is a uniquely versatile material and is widely regarded as a high performance, contemporary engineering material.

What is even more exciting about this material is that it continues to lend itself to being improved and innovated upon to meet dynamic and challenging demands over decades. This intrinsic benefit of steel makes it a sustainable choice in a growing number of applications. This has made steel indispensable to our modern living and critical to economic growth.

Global steel sector

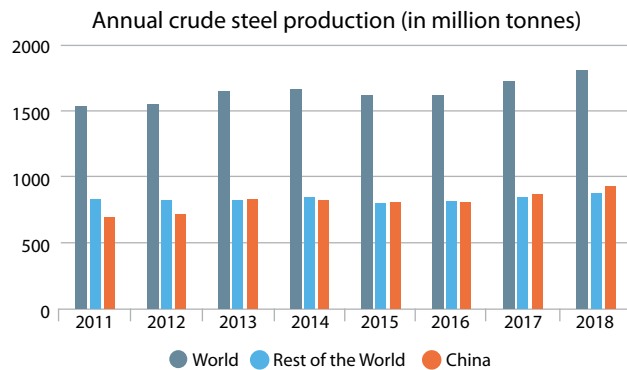
The steel industry is set to grow in 2019 by at a slower pace owing to a less favourable economic environment.

Despite the global economy registering a muted performance, the steel sector continued to gain momentum.

Production: Global crude steel production reached 1,808.6 million tonnes (MT) in 2018, up 4.6% compared to 2017. Crude steel production increased in all regions in 2018 except in the EU, which saw a 0.3% contraction.

Demand: In 2018, global steel demand increased by 2.1% (after adjusting for Chinese induction furnace closures) growing slightly slower than 2017.

Going forward: The steel industry is set to grow in 2019 by at a slower pace owing to a less favourable economic environment. China's deceleration, a slowing global economy, uncertainty surrounding trade policies and the political turmoil in many regions suggest a possible moderation in business confidence and investment. As such the World Steel Association has forecasted global steel demand to reach 1,735 MT in 2019, an increase of 1.3% over 2018. In 2020, demand is projected to grow by 1.0% to reach 1,752 MT.





Indian steel sector

The economic slowdown coupled with slower industrial growth will weigh heavy on the steel sector.

The Indian steel industry, after recovering from the twin shocks of demonetization and the Goods and Services Tax (GST) reform, is one of the few bright spots for the world's steel industry in what is forecasted to be a lower growth era.

Performance in 2018-19: A promising picture emerged in the steel story for 2018-19 as demand growth outpaced the increase in supply. While, India's domestic consumption of finished steel rose at a robust 7.5% in 2018-19 to 97.51MT, the nation's crude steel output rose by just 3.1% to 103.13 MT in 2018-19, as the rise in imports limited production gains for domestic steelmakers.

India was a net importer of steel during 2018-19, the first time in three years, as

the country lost market share among its traditional steel buyers and imports jumped on demand for higher-quality steel domestically. The country's finished steel exports fell by 34% in the fiscal year that ended in March, 2019 to 6.36 MT; during the same period, finished steel imports rose by 4.7% to 7.84 MT.

During 2018-19, demand in India was largely being driven by the infrastructure sector. With automobile sales (consumes 20% of steel) decelerating in the second half of 2018-19, the fear is that a prolonged slowdown could impact steel demand in 2019-20.

The other major challenge over the horizon could come from the slowdown in China. This demand slowdown in China

is driving imports to India. The sharp fall in international prices increased imports to India and is weighing on domestic prices.

Over the horizon: Facing headwinds amid a slowdown in the economy, the fortunes of the steel sector appear subdued. Steel prices will continue their downward movement in tandem with the global steel prices (which corrected in May 2019). As a result, steel prices will continue to be unable to properly reflect higher-priced iron ore. This would put pressure on operating margins and has forced steel majors to optimise their capex spends. The industry's woes have been compounded due to the decelerating automobile.

India's Secondary steel sector

Government keen on supporting the secondary steel producers

Steel is no more steel. Because requirements are changing, steel has to be more, and do more, than what steel did few years ago. This has created the secondary steel segment comprising of players who add value to steel and customize it to new-age requirements. As a result, this segment caters to a wide range of user sectors which form the backbone of the Indian economy. This has increased the share of special and alloy steel players in the overall steel pie – from under 5% a few years ago to 5.5% of overall steel industry in India.

In addition to possessing the capability to produce special sections and customized products, this segment of the steel industry enjoys niche advantages:

- They require lower capital and land.
- They hold the potential to generate three times more employment than integrated steel plants.
- They are more keen on raw material security.

The role of secondary steel is expected to become more pronounced over the coming years as India aims to create a globally competitive steel industry and strives to achieve its articulated goal of 300 MT capacity by 2030-31. Experts are of the opinion that when India reaches this target, the share of the secondary segment would increase significantly.

To support the secondary steel segment, the Government has announced important initiatives:

- It has announced the practice of classifying steel manufacturers as integrated, primary and secondary producers, in order to provide them a level-playing field.
- It has instituted awards for the secondary steel producers in an effort to motivate them to do better.

It promises to strengthen institutional support (energy efficiency and R&D support) and protect domestic producers from below-cost import from foreign countries through anti-dumping measures.



Estimates suggest that the Special & Alloy Steel segment within the secondary steel space is about 5-5.5 million tonnes comprising of 5.0% - 5.5% of the overall steel industry.



Automotive sector

India's enthusiasm for commercial vehicles, cars, and motorcycles has all but evaporated

Heading into an election, India's enthusiasm for commercial vehicles, cars, and motorcycles has all but evaporated. Moreover, it is unlikely to return anytime soon, as economic experts suggest that India is at the brink of an economic slowdown which could intensify going into 2019-20.

Overall production in the country's US\$70 billion auto industry decelerated from the historical average. According to the data released by the Society of Indian Automobile Manufacturers (SIAM), the automobile industry produced a total 3.09 crore vehicles during April to March 2019 as against 2.90 crore in the corresponding period of the previous year, marking a growth of 6.5%.

This downbeat sentiment should worry investors and policymakers. For inventories are piling up and consumers are not interested in spending that much. Moreover, with unemployment soaring, affordability remains a sticking point.

So why is demand the tepid? It is because buyers are not confident of what lies ahead, hence they have throttled spending. That's particularly the case among younger people, as well as those in rural and smaller urban areas. Even for those who have the means, their choices are limited. Because most cars look and feel very similar. In addition, congestion and pollution is becoming a growing menace that is thwarting ownership. Also the success

of cab hailing companies in India, has emerged as a significant deterrent to car ownership.

SIAM has appealed to the government to cut GST on cars and scooters and bikes from 28% to 18% to ease the incoming pricing pressure on the automobile industry. For when the industry will graduate to the BS-VI emission introduction (from 1 April, 2020) and adopt other mandatory safety regulations, it will add to the overall cost of the vehicle. This is expected to further accentuate the sectoral slowdown.

Sales in 2018-19

Segment	2018-19	2017-18	Growth (%)
Passenger vehicles	40,58,656	40,38,552	0.5
Commercial vehicles	11,07,250	9,53,781	16.1
Three wheelers	12,68,700	10,16,700	24.8
Two-wheelers	2,44,62,231	2,30,15,120	6.3
Grand Total	3,08,96,837	2,90,24,153	6.5

Source: SIAM





Passenger vehicles

After an accelerated performance, sales in the current fiscal have hit a speed breaker.

India's passenger vehicle industry reported its worst performance in five years in Fiscal 2018-19 as higher fuel prices, an increase in insurance costs, a lack of financing options and farm distress crimped demand. Moreover, growing unemployment also added to the woes of the passenger vehicle segment.

According to the data issued by SIAM, sale of cars, sport utility vehicles and minivans

grew 0.5% in the year ended 31 March, 2019 to more than 4.06 million vehicles.

Demand for vehicles has been better in rural compared to urban markets. Shared mobility like cab services has also contributed to the slowdown in demand from urban areas. Further, the NBFC crisis which sucked the liquidity for the Indian financial system also contributed to a decline in passenger vehicles.

Sales could rebound after the general elections. But a recovery in demand would be contingent upon factors such as abundant monsoon rain and improvement in credit availability.

Going forward: Considering the continued pressure on sales and prevailing market uncertainty, the industry lobby group has projected a modest 3-5% rise in passenger vehicle sales in 2019-20.

2-Wheelers

The breakneck speed of the previous year lost momentum in the current fiscal.

Fiscal 2018-19 was a significant washout for the 2-wheeler segment as sales registered a growth of only 6.3% over the previous fiscal. This was largely owing to the significant deceleration in the last quarter of 2018-19 when domestic sales de-grew by about 10.7% against the same period in the previous year.

The slowdown in sales was pronounced in the second half of the fiscal for important reasons:

- The Kerala floods.
- Higher insurance costs pushed up two-wheeler prices by 7-10%.
- Fuel price increases.
- Lack of liquidity owing to the debacle in the NBFCs sector.

Going forward: What is even more disconcerting is that the green shoots of recovery are not visible in the near term.

Reports suggest that unemployment is at an all-time high, with the services sector severely hit. More than 60% of farm produce has been sold below the minimum support price, reprising rural distress.

From a medium-term perspective, even if demand picks up following positive triggers such as a good monsoon and the festival season, other challenges exist. The mandatory anti-lock braking system (ABS) and a combi-brake system (CBS) will lead to further price increases.

Dealers are cautious regarding sales prospects, given that customers have already seen price hikes of 10-15% between 2017 and 2018. The industry also has to align with new BS-VI emission norms, effective April 2020. This will again see the need for clearing inventory of BS-IV vehicles.

There is a price tag to all enhancements

Automobiles, cars and two-wheelers alike, are expected to cost 10-15% more from 1 April 2020, when Bharat Stage VI (BS-VI) emission norms and new safety regulations are expected to kick in.





A 15-minute discussion on the in-plant and on-field performance

“From a plant performance perspective, we upped our KPIs on all accounts. Our production was at about 189,000 tonnes - we operated our units at 90% plus utilisation.”

Were you happy with the Company's performance in 2018-19?

Unlike the previous year, fiscal 2018-19 was a mixed bag. The first half was neck breaking while the second half was heart breaking.

The first half was a continuation of the previous year where the demand was robust. Our capacities operated at peak utilisation. Moreover, we had to outsource some volumes to meet customer demand. The going was good. We expected that the good times would last. But that did not happen.

The second half was a huge disappointment. The auto sector which accounts for more than 95% of our sales volumes started a downward spiral. By the closing quarter, demand from the auto sector just vanished. The combination of reduced demand and competitive intensity dented our performance. Our sales volumes in the second half plummeted.

From an operational perspective, what were the high points during the year?

Despite the huge swing in our external ecosystem, we continued to push our internal operational benchmarks by making seemingly insignificant measures such as process improvements, line-balancing exercises, time management, product-mix management, among others. But the cumulation of all those tiny efforts made a huge difference to our in-plant performance. We upped our KPIs on all accounts. Our power consumption dropped and our yields improved. Our production was at about 189,000 tonnes - we operated our units at 90% plus utilisation.

You mentioned that the demand had dried. And you continued to operate your units at peak utilisation. Could you throw some light on that?

From our perspective, the downturn happened at just the right time. As communicated in our previous Annual Report, we were to take a shutdown in our Steel Melting Shop to replace our Electric Arc Furnace to a superior variant that will enhance operational efficiency and optimise consumption of utilities. Hence, when the demand was low in the fourth

quarter of 2018-19, we built our billet inventory which would meet our customer requirement for the first half of the current year, by which time our new EAF should be operational.

Any new products commercialised during the year?

New product development is a regular occupation for the team. Product approval, as you might be aware, takes considerable time. We have quite a few products which are at various stages of development and approval.

During 2018-19, we had an important breakthrough. We commercialised a new product – cold drawn bars. Earlier the volumes for this product were insignificant. But our marketing team has secured a client for this product who is now giving healthy business volumes on a sustained basis. What was more satisfying is that the equipment required for making this steel variant was designed and assembled by our in-house team.



From a market perspective, what was the progress made during the year?

There was an important development. Maruti is reclassifying its vendors. Post the audit of our infrastructure and capabilities, we were certified under the Green category.

This means that we have graduated from being just a vendor to a development partner. This also means that we will have access to all kinds of RFQs; we will partner their team in future development activities. More importantly, this upgrade provides an important watermark on our capability.

While the ground work was done in 2018-19, we received the certification in the first quarter of the current year. We do not expect any significant returns from this achievement in the current year, we should get additional volumes over the next 18-24 months.

Do you foresee any new trend in the market?

The demand for micro alloy steel is picking up – we are getting a number of

enquiries for this steel grade. This steel is cost effective over conventional steel (owing to its manufacturing process) and it offers high strength. But this steel mandates careful monitoring across the manufacturing value chain. We have been manufacturing this grade for over a decade now, albeit in small quantities. In 2018-19, we have made a heartening breakthrough with some customers. We remain hopeful of securing good volume for this steel grade in the current year.

How were the global markets?

Europe, remained depressed for the entire year as the automotive sector in Germany experienced a slowdown. The US-China trade war led to China dumping steel across the globe which dampened the global sentiment. In the face of these challenges, we were able to maintain our previous year volumes. This was only because the team was able to secure volumes from customers in South-East Asian countries. Going forward, things are expected to become more challenging as the global markets are expected to become increasingly volatile. We should see an increase in export volumes going into 2020-21.

What is your expectation for the current year?

The slowdown in the automotive sector is expected to persist for some time. There are number of factors which point towards this conclusion:

- The prevailing liquidity crisis has significantly shaken customer confidence and impacted consumerism.
- The slowdown in other sectors has led to job loss which has further dented consumer confidence.
- The BS-VI norms applicable from April 2020 will ensure that auto majors liquidate their inventory – leading to throttled offtake of material.
- BS-VI compliant vehicles will come with a higher price tag which could deter purchases especially for first-time vehicle purchasers or buyers with a tight budget.

The bottomline is... the current year would be very challenging. We would do well, if we can achieve the numbers reported in the previous year.

Our Competitive Advantages

Sectoral presence

- Four decades of presence in the special steel space.
- 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.

Cutting-edge infrastructure

- Sophisticated equipment (on the 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.



Service commitment

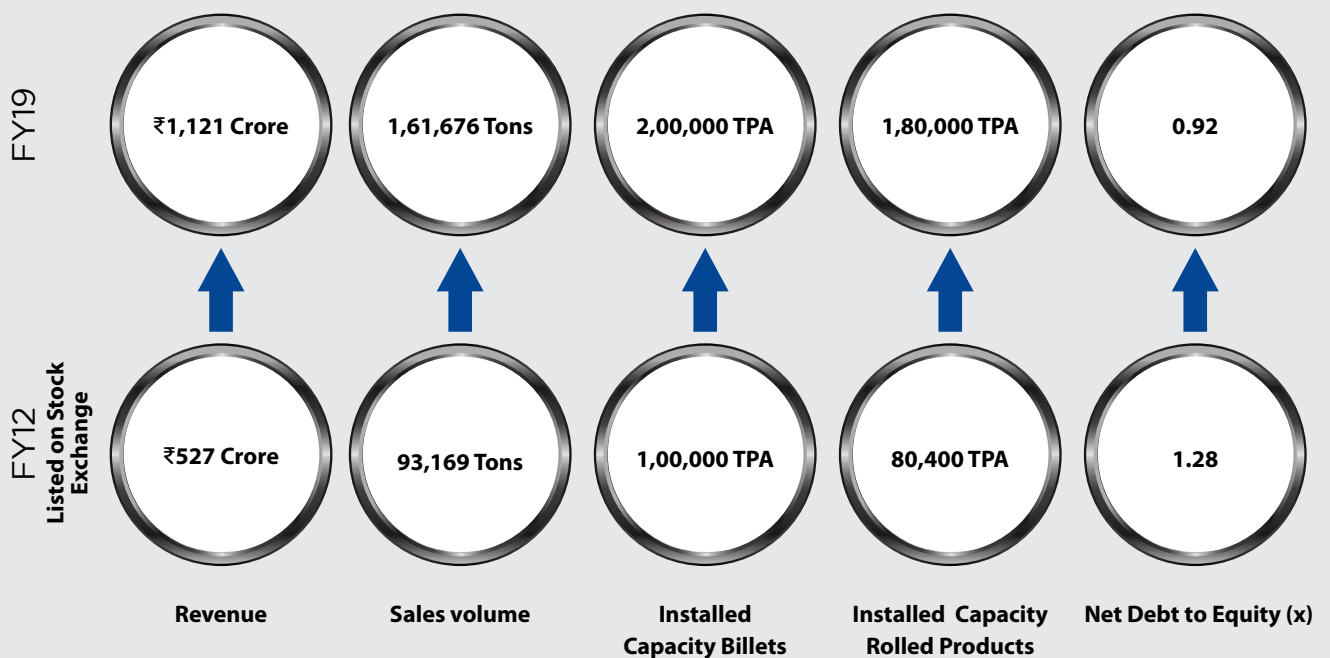
- Production planning discipline and access to warehousing facilities pan-India has enabled it to serve manufacturing facilities of automotive OEMs operating in India.
- Strong team of experienced metallurgists for after sales service has strengthened the Company's bond with its customers.

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.

Product development

- Invested in a full-fledged R&D unit managed by a team of 60 experts.
- Capable of developing a wide variety of steel grades specified by its automotive customer.



Internal control and audit

The internal control mechanism of the Company is well documented. This is embodied in the ERP system. It is a common practice in the Company to lay down well thought out business plans for each year.

From the annual business plan, detailed budgets for revenue and capital for each quarter is determined. The actual performance is reviewed in comparison with the budget and deviations, if any, are addressed adequately.

The Company also has an internal audit system commensurate to the size and volume of its business. The internal audit programme covers all the functions and activities of the Company. A Statutory Compliance Audit Team is constituted to check compliance in all areas and report to the management. This facilitates corrective measures to be taken efficiently and wherever required.

The Audit Committee of the Board of directors meets every quarter to review the reports of the Internal and Statutory Audit and to verify all financial statements, ensuring compliance.

Human resource

People who can create infinite possibilities continue to be at the core of Vardhman's illustrious journey. For its the people power that fuels the inspiration to go beyond the boundaries within the mind, to open doors which were earlier considered as walls and drive performance that does not contribute to industry growth but catalyses it.

Vardhman continues to invest in its people – building their capability, sharpening their expertise and nurturing the spirit of leadership – which makes it a learning and delivering institution and facilitates in sustaining its growth momentum year-on-year.

Project Eklavya (B.Sc. to B.Tech): It is a formal training program that focus on technical knowledge which promises to enhance skill sets and productive efficiencies of the people.

Centre for Creative Leadership training: This US-based Organisation imparted customized leadership training to select member of the top management team.

Japanese Language Learning: In view of the strategic alliance with Aichi Steel, the Company is in process of learning Japanese language. Various teams are taking class room training of this language in order to understand and communicate with their alliance partners.

During the year, the Company started monitoring Body Mass Index (BMI) for all employees. In addition, a health tracker has been set up to monitor the health of all employees. Further, to strengthen team building, the Company implemented the Single Uniform for Everyone concept – from the top floor to the shop floor.



A discussion with the finance team to gain an insight on the Company's financials

“Our operating cash flow (before accounting for working capital changes) was higher than the previous year. I am pleased to mention that despite the volatility in the auto sector, the organisation's stability remained unaffected.”

Can you give us a run down on the financial performance in 2018-19?

It was a little disappointing. We started the year on a high note. Moreover, demand continued unabated for the first six months which soared our expectations. The sudden fall in the fourth quarter hit our financials significantly. Despite stronger growth and higher profitability in the first three quarters, the overall numbers were subdued. Although, revenue from operations increased by about 22% over the previous year, our EBITDA grew by only 2.5% and Net Profit declined by 11%.

What were some of the positive highlights for 2018-19?

Our operations team, through multiple Kaizens and small initiatives upped and stabilized our billet manufacturing operations at 200,000 TPA from the earlier 180,000 TPA. This has resulted in considerable saving.

The Company's borrowings have increased. Could you help in understanding that?

We had a planned shutdown for about 2-3 months for replacing our old Electric Arc Furnace with a contemporary variant. For this, we needed to create sufficient inventory of billets to ensure that our commitment to our customers was not compromised. Hence, we had to increase our working capital loans for this inventory buildup. As a result, our net debt-equity ratio moved up slightly from 0.65 as on March 31, 2018 to 0.92 as on March 31, 2019. As we liquidate this inventory in the first half of the current year, you would see the reversal.

And owing to this, your working capital cycle also increased!

Yes, that is true. Our receivables are in good shape. Our operating cash flow (before accounting for working capital changes) was higher than the previous

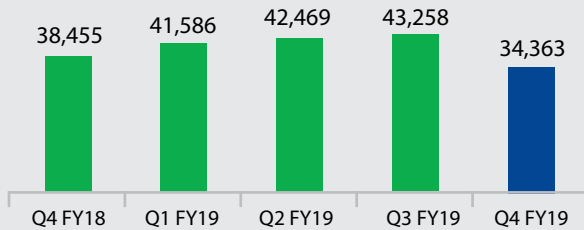
year. I am pleased to mention that despite the volatility in the auto sector, the organisation's stability remained unaffected.

What is your estimate for the current year?

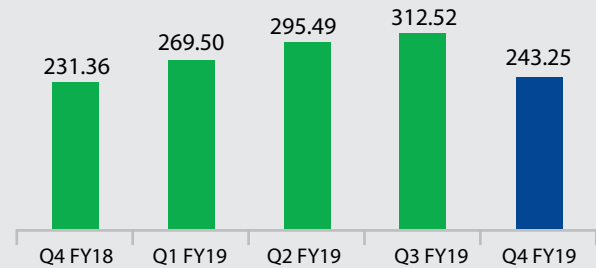
It is very difficult to comment on the same. Because, the clouds in the sky could change colour anytime – just as it happened in 2018-19. If we assume that the prevailing headwinds continue (sector experts and opinion makers expect that it will), our financial performance could be muted. We would have a challenge at hand.

The start.... and the end

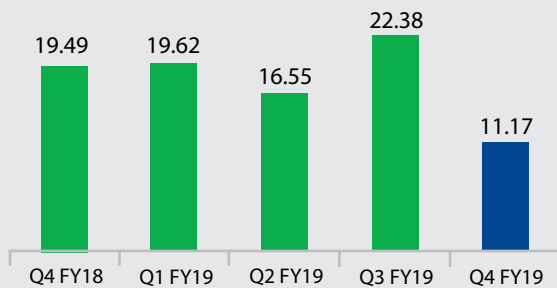
Sales volumes (tonnes)



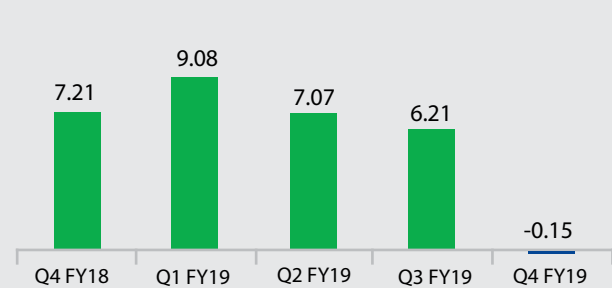
*Revenue from Operations (₹ Crore)



#EBITDA (₹ Crore)



PAT (₹ Crore)



*Includes sales of raw material and traded goods; #EBITDA is including Other income

Particulars	2018-19	2017-18	Change (%)	Reasons for change
Debtors Turnover Ratio	6.85	5.21	31.48	We have reduced credit period of some customers.
Inventory Turnover Ratio	3.58	5.42	(33.95)	Billet Inventory built up for Planned Shutdown of Steel Melt Shop in H1 of FY 2019-20
Interest Coverage Ratio	2.95	3.17	(6.94)	
Current Ratio	1.40	1.65	(15.15)	
Net Debt-Equity Ratio (x)	0.92	0.65	41.54	Increase in short term borrowings due to billets inventory built up for Planned Shutdown of Steel Melt Shop in H1 of FY 2019-20.
Operating Profit Margin (%)	4.08	5.30	(23.02)	
Net Profit Margin (%)	1.98	2.92	(32.19)	This is mainly due to higher realisations with commensurate increase in input cost and higher financial cost due to built up of Billet inventory.
Return on Net Worth (%)	6.14	7.38	(16.80)	The decline is mainly due to lower margin as explained above.

Risk management

“Challenges are what make life interesting and overcoming them is what makes life meaningful.”



Vardhman Special Steels has adopted a comprehensive and integrated risk appraisal, mitigation and management process. The formal risk assessment and management system process periodically identifies risk areas, evaluates their consequences, initiates risk mitigation strategies and implements corrective actions where required. The Audit Committee reviews the report on risk management on a quarterly basis and recommends corrective actions for implementation.

The key risks which could potentially impact the Company's performance are mentioned along with their mitigation.

The Company primarily caters to the automotive sector where demand has declined significantly in 2018-19 and does not provide signs for an early recovery. This could impact the Company's growth in 2019-20.

Mitigation: The prevailing slowdown would be detrimental to the Company's performance. Sales volumes could decline but will not completely dry up. For important reasons:

- It enjoys healthy business relations with almost all automotive OEMs in India in the 2-wheeler and passenger vehicle segments. These relations account for

75% of the Company's output – which is expected to sustain.

- Moreover, the Company is utilising the prevailing circumstances to shore operational efficiencies. It will be undertaking its plant shutdown extending for 60 days in the first half of 2019-20.
- The Company will be utilising this slowdown to improve in-plant efficiencies and product quality along with its global partner.

The Company has recently expanded its capacities – steelmaking and rolling. Sub-optimal utilization of capacities could impact business profitability.

Mitigation: Throttled capacity utilization would not have a substantial impact on business margins for important reasons:

- It has not made a significant addition to its resource pool to manage the additional capacity. Hence, operational costs will be contained.
- It is utilising the slowdown in the user sector for taking a shutdown of its steel melting shop. This promises to uplift shop floor efficiencies going forward.
- It has built sufficient inventory to cater to its customers. As a result, customer

commitment will not get compromised in the current year.

The recent financial debacle of the NBFC sector and growing NPAs of the banking sector showcases India Inc. in an overleveraged position. What is your position in this respect?

Mitigation: The Company continues to strengthen its financial statements by de-leveraging itself. During the financial year 2017-18, the Company came out with two equity offerings viz. Rights issue & QIP aggregating to ₹118 crores. The Company optimised the debt-equity ratio to a comfortable 0.92 times as on March 31, 2019 inspite of higher inventory build-up for servicing to the customers during planned shutdown in 1st half of 2019-20. This would allow the Company to leverage its financial statements to raise adequate low-cost debt for capitalizing on growth opportunities, if and when required.

Expanding business would require quality intellectual capital to nurture and grow business.

Mitigation: The Company's employee-centric initiatives continue to draw talent. This is reflected in a year-on-year addition to the Company's talent pool. In the last three years, net addition to the talent pool stood at 43 members.

Directors' Report

Dear Members,

The Directors of your Company have pleasure in presenting their 9th Annual Report of the business and operations of the Company along with the Audited Financial Statements for the year ended, 31st March, 2019.

1. FINANCIAL RESULTS:

The financial performance of your Company for the year ended 31st March, 2019 is as under:-

(₹ in Lakhs)

PARTICULARS	2018-19	2017-18
Revenue from operations (Net)	1,12,075.94	87,788.73
Other Income	187.37	610.79
Profit before Depreciation, Interest & Tax (PBDIT)	6,971.61	6,803.68
Interest and Financial expenses	2,365.92	2,143.08
Profit before Depreciation and Tax (PBDT)	4,605.69	4,660.60
Depreciation	2,391.77	2,151.04
Profit before Tax (PBT)	2,213.92	2,509.56
Provision for Tax - Current Tax	510.68	584.93
- Tax adjustment relating to prior years	(76.88)	-
- Deferred Tax	(440.48)	(579.00)
Profit after tax (PAT)	2,220.60	2,503.63
Other Comprehensive Income	(18.59)	(29.77)
Total Comprehensive Income	2,202.01	2,473.86
Earnings per share (₹)		
- Basic	6.22	7.91
- Diluted	6.19	7.88

2. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

PRODUCTION & SALES REVIEW:

During the year under review, the production of Billet increased from 1,67,425 MT to 1,88,499 MT, showing an increase of 12.59% over the previous year. The Rolled production increased from 1,49,957 MT to 1,59,583 MT, showing an increase of 6.42% over the previous year.

Your Company has registered Revenue from Operations of ₹1,12,075.94 lakhs as compared to ₹87,788.73 lakhs in the previous year. The exports of the Company increased from ₹4,941.67 lakhs to ₹5,822.94 lakhs showing an increase of 17.83%.

PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹6,971.61 lakhs as against ₹6,803.68 lakhs in the previous year. After providing for depreciation of ₹2,391.77 lakhs (Previous Year ₹2,151.04 lakhs), interest of ₹2,365.92 lakhs (Previous Year ₹2,143.08 lakhs), the net profit from operations after comprehensive income worked out to ₹2,202.01 lakhs as compared to ₹2,473.86 lakhs in the previous year.

RESOURCES UTILISATION:

a) Fixed Assets:

The net block as at 31st March, 2019 was ₹27,982.86 lakhs as compared to ₹24,955.90 lakhs in the previous year.

b) Current Assets:

The current assets as on 31st March, 2019 were ₹54,582.23 lakhs as against ₹38,808.99 lakhs in the previous year. Inventory level was at ₹31,322.20 lakhs as compared to the previous year level of ₹15,860.29 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	2018-19	2017-18
Cash and Cash equivalents:		
Beginning of the year	748.50	594.64
End of the year	28.43	748.50
Net cash provided (used) by:		
Operating Activities	(1,884.68)	1,121.01
Investing Activities	(7,012.21)	(1,625.24)
Financial Activities	8,176.82	658.09

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:

Liab le to retire by rotation: In accordance with the provisions of the Articles of Association of the Company, Mr. Rajinder Kumar Jain, Director of the Company, retires by rotation at the conclusion of the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommended his appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

Cessation from Directorship: Mr. Jayant Davar, Independent Director, ceased to be the Director of the Company w.e.f. 16th January, 2019, as he resigned from the Board of the Company due to his professional pre-occupations.

Additional Director: During the year, Mrs. Shubhra Bhattacharya was appointed as an Additional Director of the Company w.e.f. 1st February, 2019. Further, Mr. Raghav Chandra has also been appointed as an Additional Director of the Company w.e.f. 4th May, 2019.

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**.

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 programs.

The Familiarization Programme for Board members may be accessed on the Company's website at the link: <https://www.var dhmansteel.com/vss/uploads/tpl-buddy-011/img/familiarisation%20program.pdf>

Annual Evaluation of the Board Performance:

The meeting of Independent Directors of the Company for the calendar year 2018 was held on 3rd November, 2018 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 provisions of Section 203 of the Companies Act, 2013, following are the KMPs of the Company as on 31st March, 2019:

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 27th September, 2018, M/s. BSR & Co. LLP, Chartered Accountants, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 13th 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, 2019.

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

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 27th April, 2018 for the financial year 2018-19.

The Secretarial Auditors of the Company have submitted their Report in Form No. MR-3 as required under Section 204, of the Companies Act, 2013 for the financial year ended 31st March, 2019. 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 2019-20. 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 2019-20 is placed for ratification by the members.

11. AUDIT COMMITTEE & VIGIL MECHANISM:

Composition of Audit Committee:

The Audit Committee consists of Mr. Rakesh Jain, Independent Director, Mr. Sanjeev Pahwa, Independent Director, Mr. Sanjoy Bhattacharyya, Independent Director and Mr. Rajinder Kumar Jain, Non-Executive Director. Mr. Rakesh Jain 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: <https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Vigil%20Mechanism%20final.pdf>

12. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. Corporate Governance is about maximizing shareholder 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: <https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Corporate%20Social%20Responsibility%20Policy.pdf>

During the year, the Company has spent ₹2.61 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 forms 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: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/RISK_MANAGEMENT_POLICY%20final.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: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/RELATED_PARTY_TRANSACTION%20Final.pdf

Your Directors draw attention of the members to Note 39 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, 10 and 17 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, the web address of the Annual Return of the Company is https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Extract_of_Annual%20Return_2018-19.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 997 employees on permanent rolls.

Pursuit of proactive policies for industrial relations has resulted in a peaceful and harmonious situation on 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 is annexed hereto and form 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 form 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 THE 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, 2019 and of the profit of the Company for the year ended on 31st March, 2019;
- 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 has 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:

- a. Details relating to deposits covered under Chapter V of the Act.
- b. Issue of equity shares with differential rights as to dividend, voting or otherwise.
- c. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
- d. Change in nature of Business of Company.
- e. Transfer of Unclaimed dividend to Investor Education and Protection fund.
- f. No fraud has been reported by the Auditors to the Audit Committee or the Board.



- g. There is no Corporate Insolvency Resolution process initiated under the Insolvency and Bankruptcy Code, 2016.

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. VARDHMAN SPECIAL STEELS LIMITED EMPLOYEE STOCK OPTION PLAN, 2016:

The Company has granted options to its employees under Vardhman Special Steels Limited Employee Stock Options Plan, 2016 (hereinafter referred as ESOP Plan). As per the terms of the plan, the Company can grant a maximum of 3,71,108 options to eligible employees from time to time. One option entitles the holder to apply for one equity share of the Company in terms of ESOP Plan. Accordingly, during the financial year, a total of 61,247 options were exercised by the eligible employees. So, the paid up equity share capital of the Company stood increased to ₹3,57,58,623 as on 31st March, 2019.

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.

The details as required to be disclosed are put on the Company's website and may be accessed at <https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/ESOP%20Disclosure.pdf>

26. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, 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 : Ludhiana
Dated : 04.05.2019


(RAJEEV GUPTA)
Chairman



INDEX OF ANNEXURES

(FORMING PART OF BOARD REPORT)

Annexure No.	Particulars
I	Nomination & Remuneration Policy.
II	Secretarial Audit Report in form no. MR-3 for FY 2018-19.
III	CSR Activities – Annual Report FY 2018-19.
IV	Conservation of energy, technology absorption, foreign exchange earnings and outgo.
V	Particulars of employees and related disclosures.



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 their 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:-
 - i. 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.
 - ii. That relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - iii. 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 the 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 meetings.

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

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial 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 our 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 our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2019 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, 2019 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, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (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 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: 04.05.2019

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: 04.05.2019

ANNEXURE III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2018-19:

Sr. No.	Particulars	Details
1.	Brief outline of CSR policy	The thrust area 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	₹ 1,625.65 lakhs
4.	Prescribed CSR Expenditure	₹ 32.51 lakhs
5.	Details of CSR spent during the year	
	Total amount to be spent for the financial year	₹ 32.51 lakhs
	Amount unspent, if any	₹ 29.90 lakhs
	Manner in which the amount spent during the financial year	Annexure-A
6.	In case the company has failed to spend two present, reason thereof.	The Company has spent ₹2.61 lakhs in the Financial year 2018-19 on activities as provided in Annexure A. The CSR Committee has approved certain CSR Projects and the prescribed unspent amount will be spent on these projects in the coming financial year.
7.	A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.	Annexure-B

ANNEXURE A

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		Cumulative Expenditure upto the reporting period (Amount in ₹)	Amount spent: Direct or through implementing agency
				Direct Expenditure on Projects/Programs (including overheads) (Amount in ₹)	Amount spent on the projects or programs subheads		
1	Contribution to The Institute of Engineers (India) Shimla.	Promoting Education and providing training	Shimla	59,000	59,000	59,000	Direct
2	Contribution for construction of ramp/classroom in Ashirwad School, Ludhiana, engaged in children with development disabilities.	Promoting Education and providing training	Ludhiana	50,000	50,000	50,000	Direct
3	Contribution to Behavior Momentum India Foundation, NGO for the cause of Autism.	Promoting/ Preventive Health Care	Ludhiana	50,000	50,000	50,000	Direct
4	Financial aid to Bharat Vikas Parishad Charitable Trust for providing free artificial limbs/wheel chairs to needy disabled people.	Promoting/ Preventive Health Care	Ludhiana	50,000	50,000	50,000	Direct
5	Plantation at park in Mini Secretariat at O/o Addl. DC, Ludhiana.	Environment & Sustainability	Ludhiana	6,000	6,000	6,000	Direct
6	Financial support to BPL patient child Harshit Menghi for deformity in feet surgery at CMC Hospital.	Promoting/ Preventive Health Care	Ludhiana	10,000	10,000	10,000	Direct
7	Plantation at a community park in Focal Point, Ludhiana.	Environment & Sustainability	Ludhiana	20,100	20,100	20,100	Direct
8	Plantation of 100 Ashoka Trees at Focal Point, Ludhiana.	Environment & Sustainability	Ludhiana	15,800	15,800	15,800	Direct

ANNEXURE B

RESPONSIBILITY STATEMENT:

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

SIGNED BY:-

Date: 04.05.2019

Place: Ludhiana

(Sachit Jain)

Vice-Chairman & Managing Director

(Sanjeev Pahwa)

Chairman of CSR Committee

ANNEXURE - IV

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 leads 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 2018-19 are as mentioned below:

Sr. No.	Energy Conservation	Cost Savings per annum (₹ in Lakhs)
1.	Efficient use of compressed air by various means i.e. Leakage arresting, using transvector guns and interconnection of FES and SMS compressors etc.	40.00
2.	Energy saving by reducing the water consumption by 100 kL per month. Power saving is about 0.10 lakhs but there is huge natural resource saving	0.10
3.	LED Lights installation in place of conventional lights	5.00
4.	Power factor improvement from 0.980 to 0.989 by putting statcom system at EAF	50.00

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:

- Up gradation of quality testing facilities under National Accreditation Board for Testing and Calibration Laboratories (NABL) to meet global standard of precision in Testing & Measurement.
- Modification in steel making Practices to increase length of sequence to improve the yield and productivity.
- Steel with stringent cleanliness level of oxide inclusion 0.5/0.5 along with lower level of gases i.e. oxygen level of 10 PPM developed for Caterpillar special application.
- Special steel grade developed for common rail for high pressure application for diesel engines through BOSCH.
- Developed steel for steering shaft application of 'ZF' for their US most popular 'Chrysler' vehicle application.
- Heat treated steel developed for non-automotive Japanese customer.
- Developed 'Special Spring steel' for Railway application.
- Steel grade developed for Transmission application for 'VOLVO'.

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

- New business started with Japanese customer.
- Entered in German market for critical applications.
- New business for automotive product segments in Japan, Vietnam, Germany.
- Yield improvement due to increase in sequence length.

3. Future Course of action:

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

4. Expenditure on R & D:

Particulars	(₹ in Lakhs)	
	2018-19	2017-18
Capital	150.33	169.74
Recurring	653.31	609.41
Total	803.64	779.15
Total R & D expenditure as a Percentage of Turnover	0.72	0.88

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made:

- XRF installed for Ferro- Alloy and flux testing along with 100 % heats Slag analysis.
- Advance display system at shop floors with updated software to provide real time results at EAF, LRF, VD, CCM.
- Planning to install new technologies namely-
 - Scanning Electron Microscopy with EDS.
 - Optical Metallurgical Microscope with automatic image analysis,
 - MQA for Steel Quality Improvement.
- A research paper presented and published at 7th International Congress on Science and Technology of Steel-making (ICS 2018-proceeding- held at ITALY) "Effect of Foamy slag in Electric arc furnace on Energy efficiency".

2. Particulars of technology imported in last five years.

- NDT Line comprising of Shot Blasting Machine, Straightening & Chamfering Machine, Automatic Magnetic Flux Leakage Testing Machine and Automatic Ultrasonic Testing Machine for inspecting internal soundness of steel bars.
- Advance spectrometer with more no. of channels
- Ultrasonic Immersion test to judge cleanliness of the steel.
- XRF for raw material and slag analysis.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

- Exported 9,209.30 MT, having value of ₹ 58.23 crore of rolled products during the financial year 2018-19, achieving a growth rate of 17.83% over last financial year.
- Development of quench and tempered steel for automotive application.
- Focus on development of market in non-automotive sector.
- Export of steel bars diversified into new products and markets with continuous growth.

Total Foreign Exchange earned and used:

Particulars	(₹ in Lakhs)	
	2018-19	2017-18
a) Earnings (FOB value of Exports)	5,657.02	4,640.28
b) Outgo (CIF value of Imports and Expenditure in Foreign Currency)	20,333.13	12,914.81

ANNEXURE- V

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE 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 2018-19 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2018-19 are as under:

S. NO.	NAME OF DIRECTOR/ KMP AND DESIGNATION	REMUNERATION FOR DIRECTORS/ KMP FOR FINANCIAL YEAR 2018-19 (Amount in ₹)	% INCREASE IN REMUNERATION IN THE FINANCIAL YEAR 2018-19	RATIO OF REMUNERATION OF EACH DIRECTOR/ KMP TO MEDIAN REMUNERATION OF EMPLOYEES
1.	Sachit Jain Vice- Chairman & Managing Director	2,58,58,631	13.07	67.91
2.	Suchita Jain Non-Executive Director	-	-	-
3.	B.K. Choudhary Non-Executive Director	-	-	-
4.	Rajinder Kumar Jain Non-Executive Director	2,80,000	40	0.74
5.	Rakesh Jain* Independent Director	2,40,000	-	0.63
6.	Rajeev Gupta Independent Director	2,40,000	60	0.63
7.	Sanjeev Pahwa Independent Director	3,60,000	56.52	0.95
8.	Jayant Davar** Independent Director	40,000	-55.56	0.11
9.	Sanjoy Bhattacharyya Independent Director	1,80,000	-2.70	0.47
10.	Shubhra Bhattacharya*** Independent Director	40,000	-	0.11
11.	Sanjeev Singla Chief Financial Officer	32,13,356	24.40	8.44
12.	Sonam Taneja Company Secretary	5,56,567	13.12	1.46

*Mr. Rakesh Jain was appointed as a Director of the Company w.e.f. 27th April, 2018.

**Mr. Jayant Davar ceased to be a Director of the Company w.e.f. 16th January, 2019.

***Ms. Shubhra Bhattacharya was appointed as an Additional Director of Company w.e.f. 1st February, 2019

- The median remuneration of employees of the Company during the financial year was ₹3,80,773.
- In the financial year, there was an increase of 12.04% in the median remuneration of employees.
- There were 997 permanent employees on the rolls of Company as on March 31, 2019.
- Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year 2018-19 was 14.79% whereas the increase in the managerial remuneration for the same financial year was 14.20%.
- It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

ANNEXURE- V

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE 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:

Sr. No.	Name of employee	Designation/ Nature of duties	Remuneration (in ₹ lakh)	Quali- fication	Age (Years)	Experience (Years)	Date of Employment	Particulars of last employment
1.	Mr. Sachit Jain	Vice-Chairman & Managing Director	258.58	B. Tech, MBA	52	29	14.05.2010	Joint Managing Director, Vardhman Textiles Limited

B. PERSONS EMPLOYED FOR A PART OF THE 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:

Sr. No.	Name of employee	Designation/ Nature of duties	Remuneration (in ₹ lakh)	Quali- fication	Age (Years)	Experience (Years)	Date of Employment	Particulars of last employment
1.	Mr. Subhasis Dey*	President & Chief Executive	19.35	BE	56	35.03	10.06.2016	Managing Director, Banco Group, Vadodara

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

C. A STATEMENT SHOWING DETAILS OF TOP TEN EMPLOYEES IN TERMS OF REMUNERATION DRAWN:

Sr. No.	Name	Age	Designation	Gross Remuneration (in ₹ lakhs per annum)	Nature of Employment	Qualification	Experience	Date of joining	Previous Employment (Company Name)	No. of Equity Shares held on 31.03.2019
1.	Avinash N Pansi	57	Sr. Vice- President	56.67	Regular	BE	31.05	24.04.2018	Gerdaul Special Steel India Pvt. Ltd.	Nil
2.	Mukesh Gupta	44	Sr. Vice- President	55.64	Regular	BE (MET)	18.08	12.08.2016	Mahindra Sanyo Special Steel Pvt. Ltd.	14,871
3.	Deepinder Singh Kalra	49	General Manager	50.75	Regular	BE (Chemicals), MBA (Finance)	23.16	19.08.2016	Welspun India Limited	11,108
4.	Somashekarappa S Tippannavar	68	General Manager	47.75	Regular	BE (MET)	46.09	02.07.2016	Arora Iron & Steel Rolling Mills	2,058
5.	M.K. Srivastav	55	Sr. Vice-President	42.00	Regular	M.COM, LLB, PGDIRPM, DLL, DBS	36.02	06.04.1999	Kumar Group of Industries	11,916
6.	Mayank Bindal	47	Sr. Vice-President	37.76	Regular	B. Tech	24.08	22.07.1993	Vardhman Group	750
7.	Amit Chopra	44	Vice President	34.62	Regular	MBA, BE	20.11	15.05.2009	Jindal Stainless Limited	1,000
8.	Davinder Singh	45	Vice President	34.50	Regular	MSC, MDBA	23.11	04.05.2015	Modern Steels Limited	11,250
9.	Sanjeev Singla	43	Vice President	32.13	Regular	B. com, CS (Inter)	24.00	25.03.2014	Vardhman Polyten Limited	14,675
10.	Jagdish Chand	49	Vice President	31.53	Regular	DIP (Elect)	29.08	10.03.1992	Shreyans Spinning Mills	7,629

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 hallmark 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, 2019:

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	Rajeev Gupta
	Rakesh Jain
	Sanjeev Pahwa
	Sanjoy Bhattacharyya
	Shubhra Bhattacharya (Additional Director)
Non- Executive	B.K. Choudhary
Non- Independent Director	#Rajinder Kumar Jain

Relationship Inter-se:

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



ii. Cessation from Directorship:

Mr. Jayant Davar, Independent Director of the Company, expressed his inability to continue as a Director of the Company due to his professional pre-occupation and had resigned from the Board of the Company w.e.f. 16th January, 2019. Mr. Jayant Davar has confirmed that there is no other material reason for his resignation other than that provided.

iii. Board Meetings:

During the financial year 2018-19, the Board met 4 times on the following dates:

- 27th April, 2018
- 11th August, 2018
- 3rd November, 2018
- 1st February, 2019

iv. 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 and names of other Listed Entities where the person is director and category of directorship therein are as follows:-

Name of Director	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	Names of other Listed Entities where the person is Director	Category of Directorship in other listed entities	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	4	Vardhman Holdings Limited	Non- Executive Director	2	-	-
				Vardhman Textiles Limited	Non- Executive Director			
				Vardhman Acrylics Limited	Non- Executive Director			
Rajinder Kumar Jain	4	No	-	-	-	-	-	
Suchita Jain	3	Yes	7	Vardhman Textiles Limited	Executive Director	-	-	-
				Vardhman Holdings Limited	Non- Executive Director			
B. K. Choudhary	4	No	2	Vardhman Acrylics Limited	Executive Director	1	-	-
Sanjeev Pahwa	4	No	2	-	-	1	-	-
Rajeev Gupta	4	No	6	United Spirits Limited	Non- Executive Director	4	-	-
				VIP Industries Limited	Non- Executive Director			
				Rane Holdings Limited	Non- Executive Director			
				EIH Limited	Non- Executive Director			
				Cosmo Films Limited	Non- Executive Director			
T.V. Today Network Limited	Non- Executive Director							
Sanjoy Bhattacharyya	2	No	-	-	-	-	-	
Shubhra Bhattacharya*	1	No	-	-	-	-	-	
Rakesh Jain	4	No	-	-	-	-	-	

*Mrs. Shubhra Bhattacharya was appointed as an Additional Director of Company w.e.f. 1st February, 2019.

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	Rakesh Jain (Chairman) Sanjoy Bhattacharyya 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
Nomination and Remuneration Committee	Sanjoy Bhattacharyya (Chairman) B.K. Choudhary Rajeev Gupta	<p>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.</p> <p>Formulated and recommended Nomination and Remuneration Policy.</p> <p>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.</p> <p>Nomination and Remuneration Policy of the Company forms part of the Board Report as Annexure I.</p>
Corporate Social Responsibility Committee	Sanjeev Pahwa (Chairman) Sachit Jain Suchita Jain	<p>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: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Corporate%20Social%20Responsibility%20Policy.pdf</p> <p>Recommends expenditure to be incurred for CSR activities/project and ensures effective monitoring of CSR policy of the Company from time to time.</p> <p>The Annual Report on CSR activities undertaken by the Company forms part of the Board Report as Annexure III.</p>
Stakeholders' Relationship Committee	Sanjeev Pahwa (Chairman) Suchita Jain B.K. Choudhary	<p>The Committee reviews and ensures redressal of investor grievances.</p> <p>The Committee noted that during the year the Company received 1 complaint from Investors and the same had been duly resolved. There is no pendency in respect of shares received for transfer during 2018-2019.</p>

Ms. Sonam Taneja, Company Secretary and Compliance Officer of the Company, 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	4	2	3	1
Sachit Jain	N.A.	2	N.A.	N.A.
Suchita Jain	N.A.	1	N.A.	1
Rajeev Gupta	N.A.	N.A.	3	N.A.
Jayant Davar	N.A.	N.A.	N.A.	N.A.
Sanjeev Pahwa	4	2	N.A.	1
Rajinder Kumar Jain	4	N.A.	N.A.	N.A.
B.K. Choudhary	N.A.	N.A.	3	0
Sanjoy Bhattacharyya	2	N.A.	2	N.A.
Rakesh Jain*	2	N.A.	N.A.	N.A.
Shubhra Bhattacharya	N.A.	N.A.	N.A.	N.A.

N.A. - Not a member of the Committee

* Mr. Rakesh Jain was appointed as a member of the Audit Committee w.e.f 11th August, 2018.

iii. Meeting of Independent Directors:

The meeting of Independent Directors of the Company for the calendar year 2018 was held on 3rd November, 2018, 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 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/familiarisation%20program.pdf>

iv. Core Skills/ Expertise/ Competencies available with the Board:-

The Board comprises of highly qualified members who possess required skills, expertise and competence that allow them to make effective contributions to the Board and its Committees.

The following skills/ expertise/ competencies have been identified for the effective functioning of the Company and are currently available with the Board:

- Industry Experience
- Strategic Planning
- Leadership
- Operational experience
- Financial Expertise
- Administrative Experience

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 2018-19 is as given below:

(₹ in Lakhs)	
Name	Sachit Jain
Designation	Vice-Chairman & Managing Director
Salary	214.80
Perquisites & Allowances	0.12
Retirement Benefit	14.39
Commission	29.27
Performance Linked Incentive and criteria thereof	-
Stock Option details	-

The tenure of office of Mr. Sachit Jain is 5 (five) years from the date of his appointment and can be terminated by either party by giving three months' notice in writing. There is no separate provision for payment of severance fees.

ii) Non-Executive Directors:

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board and Committee Meetings. The Non-Executive Directors are paid sitting fees @ ₹40,000 per Board Meeting, ₹30,000 per Audit Committee Meeting and ₹20,000 per meeting for other Committee Meetings. The detail of sitting fees paid to the Directors during the Financial Year 2018-19 is given hereunder: -

S.NO.	NAME OF DIRECTOR	SITTING FEE (₹)
1.	Rakesh Jain	2,40,000
2.	Rajinder Kumar Jain	2,80,000
3.	Rajeev Gupta	2,40,000
4.	Sanjeev Pahwa	3,60,000
5.	Jayant Davar*	40,000
6.	Sanjoy Bhattacharyya	1,80,000
7.	Shubhra Bhattacharya**	40,000

* Mr. Jayant Davar ceased to be Director of the Company w.e.f. 16th January, 2019.

**Mrs. Shubhra Bhattacharya was appointed as an Additional Director of Company w.e.f. 1st February, 2019.

5. SHAREHOLDING DETAIL OF DIRECTORS AS ON 31ST MARCH, 2019:

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	48,03,570
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
8th Annual General Meeting for the Financial Year ended 31 st March, 2018.	Thursday, 27 th September, 2018 at 9.00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	2
7th Annual General Meeting for the Financial year ended 31 st March, 2017.	Friday, 22 nd September, 2017 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	7
6th Annual General Meeting for the Financial Year ended 31 st March, 2016.	Wednesday, 28 th September, 2016 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	4

ii 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 financial year 2019-20.

7. DISCLOSURES:

- 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: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/RELATED_PARTY_TRANSACTION%20Final.pdf.
- 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.
- 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:
<https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Vigil%20Mechanism%20final.pdf>
- 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.
- 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. The policy for determining 'material' subsidiary is available at Company's website at the link <http://www.vardhmansteel.com/vss/uploads/tpl-buddy - 011/img/Policy%20for% 20 determining% 20 Material%20 Subsidiary.pdf>
- x. As on March 31, 2019, there was no outstanding GDRs/ADRs/Warrants or any convertible instruments.
- xi. During the year 2018-19, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts and options contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 44 to the Financial Statements.
- xii. During the year, the Company has not raised any funds through preferential allotment or qualified institutional placement.
- xiii. A certificate from a Company Secretary in Practice that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority forms part of this Report.
- xiv. There is no such instance where the Board has not accepted any recommendation of any committee of the Board.
- xv. Total fees for all services paid by the Company to the statutory auditors and all entities in the network company of which statutory auditor is part is ₹ 16.19 lakhs.

8. MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, presentations to institutional investors, 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 www.vardhmansteel.com.

GENERAL INFORMATION FOR SHAREHOLDERS

i) 9th Annual General Meeting:

Date	:	20 th September, 2019
Time	:	10.00 a.m.
Venue	:	Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana-141 010.

ii) Financial Calendar 2019-20 (Tentative)

First Quarter Results	:	August, 2019
Second Quarter Results	:	November, 2019
Third Quarter Results	:	February, 2020
Annual Results	:	May, 2020

iii) Dates of Book Closure : 9th September, 2019 to 20th September, 2019 (both days inclusive)

iv) Dividend payment date : The Board of Directors has not recommended Dividend for Financial Year 2018-19.

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

1. BSE Limited, Mumbai (BSE), 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort, Mumbai-400 001.
2. 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:

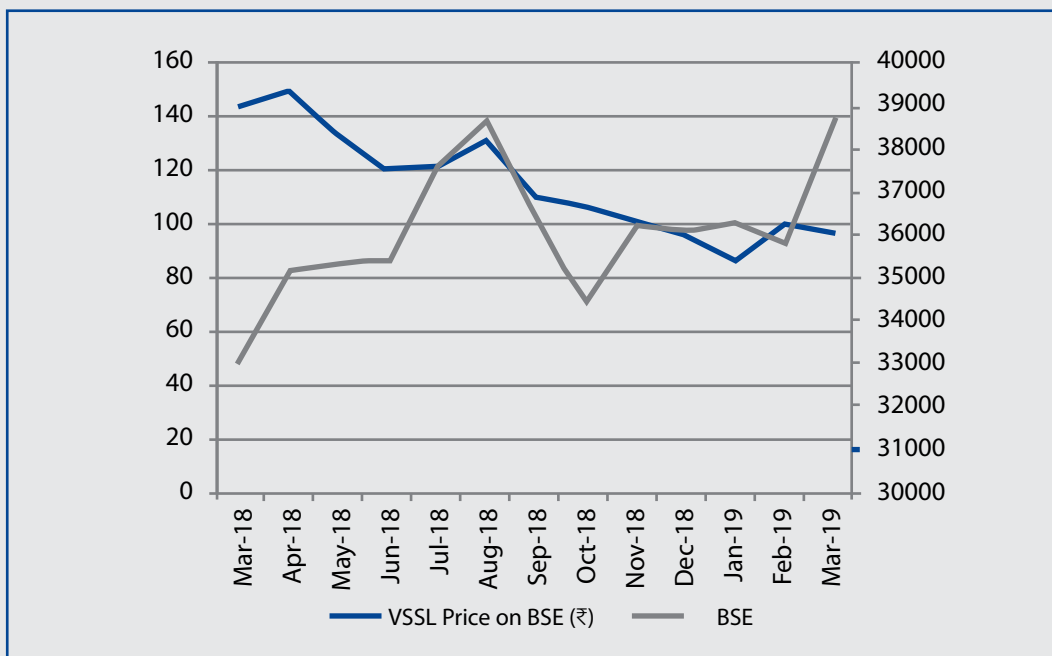
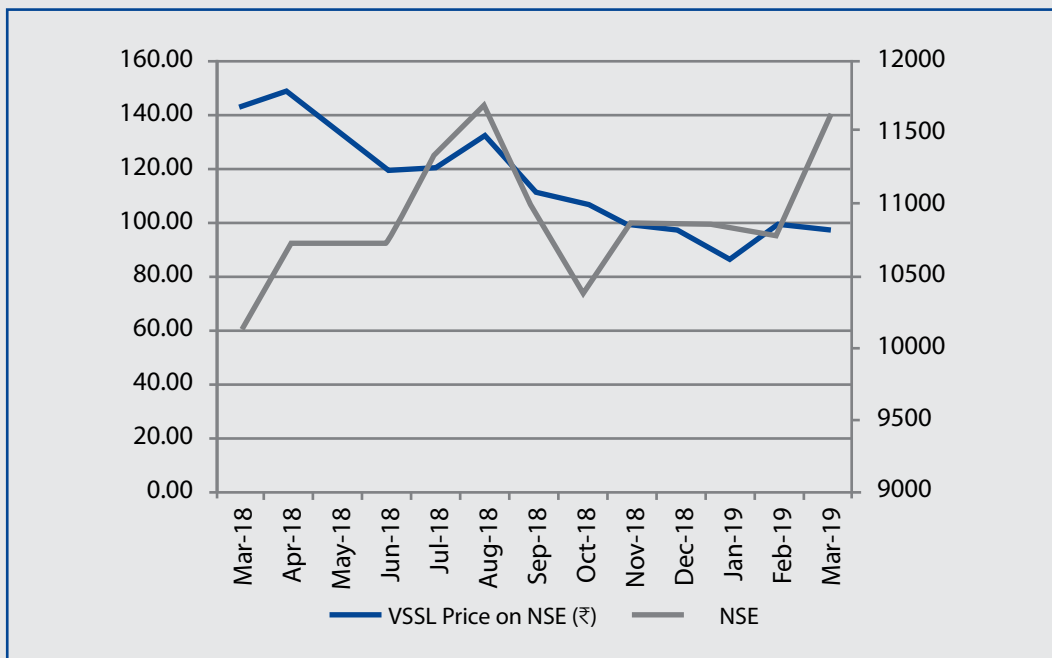
- BSE Limited, Mumbai : 534392
- National Stock Exchange of India Limited : VSSL

vii) Stock Market Data:

The month-wise highest and lowest and closing stock prices of NSE vis-a-vis BSE during the financial year 2018-19 is given below: -

Financial Year	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
2018-19								
April	161.00	144.20	149.65	4.32	165.00	133.55	149.25	3.57
May	150.50	117.50	133.80	-10.59	151.75	116.15	133.65	-10.45
June	135.90	113.15	119.55	-10.65	134.80	113.60	120.10	-10.14
July	129.85	115.00	121.45	1.59	129.65	111.00	122.80	2.25
August	141.00	119.45	132.00	8.69	142.20	116.10	131.75	7.29
September	134.65	101.55	111.10	-15.83	134.45	103.00	109.05	-17.23
October	114.60	95.00	106.75	-3.92	114.55	90.30	106.55	-2.29
November	113.95	97.55	98.90	-7.35	112.90	96.15	100.15	-6.01
December	105.50	90.50	96.50	-2.43	105.50	87.10	96.75	-3.39
January	100.90	81.90	86.25	-10.62	101.60	81.40	86.40	-10.70
February	105.50	80.40	98.20	13.86	106.70	81.30	100.65	16.49
March	116.40	95.80	97.10	-1.12	117.00	96.00	97.60	-3.03

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, 2019:

RANGE	SHAREHOLDERS		SHARES	
	No. of Shares	Numbers of total Holders	Numbers of shares Held	% to total Shares
Upto 500	15,806	90.75	10,34,686	2.89
501-1000	649	3.73	5,07,666	1.42
1001-5000	701	4.02	15,81,253	4.42
5001-10000	130	0.75	9,29,889	2.60
10001-20000	70	0.40	9,79,918	2.74
20001-30000	26	0.15	6,35,180	1.78
30001-50000	10	0.06	3,74,775	1.05
50001 and above	25	0.14	2,97,15,256	83.10
Total	17,417	100.00	3,57,58,623	100.00

xii) Dematerialisation of shares:

As on 31st March, 2019, 99.44% of the capital comprising 3,55,58,541 shares, out of total of 3,57,58,623 shares, were dematerialized.

xiii) Stock Options:

The Company has granted options to its employees under Vardhman Special Steels Limited Employee Stock Options Plan, 2016 (hereinafter referred as ESOP Plan). As per the terms of the ESOP Plan, the Company can grant a maximum of 3,71,108 options to the eligible employees from time to time. One option entitles the holder to apply for one equity share of the Company in terms of ESOP Plan. Accordingly, during the financial year, a total of 61,247 options were exercised by the eligible employees. So, the paid up equity share capital of the Company stood increased to ₹3,57,58,623 as on 31st March, 2019.

xiv) Plant Location:

Vardhman Special Steels Limited Unit-1,
 C-58, Phase-III, 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).

xvi) List of credit ratings:

The Company has obtained rating from CRISIL Limited during the financial year 2018-19. There has been no revision in the credit ratings during the financial year 2018-19. List of all credit ratings obtained by the Company during the year are as follows:

Particulars	Rating during FY 2018-19
Long Term Bank Facilities	CRISIL AA/Stable
Short Term Bank Facilities	CRISIL A1+
Commercial Papers	CRISIL A1+

Vice-Chairman & Managing Director's Declaration

- A. 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, 2019

Place: Ludhiana

Sachit Jain

Dated: 04.05.2019

Vice-Chairman & Managing Director

- B. I, Sachit Jain, Vice-Chairman & Managing Director of Vardhman Special Steels Limited, on behalf of the Board of Directors of the Company, hereby confirm that the Independent Directors of the Company fulfill the conditions specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the Management.

Place: Ludhiana

Sachit Jain

Dated: 04.05.2019

Vice-Chairman & Managing Director

Certificate From Practising Company Secretaries

This certificate is issued pursuant to Clause 10 (i) of Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is to certify that on the basis of documents verified by us and explanations given to us by the Company, we hereby certify that none of the following directors on the Board of Vardhman Special Steels Limited ('the Company') have been debarred or disqualified from being appointed or continuing as Directors of the Company by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India or any other Statutory Authority:

Sr. No.	Director Identification Number	Name of Director
1.	00746409	Mr. Sachit Jain
2.	00746471	Mrs. Suchita Jain
3.	00046541	Mr. Rajinder Kumar Jain
4.	00307110	Mr. B.K. Choudhary
5.	00241501	Mr. Rajeev Gupta
6.	00057760	Mr. Raghav Chandra
7.	00020425	Mr. Rakesh Jain
8.	00022674	Mr. Sanjeev Pahwa
9.	00059480	Mr. Sanjoy Bhattacharyya
10.	01225975	Mrs. Shubhra Bhattacharya

FOR Ashok K Singla & Associates

Company Secretaries,

Ashok Singla

Proprietor

Membership No. 2004

Certificate of Practice No. 1942

Date: 04.05.2019

Place: Ludhiana

Practising Company Secretary Certificate on Corporate Governance

To
The Members of
Vardhman Special Steels Limited

We have examined relevant records of M/s Vardhman Special Steels Limited (**the Company**) for the purpose of certifying compliance of the conditions of Corporate Governance for the financial year ended 31st March, 2019 as per the provisions of Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and para C and D of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of procedure and implementation thereof. It is neither an audit nor an expression of opinion on the financial statements of the Company.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with the conditions of Corporate Governance for the financial year ended 31st March 2019 as stipulated in the Listing Regulations.

This certificate is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

For **Harsh Goyal & Associates**
Company Secretaries

Harsh Kumar Goyal
Proprietor
FCS:3314 CP:2802

Date: 04.05.2019
Ludhiana

Financial Statements

Independent Auditor's Report

To the Members of
Vardhman Special Steels Limited

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of Vardhman Special Steels Limited ("the Company"), which comprise the balance sheet as at 31 March 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

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 Companies Act, 2013 ("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 state of affairs of the Company as at 31 March 2019, and its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

2. Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

The key audit matter	How the matter was addressed in our audit
<p>1. Recognition of Government Grants. See note 48 to the financial statements.</p> <p>The Company is eligible for government grants under the fiscal incentives scheme of the Mega project policy of the Punjab State Government for its expansions completed up to 31 March 2016.</p> <p>Though the plant has been commissioned in earlier years but the benefits have not been considered till date as the same are pending for sanction/ audit by the state government which is considered as a key event for providing reasonable assurance that the entity has complied with the conditions attached to the recognition of government grant.</p> <p>Due to the significance of the amounts and the level of management judgment involved, we considered the criteria for recognition of incentives as a key focus for our audit.</p>	<ul style="list-style-type: none"> • We obtained and perused the government incentive policy along with the various notifications issued. • We obtained and perused the filings made by the Company in line with the requirements of the incentive policy. • We obtained and perused the terms and conditions of the agreement with the government, including examination of the supportive documents such as the interim notification for fiscal incentives along with the corrigendum's to the same and the supporting bills for the specific incentive extended. • Enquired from the management the status of the key events and obtained representation to confirm that no amount has been currently recognized as the same is pending for sanction/ audit which is considered as the key event of providing reasonable assurance that the entity has complied with the conditions attached to the government grant. • Discussed the appropriateness of not recording the incentive in the financial statements and the related disclosures with those charged with governance.
<p>2. Revenue recognition as per Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard). See note 2(b) and 2(j) to the financial statements.</p> <p>The application of the new revenue accounting standard involves certain key judgements relating to identification of distinct performance obligations, determination of transaction price of the identified performance obligations, the appropriateness of the basis used to measure revenue recognized over a period.</p> <p>Revenue from sale of goods is recognised when control of the products being sold is transferred to the customer and when there are no longer any unfulfilled obligations. The performance obligations in the contracts are fulfilled at the time of dispatch.</p> <p>Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts or and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for discounts and rebates. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.</p> <p>There is a risk of revenue being overstated due to fraud, including through manipulation of rebates and discounts, resulting from pressure the management may feel to achieve performance targets at the reporting period end.</p>	<ul style="list-style-type: none"> • In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: • We assessed the appropriateness of the revenue recognition accounting policies, including those relating to rebates and discounts by comparing with applicable accounting standard. • Evaluated the design of internal controls relating to implementation of the new revenue accounting standard, calculation of discounts and rebates. In addition, tested material contracts on sample basis in respect of revenue recorded and evaluated the operating effectiveness of the internal control relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving inquiry and observation, re-performance and inspection of evidence in respect of operation of these controls. • Selected a sample of continuing and new contracts and read the distinct performance obligations in these contracts assessing the Company's revenue recognition policies with reference to the requirements of the applicable accounting standard. • We performed substantive testing by selecting samples of revenue transactions recorded during the year by verifying the underlying documents, which included goods dispatch notes. • We performed cut-off testing for samples of revenue transactions recorded before and after the financial year end date by comparing with relevant underlying documentation, which included goods dispatch notes to assess whether the revenue was recognized in the correct period. • We assessed manual journals posted to revenue to identify unusual items.

(Table continued to next page)

The key audit matter	How the matter was addressed in our audit
3. Evaluation of uncertain tax positions, recognition and recoverability of minimum alternate tax (MAT) credit.	
See note 6 and 34 (a) to the financial statements.	
The Company has material uncertain tax positions including ongoing litigations.	<ul style="list-style-type: none"> Obtained details of completed tax assessments and demands for the year ended 31 March 2019 from management.
The Company has also recognized deferred tax assets and has also paid tax under Minimum Alternate Tax (MAT) and has correspondingly recognized a MAT credit during the current year.	<ul style="list-style-type: none"> We involved tax specialists to challenge the management's underlying assumptions in estimating the tax provision and the possible outcome of the disputes.
The possible outcome of such uncertain tax positions, recognition of deferred tax assets and the recoverability of MAT credit as on date involves significant judgment, hence the same has been considered as key focus for our audit.	<ul style="list-style-type: none"> Our tax specialists also considered legal precedence and other rulings in evaluating management's position on these uncertain tax positions relating to both direct and indirect tax matters. Additionally, we considered the effect of new information in respect of uncertain tax positions as at 1 April 2018 to evaluate whether any change was required to management's position on these uncertainties. We also obtained and assessed the allowances and disallowances considered by management in the current tax computation and determined that deferred tax asset/ liability has been duly recognized for all timing differences using the substantively enacted tax rate. We also obtained and evaluated the future business projections from the management and assessed reasonableness of recoverability of deferred tax asset and MAT credit as on the balance sheet date. We have also checked the disclosures made by management in relation to tax related litigations, deferred tax assets including movement from prior year, current tax computation including effective tax reconciliation.

4. Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. Other Matter

The comparative financial information of the Company for the year ended 31 March 2018 included in these financial statements is based on the previously issued financial statements prepared in accordance with Ind AS audited by the predecessor auditor whose report for the year ended 31 March 2018 dated 27 April 2018 expressed an unmodified opinion on those financial statements.

Our opinion is not modified in respect of this matter.

8. Report on Other Legal and Regulatory Requirements

- (A) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- (B) 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 purposes 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 Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31 March 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - g) With respect to the other matters to be included in the Auditors' 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:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 34 (a) to the financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been

made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

(C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**
 Chartered Accountants
 Firm's Registration No.: 101248W/W-100022

Adhir Kapoor
 Partner
 Membership No.: 098297

Place: Ludhiana
 Date: 4 May 2019

Annexure A to the Independent Auditors' report on the financial statements of Vardhman Special Steels Limited for the period ended 31 March 2019.

(Referred to in paragraph 8 (A) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, the discrepancies noted on such verification were not material and have been properly adjusted in the books of account.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property are held in the name of the Company except for the following:-

Particulars	Total number of cases	Gross block of property as on 31 March 2019	Net block of property as on 31 March 2019
Land (Freehold)	1	25,08,81,651	25,08,81,651
Buildings	1	11,80,00,000	11,43,45,233

- (ii) The inventory, except materials-in-transit and stocks lying with third parties, have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its business. For stocks lying with third parties, written confirmations have been obtained. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately adjusted in books of account.

- (iii) The Company has not granted any loans, secured or unsecured to companies, firms or limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.
- (iv) The Company has not given any loans, provided any guarantee, or security as specified under Section 185 of the Act. Further, in respect of investments made by the Company, the provisions of Section 186 of the Act have been complied with.
- (v) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, paragraph 3(v) of the order is not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company in respect of products covered where, pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Act in respect of products covered and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to ensuring whether they are accurate or complete.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Goods and Services Tax ('GST'), Duty of customs and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, GST, Duty of customs and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.

The Company does not have liability in respect of Service tax, Duty of excise, Sales tax and Value added tax since effective 1 July 2017, these statutory dues has been subsumed into Goods and Services Tax.

Also refer note 34 (d) wherein it is explained that on account of the uncertainty with respect to the applicability of the Hon'ble Supreme Court judgement on provident fund matter, management has not recognized and deposited any additional provident fund amount with respect to the previous years.

- (b) According to the information and explanations given to us, there are no dues of Income tax, GST, Sales tax, Service tax, Duty of excise, Duty of customs and Value added tax which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

(All amounts are in ₹ Lakhs)

Name of the Statute	Nature of the Dues	Amount* (₹)	Amount paid under protest* (₹)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty	4.16	-	1994-95	Chief Commissioner-Excise
		0.45	-	2000-01	CESTAT – Appeals
		34.78	7.00	2000-01	Commissioner (Appeals), Central Excise and Service
		1.33	-	2005-06	Commissioner (Appeals), Central Excise and Service
		1.46	0.07	2013-14	CESTAT – Appeals
		0.85	0.04	2012-13	CESTAT – Appeals
		0.25	0.01	2013-14	CESTAT – Appeals
		0.71	0.03	2014-15	Commissioner (Appeals), Central Excise and Service
		1.16	0.04	2014-15	Commissioner (Appeals), Central Excise and Service
		1.93	0.07	2015-16	Commissioner (Appeals), Central Excise and Service
		7.97	0.30	2016-17	Commissioner (Appeals), Central Excise and Service
UP VAT Act, 2008	VAT	7.32	5.12	2014-15	Assistant Commissioner Sale Tax
		6.20	3.10	2013-14	Assistant Commissioner Sale Tax
		5.65	2.82	2014-15	Deputy Commissioner of Sale Tax
		4.27	2.14	2015-16	Deputy Commissioner of Sale Tax
The Central Sales Tax Act, 1956	Sale tax	0.25	0.13	2014-15	Deputy Commissioner of Sale Tax
		1,900.00	1,900.00	2011-12, 2012-13 & 2013-14	High Court Punjab & Haryana-Chandigarh
		6.70	3.35	2013-14	Assistant Commissioner Sale Tax
UP Entry Sale Tax Act, 2007	Entry tax	13.18	6.59	2013-14	Assistant Commissioner Sale Tax
		0.28	0.14	2015-16	Deputy Commissioner of Sale Tax
The Customs Act, 1962	Custom duty	14.93	14.93	2014-16	Commissioner of Central Excise (Appeals), Chandigarh

*amount as per demand orders including interest and penalty, wherever indicated in the order.

Note: The above table includes only those amounts on which demand orders have been served and are under dispute.

- (viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding dues to any government, financial institution or debenture holders during the year.
- (ix) According to the information and explanations given to us, the term loan taken by the Company have been applied for the purposes for which they were raised. As informed to us, Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- (x) According to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the course of our audit for the year.

- (xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provision of section 197 read with Schedule V of the Act.
- (xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- (xv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **B S R & Co. LLP**
 Chartered Accountants
 Firm's Registration No.: 101248W/W-100022

Adhir Kapoor
 Partner
 Membership No.: 098297

Place: Ludhiana
 Date: 4 May 2019

Annexure B to the Independent Auditors' report on the financial statements of Vardhman Special Steels Limited for the period ended 31 March 2019.

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 8 (B)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Vardhman Special Steels Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019,



based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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 unauthorized 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 with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements,

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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Place: Ludhiana
Date: 4 May 2019

Adhir Kapoor
Partner
Membership No.: 098297



Balance Sheet

 as at 31 March 2019

All amounts are in ₹ lakhs, except for share data

	Note	As at 31 March 2019	As at 31 March 2018
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	27,952.63	24,926.90
(b) Capital work-in-progress	3	3,256.54	698.76
(c) Other intangible assets	4	30.23	29.00
(d) Financial assets			
- Loans	5	68.79	142.40
(e) Deferred tax assets (net)	6	1,423.46	972.99
(f) Income tax assets (net)	7	211.67	-
(g) Other non-current assets	8	1,407.36	2,086.45
Total non-current assets		34,350.68	28,856.50
Current assets			
(a) Inventories	9	31,322.20	15,860.29
(b) Financial assets			
- Investments	10	0.77	816.01
- Trade receivables	11	18,726.21	19,455.40
- Cash and cash equivalents	12	28.43	748.50
- Loans	5	102.58	101.92
- Other financial assets	13	778.32	591.76
(c) Current tax assets (net)	7	-	36.28
(d) Other current assets	14	3,623.72	1,198.83
Total current assets		54,582.23	38,808.99
Total assets		88,932.91	67,665.49
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	15	3,575.86	3,569.74
(b) Other equity	16	32,622.99	30,361.87
Total equity		36,198.85	33,931.61
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
- Borrowings	17	13,513.46	10,145.99
- Other financial liabilities	18	14.02	-
(b) Provisions	19	100.51	84.51
(c) Other non-current liabilities	20	25.14	2.90
Total non-current liabilities		13,653.13	10,233.40
Current liabilities			
(a) Financial liabilities			
- Borrowings	17	18,681.68	11,849.73
- Trade payables:	21		
(i) Total outstanding dues of micro enterprises and small enterprises		336.60	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		16,013.03	6,060.80
- Other financial liabilities	22	3,688.52	5,225.14
(b) Other current liabilities	23	307.99	302.30
(c) Provisions	19	53.11	62.51
Total current liabilities		39,080.93	23,500.48
Total equity and liabilities		88,932.91	67,665.49

Significant accounting policies

Notes to financial statements

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **BSR & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Adhir Kapoor

Partner

Membership number: 098297

For and on behalf of Board of Directors of **Vardhman Special Steels Limited****Sachit Jain**

Vice Chairman & Managing Director

DIN : 00746409

Sanjeev Singla

Chief Financial Officer

Suchita Jain

Director

DIN : 00746471

Sonam Taneja

Company Secretary

Place: Ludhiana
Date: 4 May 2019Place: Ludhiana
Date: 4 May 2019

Statement of Profit and Loss for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

Particulars	Note	For the year ended 31 March 2019	For the year ended 31 March 2018
I. Revenue from operations	24	1,12,075.94	87,788.73
II. Other income	25	187.37	610.79
III. Total income (I + II)		1,12,263.31	88,399.52
IV. Expenses:			
Cost of materials consumed	26	79,926.49	48,890.38
Excise duty on sales		-	1,892.50
Purchase of stock-in-trade	27	3,488.19	-
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	(16,242.63)	(1,921.87)
Employee benefits expense	29	5,130.03	4,672.50
Finance costs	30	2,365.92	2,143.08
Depreciation and amortization expense	31	2,391.77	2,151.04
Other expenses	32	32,989.62	28,062.33
Total expenses		1,10,049.39	85,889.96
V. Profit before income tax (III-IV)		2,213.92	2,509.56
VI. Income tax expense:	40		
Current tax		510.68	584.93
Tax adjustment relating to prior years		(76.88)	-
Deferred tax		(440.48)	(579.00)
Total income tax expense		(6.68)	5.93
VII. Profit for the year (V-VI)		2,220.60	2,503.63
VIII. Other Comprehensive income/ (expense)			
Items that will not be reclassified subsequently to profit or loss			
- Remeasurement of the net defined benefit liability / (asset)		(28.58)	(29.77)
Income tax relating to items that will not be reclassified to profit or loss			
- Remeasurement of the net defined benefit liability / (asset)		9.99	-
Other comprehensive income/ (expense) for the year (net of income tax)		(18.59)	(29.77)
IX. Total comprehensive income for the year (VII+VIII)		2,202.01	2,473.86
Earnings per equity share [nominal value of ₹10 (previous year ₹10)]			
Basic (₹)	33	6.22	7.91
Diluted (₹)	33	6.19	7.88

Significant accounting policies 2

Notes to financial statements 3-48

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Adhir Kapoor

Partner

Membership number: 098297

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

Sachit Jain

Vice Chairman & Managing Director

DIN : 00746409

Sanjeev Singla

Chief Financial Officer

Suchita Jain

Director

DIN : 00746471

Sonam Taneja

Company Secretary

Place: Ludhiana

Date: 4 May 2019

Place: Ludhiana

Date: 4 May 2019



Statement of Cash Flow

 for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
A Cash flow from operating activities		
Profit before income tax	2,213.92	2,509.56
Adjustments for:		
Other comprehensive income	-	(29.77)
Depreciation and amortization expense	2,391.77	2,151.04
Loss on sale of investments	2.58	-
Unrealized foreign exchange loss/(gain)(net)	220.87	510.76
Gain on sale of property, plant and equipment (net)	(16.15)	(2.37)
Share based payments to employees	29.10	55.13
Balances written off	-	54.25
Bad debts	1.26	52.68
Expected credit loss on trade receivables and advances	100.00	150.00
Finance costs	2,356.35	2,143.08
Interest income	(103.49)	(68.70)
Dividend income	-	(1.42)
Profit on sale of current investments	(17.58)	(245.04)
Interest income from current Investments	-	(12.73)
Provision no longer required written back	-	(203.64)
Sundry balances written back	(7.51)	(28.32)
Operating profit before change in following assets and liabilities	7,171.12	7,034.51
Adjustments for:		
(Increase) in inventories	(15,461.91)	(4,077.20)
Decrease/(increase) in trade receivables	627.93	(507.19)
(Increase) in current loans	(0.66)	(31.99)
(Increase) in other financial current assets	(186.56)	(510.05)
(Increase) in other current assets	(2,415.32)	(197.34)
Decrease/ (increase) in non current financial asset	73.61	(150.24)
Decrease/ (increase) in other non-current assets	679.09	(1,009.02)
Increase in long term provision	16.00	4.20
Increase/ (decrease) in other non current liabilities	22.24	(16.82)
Increase in trade payable	9,731.34	2,245.27
(Decrease) in other financial current liabilities	(1,536.62)	(1,329.32)
Increase/(decrease) in other current liabilities	5.69	(403.82)
(Decrease)/ increase in short term provision	(9.40)	35.87
Cash (used in)/generated from operating activities	(1,283.45)	1,086.86
Income tax paid (net)	(601.23)	34.15
Net cash (used in)/ generated from operating activities	(1,884.68)	1,121.01
B Cash flow from investing activities		
Acquisition of property, plant and equipment (including capital advances)	(7,965.79)	(1,295.37)
Proceeds from sale of property, plant and equipment	17.27	59.85

(Table continued to next page)

Statement of Cash Flow for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Dividend income	-	1.42
Proceed from sale of non-current investments	-	67.87
Proceed/(acquisition) of current investments	832.82	(527.71)
Interest received	103.49	68.70
Net cash (used in) investing activities	(7,012.21)	(1,625.24)
C Cash flow from financing activities		
Proceeds from issue of share capital (including premium)	36.13	11,594.53
Proceeds from non-current borrowings	4,500.00	-
Repayments of non-current borrowings	(817.50)	(6,766.96)
Proceed from / (repayments) of current borrowing	6,831.95	(2,021.75)
Interest paid	(2,373.76)	(2,147.73)
Net cash flow provided by financing activities	8,176.82	658.09
Net (decrease)/ increase in cash and cash equivalents (A+B+C)	(720.07)	153.86
Cash and cash equivalents at the beginning of the year (see below)	748.50	594.64
Cash and cash equivalents at the end of the year (see below)	28.43	748.50

Notes:

1. Cash and cash equivalents include:

Balance with banks		
- in current accounts	28.22	741.93
- deposit accounts with original maturities upto three months	-	3.50
Cash on hand	0.21	3.07
	28.43	748.50

- The above cash flow statement has been prepared in accordance with Indirect Method as set out in the applicable Indian Accounting Standard - 7 on "Statement of Cash Flow". Also, refer to note 2 (s)
- Refer note 17 for reconciliation of movements of liabilities to cash flows arising from financing activities.
- During the current year, the Company paid in cash ₹2.61 (31 March 2018 - ₹5.65 towards corporate social responsibility (CSR) expenditure, included in corporate social responsibility expenditure - refer note 42.2

Significant accounting policies 2
Notes to financial statements 3-48
The accompanying notes form an integral part of the financial statements
As per our report of even date attached

For BSR & Co. LLP

Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022
Adhir Kapoor
Partner
Membership number: 098297

For and on behalf of Board of Directors of **Vardhman Special Steels Limited**
Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 4 May 2019

Place: Ludhiana
Date: 4 May 2019

Statement of Changes in Equity

 for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

a. Equity share capital

	Note	As at 31 March 2019
	15	
Balance as at 1 April 2017		1,855.54
Changes in the equity share capital during the year*		1,714.20
Balance as at 31 March 2018		3,569.74
Changes in the equity share capital during the year*		6.12
Balance as at 31 March 2019		3,575.86

b. Other Equity

Particulars	Reserve & Surplus				Total
	Securities Premium (refer note 16)	General Reserve (refer note 16)	Share Options Outstanding Account (refer note 16)	Retained Earnings (refer note 16)	
Balance as at 1 April 2017		13,890.62	-	4,061.93	17,952.55
Total comprehensive income for the year ended 31 March 2018					
Profit for the year	-	-	-	2,503.63	2,503.63
Other comprehensive income / (expense) (net of tax)	-	-	-	(29.77)	(29.77)
Total comprehensive income/ (expense)		13,890.62		6,535.79	20,426.41
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 31 March 2018	9,880.33	13,890.62	55.13	6,535.79	30,361.87
Total comprehensive income for the year ended 31 March 2019					
Profit for the year	-	-	-	2,220.60	2,220.60
Other comprehensive income / (expense) (net of tax)	-	-	-	(18.59)	(18.59)
Total comprehensive income/expense for the year				2,202.01	2,202.01
Share based payment expense	-	-	29.10	-	29.10
Share option exercised	47.16	-	(17.15)	-	30.01
	47.16		11.95	2,202.01	2,261.12
Balance as at 31 March 2019	9,927.49	13,890.62	67.08	8,737.80	32,622.99

* refer note 15

Significant accounting policies

Notes to financial statements

The accompanying notes form an integral part of the financial statements

As per our report of even date attached

For **B S R & Co. LLP**

Chartered Accountants

ICAI Firm Registration No. 101248W/W-100022

Adhir Kapoor

Partner

Membership number: 098297

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

Sachit Jain

Vice Chairman & Managing Director

DIN : 00746409

Sanjeev Singla

Chief Financial Officer

Suchita Jain

Director

DIN : 00746471

Sonam Taneja

Company Secretary

Place: Ludhiana

Date: 4 May 2019

Place: Ludhiana

Date: 4 May 2019

Notes to Financial Statements

for the year ended 31 March 2019

1. Reporting entity

Vardhman Special Steels Limited ('the Company'), is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14 May 2010 having its registered office at Vardhman Premises, Chandigarh Road, Ludhiana - 141010. The equity shares of the Company are listed on The National Stock Exchange of India Limited and BSE Limited. The Company's business primarily consists of manufacturing of Billets, Steel bars and Bright bars of various categories of special and alloy steels.

2. Significant Accounting Policies

a) Basis of preparation

i) Statement of Compliance

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as per the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (India Accounting Standards) Amendment Rules, 2016 notified under section 133 of Companies Act, 2013, "the act" and other relevant provisions of the Act.

The financial statements were authorized for issue by the Company's Board of Directors on 4 May 2019.

Effective 01 April 2015, the Company had transitioned to Ind AS while the financial statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected certain exemptions which are listed as below:

- The Company had opted to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognized in the financial statements prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date.
- The Company had opted to apply the relevant requirements in Appendix C of Ind AS 17 for determining whether an arrangement existing at the date of transition contains a lease by considering the facts and circumstances existing at the date of transition (rather than at the inception of the arrangement).

ii) Functional and presentation currency

The functional currency of the Company is the Indian rupee. These financial statements are presented in Indian rupees. All amounts have been rounded-off to the nearest lakhs, up to two places of decimal, unless otherwise indicated.

iii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

Items	Measurement basis
Certain financial assets and liabilities (including derivative instruments)	Fair value
Net defined benefits (assets)/liability	Fair value of the plan assets less present value of defined benefits obligations

Notes to Financial Statements for the year ended 31 March 2019

iv) Measurement of fair values

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has established policies and procedures with respect to the measurement of fair values. This includes the top management division which is responsible for overseeing all significant fair value measurements, including Level 3 fair values. The top management division regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the top management division assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirement of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred. Further information about the assumptions made in measuring fair values used in preparing these financial statements is included in the respective notes.

v) Use of estimates and judgements

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that impact the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2(a)(iv) - Fair value measurement
- Note 2(c) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(d) and 4 – Assessment of useful life of Intangible assets
- Note 2(g), 2(h), 19 and 34 – Recognition and measurement of provisions and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources

Notes to Financial Statements for the year ended 31 March 2019

- Note 2(m),6 and 40 - Recognition of tax expense including deferred tax
- Note 2(o) - Impairment of financial assets
- Note 2(p) - Impairment test of non-financial assets: key assumptions underlying recoverable amounts and
- Note 38 - Measurement of defined benefit obligations: key actuarial assumptions; Share based Payments

b) Changes in Significant Accounting Policies

The Company has initially applied Ind AS 115 from 1 April 2018. A number of other new standards and amendments are also effective from 1 April 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying the above standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

There is no material impact of transition from Ind AS 18 to Ind AS 115 in recognizing revenue by the Company.

c) Property, plant and equipment ('PPE')

Recognition and measurement

Property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment, if any.

The Cost of an item of Property, Plant and equipment comprises:

- its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates.
- any cost directly attributable to bringing the asset to the location and the working condition for its intended use and
- 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.
- financing cost related to borrowed funds attributable to the construction or acquisition of qualifying assets up to the date of the assets are ready for use.

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'.

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.

Notes to Financial Statements

 for the year ended 31 March 2019

Subsequent expenditure

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.

Depreciation

Depreciation is calculated on cost of items of PPE (excluding freehold land) less their estimated residual values over their estimated useful lives using the straight-line method and is recognised in the Statement of Profit and Loss. Freehold land is not depreciated.

Depreciation on items of property, plant and equipment is provided on the straight-line method over the useful lives of assets as prescribed in Schedule II of the Companies Act, 2013 read with notification dated 29 August 2014 of Ministry of Corporate Affairs. Freehold land is not depreciated. As per requirements of the Companies Act, 2013 the Company has also identified significant components of assets and their useful life and depreciation charge is based on an internal technical evaluation. These estimated lives are based on technical assessment made by technical expert and management estimates. Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation on additions (disposal) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed of).

Derecognition

A property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of a tangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

d) Other Intangible Assets

Acquired Intangible

Intangible assets that are acquired by the Company are measured initially at cost. Cost of an item of Intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in Statement of Profit and Loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives using

Notes to Financial Statements for the year ended 31 March 2019

the straight-line method, and is included in depreciation and amortisation expense in Statement of Profit and Loss. The estimated useful life of Computer software is 5 years.

Amortisation method, useful life and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use and disposal.

e) Inventories

Inventories are measured at the lower of cost and net realizable value. The methods of determining cost of various categories of inventories are as follows:

Raw materials, Stores and spares	Weighted average method
Traded goods	Weighted average method
Work-in-progress and finished goods (manufactured)	Weighted average cost and includes an appropriate share of variable and fixed production overheads. Fixed production overheads are included based on normal capacity of production facilities.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

f) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., salaries and wages and bonus etc., if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Post-employment benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the

Notes to Financial Statements for the year ended 31 March 2019

VSSL gratuity fund trust. The Company's net obligation in respect of gratuity is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the net defined benefit liability i.e. Gratuity, which comprise actuarial gains and losses are recognised in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then- net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards employee provident fund and employee state insurance scheme ('ESI') to Government administered scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and loss during the period in which the employee renders the related service.

Compensated absences

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Such obligation such as those related to compensate absences is measured on the basis of an annual independent actuarial valuation using the projected unit cost credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

g) Provisions (other than for employees benefits)

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. Expected future losses are not provided for.

h) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount

Notes to Financial Statements

for the year ended 31 March 2019

cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are recognized when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

A contingent asset is disclosed where an inflow of economic benefits is probable.

i) Commitments

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting date.

j) Revenue from contract with customers

The Company has initially applied Ind AS 115 from 1 April 2018.

Revenue recognition under Ind AS 18 (applicable before 1 April 2018)

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 taxes 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 is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

Revenues include excise duty till 30 June 2017 (goods and service tax (GST) applicable w.e.f. 1 July 2017) and are shown net of GST, sales tax, value added tax and applicable discounts and allowances, if any.

Export Incentives

Export incentives under various schemes notified by the government are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist.

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.

Government grant

Government grants related to capital assets are recognized initially as deferred income at fair value or deducted from the carrying value of the asset when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then

Notes to Financial Statements for the year ended 31 March 2019

recognised in profit or loss as other income on a systematic basis or depreciated over the remaining useful life of the asset, respectively.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which such expenses are recognised.

Revenue recognition under Ind AS 115 (applicable from 1 April 2018)

Under Ind AS 115, the Company recognized revenue when (or as) a performance obligation was satisfied, i.e. when 'control' of the goods underlying the particular performance obligation were transferred to the customer.

Further, revenue from sale of goods is recognized based on a 5-Step Methodology which is as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Deferred revenue is recognised when there is billings in excess of revenues.

The Company disaggregates revenue from contracts with customers by geography.

Use of significant judgements in revenue recognition

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as cash discount, trade discount, and rebate. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Notes to Financial Statements

for the year ended 31 March 2019

- Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
- Contract fulfilment costs are generally expensed as incurred except for certain expenses which meet the criteria for capitalisation. Such costs are amortised over the contractual period. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

Export Incentives

Export incentives under various schemes notified by the government are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collection exist.

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.

Government grant

Government grants related to capital assets are recognized initially as deferred income at fair value or deducted from the carrying value of the asset when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis or depreciated over the remaining useful life of the asset, respectively.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which such expenses are recognised.

k) Recognition of interest income or expense

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to:

- a) the gross carrying amount of the financial asset; or
- b) the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

l) Borrowing costs

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred

Notes to Financial Statements for the year ended 31 March 2019

by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

m) Income taxes

Income tax comprises current and deferred tax. It is recognised in Statement of Profit and Loss except to the extent that it relates to a business combination or an item recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses (if any) and tax credits.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are recognised to the extent that it is probable that the related tax benefits will be realized. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised / reduced to the extent that it is probable / no longer probable respectively that the related tax benefits will be realized.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Minimum Alternative tax

Minimum Alternative tax ('MAT') under the provisions of Income-tax Act, 1961 is recognised as current tax in profit or loss. The credit available under the Act in respect of MAT paid is adjusted from deferred tax liability only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised adjusted from deferred tax liability is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

n) Leases

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease based on the substance of the lease arrangement.

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for the year ended 31 March 2019

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Profit and Loss on a straight-line basis over the period of the lease unless the payment are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

o) 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.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVPL)
- Equity instruments measured at fair value through other comprehensive income (FVOCI)

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in other income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

Debt instrument at FVOCI

A 'debt instrument' is classified as at the FVOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and the asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On

Notes to Financial Statements for the year ended 31 March 2019

derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVPL

FVPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVPL. In addition, at initial recognition, the Company may irrevocably elect to designate a debt instrument, which otherwise meets amortised cost or FVOCI criteria, as at FVPL. However, such adoption is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

Debt instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVPL. For all other equity instruments, the Company may make an irrevocable adoption to present in other comprehensive income subsequent changes in the fair value. The Company makes such adoption on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to the Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss to retained earnings.

Equity instruments included within the FVPL category are measured at fair value with all changes recognised in the Statement of Profit and Loss.

Impairment of financial assets

The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that the financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the breach of contract such as a default or being past due for 90 days or more;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider;
- it is probable that the borrower will enter bankruptcy or other financial re-organisation; or
- the disappearance of active market for a security because of financial difficulties;

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition;

Notes to Financial Statements for the year ended 31 March 2019

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. difference between the cash flow due to the Group in accordance with the contract and the cash flow that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowance for financial assets measured at the amortised cost is deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtors do not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 for the year ended 31 March 2019

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in Statement of Profit and Loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in Statement of Profit and Loss. Any gain or loss on derecognition is also recognised in Statement of Profit and Loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Derivative financial instruments

The Company uses various types of derivative financial instruments to hedge its currency and interest risk etc. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

p) Impairment of non financial assets

The Company's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine if there is indication of any impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash flows are grouped together into cash generating units (CGUs). Each CGU represents the smallest Company of assets that generate cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of as CGU (or an individual asset) is the higher of its value in use and fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the CGU (or the asset).

The Company's corporate assets (e.g., central office building for providing support to CGU) do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the

Notes to Financial Statements for the year ended 31 March 2019

recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segments and assess their performance.

r) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, demand deposits held with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

s) Cash flow statement

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.

t) Earnings per share

Basic earnings/(loss) per share are calculated by dividing the net profit/(loss) for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/ (loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

u) Foreign currency transactions

i) Initial recognition

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

ii) Measurement at the reporting date

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences on restatement/settlement of all monetary items are recognised in profit or loss.

v) Recent Accounting pronouncements

Applicable standards issued but not yet effective.

Notes to Financial Statements

for the year ended 31 March 2019

Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs (“MCA”) through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified the following new and amendments to Ind AS which the Company has not applied as they are effective from April 1, 2019:

Ind AS 116- Leases:

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The quantitative impact of adoption of Ind AS 116 on the financial statements in the period of initial application is not reasonably estimable as at present.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of factor facility (see note 35). The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability and apply Ind AS 36, Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment.

The Company does not have any finance leases.

ii. Transition

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting Ind AS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply Ind AS 116 to all contracts entered into before 1 April 2019 and identified as leases in accordance with Ind AS 17.

Ind AS 12 Income taxes (amendments relating to income tax consequences of dividend and uncertainty over income tax treatments)

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive

Notes to Financial Statements

for the year ended 31 March 2019

income or equity according to where the entity originally recognised those past transactions or events. The Company does not expect any impact from this pronouncement. It is relevant to note that the amendment does not amend situations where the entity pays a tax on dividend which is effectively a portion of dividends paid to taxation authorities on behalf of shareholders. Such amount paid or payable to taxation authorities continues to be charged to equity as part of dividend, in accordance with Ind AS 12.

The amendment to Appendix C of Ind AS 12 specifies that the amendment is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. It outlines the following: (1) the entity has to use judgement, to determine whether each tax treatment should be considered separately or whether some can be considered together. The decision should be based on the approach which provides better predictions of the resolution of the uncertainty (2) the entity is to assume that the taxation authority will have full knowledge of all relevant information while examining any amount (3) entity has to consider the probability of the relevant taxation authority accepting the tax treatment and the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates would depend upon the probability. The Company does not expect any significant impact of the amendment on its financial statements.

Ind AS 109 – Prepayment Features with Negative Compensation

The amendments relate to the existing requirements in Ind AS 109 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Company does not expect this amendment to have any impact on its financial statements.

Ind AS 19 – Plan Amendment, Curtailment or Settlement

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Company does not expect this amendment to have any significant impact on its financial statements.

Ind AS 23 – Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Company does not expect any significant impact from this amendment.

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for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

3. Property, plant and equipment and Capital work-in-progress

Gross carrying amounts

	Freehold land*	Buildings#	Plant and equipment	Furniture and fixtures	Vehicles	Office equipments	Total	Capital work-in-progress
Balance as at 1 April 2017	844.94	5,135.55	29,453.52	91.90	296.43	333.92	36,156.26	111.32
Additions	-	139.24	484.75	1.59	18.22	64.13	707.93	1,137.86
Disposals	-	-	(21.00)	(0.20)	(71.94)	-	(93.14)	(550.42) \$
Balance as at 31 March 2018	844.94	5,274.79	29,917.27	93.29	242.71	398.05	36,771.05	698.76
Balance as at 1 April 2018 (refer note 47)	844.94	4,144.79	24,951.38	59.81	239.03	261.29	30,501.24	698.76
Additions	2,508.82	1,322.32	1,437.71	60.33	41.88	36.95	5,408.01	7,655.29
Disposals	-	-	(0.72)	-	-	(0.43)	(1.15)	(5,097.51) \$
Balance as at 31 March 2019	3,353.76	5,467.11	26,388.37	120.14	280.91	297.81	35,908.10	3,256.54

Accumulated depreciation

Balance as at 1 April 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)	-
Balance as at 31 March 2018	-	1,608.92	9,874.34	56.19	57.05	247.65	11,844.15	-
Balance as at 1 April 2018 (refer note 47)	-	478.93	4,908.44	22.70	53.39	110.89	5,574.35	-
Depreciation for the year	-	227.20	2,049.95	8.17	31.45	64.36	2,381.13	-
Disposals	-	-	-	-	-	(0.01)	(0.01)	-
Balance as at 31 March 2019	-	706.13	6,958.39	30.87	84.84	175.24	7,955.47	-

Net carrying amounts

As at 31 March 2018	844.94	3,665.87	20,042.93	37.10	185.66	150.40	24,926.90	698.76
As at 31 March 2019	3,353.76	4,760.98	19,429.98	89.27	196.07	122.57	27,952.63	3,256.54

Notes:

- A. Refer note 17 for information on property, plant and equipment pledged as security by the Company.
- B. Refer note 34 (c) for disclosure of contractual commitments for the acquisition of property, plant and equipment.
- C. At 31 March 2019, capitalised borrowing costs related to the plant and equipment amounted to ₹56.86 (31 March 2018 : ₹ Nil).
- * Includes freehold land of ₹2,508.82 (31 March 2018: ₹ Nil) situated at Ludhiana for which the Company is in the process of completing formalities for transferring the title deed in its own name.
- # Includes building having gross block amounting to ₹1,180.00 (31 March 2018: ₹ Nil) and written down value amounting to ₹1,143.45 (31 March 2018: ₹ Nil) situated at Ludhiana pending to be registered in the name of the Company.
- \$ Represents capital-work-in-progress capitalised during the year.

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for the year ended 31 March 2019
 All amounts are in ₹ lakhs, except for share data

4. Other intangible assets

Gross carrying amount

	Computer softwares	Total
Balance as at 1 April 2017	52.19	52.19
Additions - acquired	-	-
Balance as at 31 March 2018	52.19	52.19
Balance as at 1 April 2018 (refer note 47)	48.11	48.11
Additions - acquired	11.87	11.87
Balance as at 31 March 2019	59.98	59.98

Accumulated amortisation

Balance as at 1 April 2017	13.58	13.58
Amortisation for the year	9.61	9.61
Balance as at 31 March 2018	23.19	23.19
Balance as at 1 April 2018 (refer note 47)	19.11	19.11
Amortisation for the year	10.64	10.64
Balance as at 31 March 2019	29.75	29.75

Net carrying amount

As at 31 March 2018	29.00	29.00
As at 31 March 2019	30.23	30.23

5. Loans

Non-Current

(unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Loans to employees	68.79	142.40
	68.79	142.40

Current

(unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Loans to employees	102.58	101.92
	102.58	101.92

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All amounts are in ₹ lakhs, except for share data

6. Deferred tax assets (net)

	As at 31 March 2019	As at 31 March 2018
Deferred tax assets on account of:		
Tax losses carried forward	2,445.58	1,788.54
Expenses allowable on payment basis	125.63	778.03
ICDS disallowance on MTM forward contracts	47.78	-
Incentives received from government	24.40	-
Expected credit loss allowance	122.30	87.36
Minimum alternate tax credit entitlement	1,483.67	972.99
Deferred tax liabilities on account of:		
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,825.90	2,653.93
Deferred tax assets (net)	1,423.46	972.99

Movement in temporary differences: 2017-18

	Balance as at 1 April 2017	Recognised in Profit or Loss	Recognised in other comprehensive income	Balance as at 31 March 2018
Deferred tax assets on account of				
Expenses allowable on payment basis	471.87	306.16	-	778.03
Expected credit loss allowance	34.61	52.75	-	87.36
Fair valuation loss on investments	21.39	(21.39)	-	-
ICDS disallowance on MTM forward contracts	137.07	(137.07)	-	-
Minimum alternate tax credit entitlement	393.99	579.00	-	972.99
Unabsorbed business loss and depreciation	1,658.69	129.85	-	1,788.54
Deferred tax liabilities on account of				
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,323.63	330.30	-	2,653.93
Deferred tax assets (net)	393.99	579.00	-	972.99

Deferred tax assets (net): 2018-19

	Balance as at 1 April 2018	Recognised in Profit or Loss	Recognised in other comprehensive income	Balance as at 31 March 2019
Deferred tax assets on account of				
Expenses allowable on payment basis	778.03	(662.39)	9.99	125.63
Expected credit loss allowance	87.36	34.94	-	122.30
ICDS disallowance on MTM forward contracts	-	47.78	-	47.78
Incentives received from government	-	24.40	-	24.40
Unabsorbed business loss and depreciation	1,788.54	657.04	-	2,445.58
Minimum alternate tax credit entitlement	972.99	510.68	-	1,483.67
Deferred tax liabilities on account of				
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,653.93	171.97	-	2,825.90
Deferred tax assets (Net)	972.99	440.48	9.99	1,423.46

Notes to Financial Statements for the year ended 31 March 2019

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7. Income tax assets (net)

	As at 31 March 2019	As at 31 March 2018
Non-current		
Advance income tax and tax deducted at source (net of provision of ₹1,887.48 (31 March 2018 Nil))	211.67	-
Current		
Advance income tax and tax deducted at source (net of provision of ₹ Nil (31 March 2018: ₹2,941.19))	-	36.28
	211.67	36.28

8. Other non-current assets

(unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Capital advances		
- to others	299.59	1,055.34
Advances other than capital advances:		
-Security deposits	935.58	872.99
-Prepaid expenses	9.74	16.26
-Amount paid under protest to government authorities	162.45	141.86
	1,407.36	2,086.45

9. Inventories

(at lower of cost and net realizable value)

	As at 31 March 2019	As at 31 March 2018
Raw materials	2,208.31	2,688.12
Raw material in transit	786.30	788.08
Stores and spares	2,810.25	3,399.64
Stores and spares in transit	371.52	81.25
Finished goods - manufactured	25,145.82	8,903.19
	31,322.20	15,860.29

10. Investments (Current)

	As at 31 March 2019	As at 31 March 2018
Unquoted debt securities		
Government securities at fair value through profit & loss account		
Nil (31 March 2018: 29,914.259) units of SBI PLF-REG Plan Growth	-	814.98
Quoted equity shares		
Equity shares at fair value through profit & loss account		
235 (31 March 2018: 235) equity shares of GNA Axles Ltd.	0.77	1.03
	0.77	816.01
Aggregate amount of un-quoted Investments	-	814.98
Aggregate book value of quoted investments	0.77	1.03
Aggregate market value of quoted investments	0.77	1.03

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

11. Trade receivables

(Unsecured, considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Trade receivables	19,076.21	19,705.40
Less: Loss allowance	350.00	250.00
	18,726.21	19,455.40

	As at 31 March 2019	As at 31 March 2018
Break-up of security details		
Trade receivable considered good - secured	-	-
Trade receivables considered good - Unsecured	18,726.21	19,455.40
Trade receivables which have significant increase in Credit risk	-	-
Trade Receivables – credit impaired	350.00	250.00
Total	19,076.21	19,705.40
Less: Loss allowance	350.00	250.00
Total trade receivables	18,726.21	19,455.40

12. Cash and cash equivalents

	As at 31 March 2019	As at 31 March 2018
Balance with banks		
- in current accounts	28.22	741.93
- deposit accounts with original maturities upto three months	-	3.50
Cash on hand	0.21	3.07
	28.43	748.50

13. Other financial assets (Current)

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Financial assets at amortized cost		
Recoverable on account of unbilled revenue	695.82	472.96
Advances to employees	0.01	0.21
Other recoverables	82.49	93.43
Financial Assets measured at fair value through Profit and loss		
Derivative financial instruments	-	25.16
	778.32	591.76

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

14. Other current assets

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2019	As at 31 March 2018
Advances for supply of goods	2,277.36	595.18
Prepaid expenses	107.18	53.80
Others	65.04	267.21
Prepaid (deferred) expenses for employee benefits	2.27	2.15
Recoverable from / balance with government authorities	1,171.87	280.49
	3,623.72	1,198.83

15. Equity share capital

a) Details of share capital

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of ₹10 each	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 each fully paid up	3,57,58,623	3,575.86	3,56,97,376	3,569.74
	3,57,58,623	3,575.86	3,56,97,376	3,569.74

b) Reconciliation of number of shares outstanding at beginning and end of the year

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Amount	Number of shares	Amount
Balance at the beginning of the year	3,56,97,376	3,569.74	1,85,55,376	1,855.54
Add: Rights issue	-	-	1,35,70,000	1,357.00
Add: Share issued to Qualified Institutional Buyer	-	-	35,72,000	357.20
Add: Share issued under employee stock option	61,247	6.12	-	-
Balance at the end of the year	3,57,58,623	3,575.86	3,56,97,376	3,569.74

During the year ended 31 March 2018 the Company had made allotment of 1,35,70,000 equity shares and 35,72,000 equity shares of ₹6,785.00 and ₹5,000.80 on 13 May 2017 and 21 February 2018 respectively through Rights Issue and Qualified Institutional Placement at an issue price of ₹50 per equity share and ₹140 per equity share (Including premium of ₹40 per equity share and ₹130 per equity share), respectively.

(c) Rights, preferences and restrictions attached to shares

The Company has only one class of equity shares having par value of ₹10 per share. Accordingly all equity shares rank equally with regard to dividends and share in the company's residual assets on winding up. Each shareholder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders (except for interim dividend) in the ensuing Annual General Meeting. 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.

(d) Bonus shares, shares buyback and issue of shares for consideration other than in cash during five years immediately preceding 31 March 2019. During the five years immediately preceding 31 March 2019 ('the period'), neither any bonus shares have been issued nor any shares have been bought back. Further, no shares have been issued for consideration other than cash.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

15. Equity share capital (contd.)

(e) Details of shareholders holding more than 5% shares in the Company

Name of shareholder	As at 31 March 2019		As at 31 March 2018	
	Number of shares	% holding in the class	Number of shares	% holding in the class
- Vardhman Textiles Limited	97,08,333	27.15	97,08,333	27.20
- Vardhman Holdings Limited	51,34,195	14.36	51,34,195	14.38
- Devakar Investment & Trading Company (P) Ltd	22,15,016	6.19	22,15,016	6.20
- DSP Blackrock Small Cap Fund	-	-	17,86,000	5.00
- Mr. Sachit Jain	48,03,570	13.43	45,04,742	12.62

(f) Utilization of proceeds from Right Issue & Qualified Issue Placement

From the total proceeds of ₹11,785.80 through Right Issue & Qualified Institutional Placement (QIP), the Company has fully utilized this amount.

Right Issue utilization

Particulars	As per prospectus	Utilized up to 31 March 2018	Un-utilized amount as at 31 March 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

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

Particulars	As per prospectus	Utilized up to 31 March 2019	Un-utilized amount as at 31 March 2019
General Corporate Purposes	5,000.80	5,000.80	-
Total	5,000.80	5,000.80	-

In the previous year, ₹151.03 had been utilized for issue related expenses.

During the current year, there are no proceeds from Right Issue and Qualified Institutional Placement (QIP).

16. Other equity

(also refer to Statement of Change in Equity)

(i) Securities premium

Securities premium represents the excess consideration received by the Company over the face value of the shares issued to shareholders. This will be utilised in accordance with the applicable provisions of the Companies Act, 2013.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

16. Other equity (contd.)

(ii) General reserve

The General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the General reserve will not be reclassified subsequently to the Statement of Profit and Loss.

(iii) Employee stock options outstanding reserve

The fair value of the equity settled share based payment transactions with employees is recognised in Statement of Profit and Loss with corresponding credit to share based payment reserve.

(iv) Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

17. Borrowings

I. Non current borrowings

	As at 31 March 2019	As at 31 March 2018
Secured		
Term loans (refer note 17.1)		
- From banks (net of unamortized processing charges)	14,678.84	10,963.49
Total non-current borrowings (including current maturities)	14,678.84	10,963.49
Less: Current maturities of non-current borrowings (refer note 22)	1,165.38	817.50
	13,513.46	10,145.99

II. Current borrowings

	As at 31 March 2019	As at 31 March 2018
Secured		
Loan repayable on demand		
- From banks (refer note 17.2)	17,181.68	9,610.76
Unsecured		
- Inter corporate deposits from related party (refer note 39)	1,500.00	1,500.00
- Buyer credit	-	738.97
	18,681.68	11,849.73

17.1 Notes

- Term loans of ₹14,678.84 (31 March 2018: ₹10,963.49) are secured by a first pari passu charge on entire movable & Im-movable fixed assets of the Company (both present & future) including Land and Building situated at C-58, Focal Point Ludhiana & Pioneer Industrial Park, Pathrardi and second pari passu charge on entire current assets of the Company.
- Term loan of ₹1,433.84 (31 March 2018: ₹1,512.39) from State Bank of India is repayable in 24 quarterly instalments till FY 2024-25. (31 March 2018: 28 quarterly instalments)
- Term loan of ₹6,115.48 (31 March 2018: ₹6,469.37) from State Bank of India is repayable in 24 quarterly instalments from April 2019 till FY 2024-25 (31 March 2018: 28 quarterly instalments)
- Term loan of ₹7,129.52 (31 March 2018: ₹ Nil) from ICICI Bank Limited repayable in 25 quarterly instalments from April 2019 till Q1 of FY 2025-26 (31 March 2018: Nil instalments)
- Term loan of ₹ Nil (31 March 2018: ₹2,981.73) from Yes Bank Limited, has been switch over to ICICI Bank Limited during the year.
- During the current year, the nominal (floating) interest rate was in the range of 9.45 % to 9.90 % per annum (31 March 2018: in the range of 9.45 % to 9.95 % per annum)

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

17.2

Cash credit/overdraft and working capital demand loan facilities from Consortium banks aggregating to ₹17,181.68 (31 March 2018: ₹9,610.76) 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.

17.3 Reconciliation of movement in borrowings to cash flows from financing activities

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance		
- Long Term Borrowings	10,963.49	17,730.45
- Short Term Borrowings (other than loans repayable on demand)	11,849.73	13,871.47
- Current maturities of long term borrowings	817.50	6,184.95
Total Opening Balance	21,995.72	25,416.97
	As at 31 March 2019	As at 31 March 2018
a) Cash flow movements		
- Proceeds from borrowings (long term)	4,500.00	-
- Proceeds from borrowings (short term)	6,831.95	-
- Repayment of borrowings (long term)	(817.50)	(6,764.95)
- Repayment of borrowings (short term)	-	(2,021.74)
b) Non-cash movements		
- Effect of amortisation of loan origination costs	9.57	9.15
- Foreign exchange translation	23.28	(11.16)
Closing Balance		
- Long Term Borrowings	14,678.84	10,963.49
- Short Term Borrowings (other than loans repayable on demand)	18,681.68	11,849.73
- Current maturities of long term borrowings	(1,165.38)	(817.50)
Total Closing Balance	32,195.14	21,995.72

18. Other financial liabilities (Non current)

	As at 31 March 2019	As at 31 March 2018
Securities received	14.02	-
	14.02	-

19. Provisions

	As at 31 March 2019	As at 31 March 2018
Provisions for employee benefits (refer note 38)		
Non current		
Liability for compensated absences	100.51	84.51
	100.51	84.51
Current		
Liability for gratuity	34.72	38.03
Liability for compensated absences	18.39	24.48
	53.11	62.51

Notes to Financial Statements for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

20. Other non-current liabilities

	As at 31 March 2019	As at 31 March 2018
Securities received	25.14	2.90
	25.14	2.90

21. Trade payables

	As at 31 March 2019	As at 31 March 2018
- Total outstanding dues of micro enterprises and small enterprises (refer note 37)	336.60	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	16,013.03	6,060.80
	16,349.63	6,060.80

22. Other financial liabilities (Current)

	As at 31 March 2019	As at 31 March 2018
Current maturities of non current borrowings (refer note 17)	1,165.38	817.50
Interest accrued but not due on borrowings	27.72	45.13
Capital creditors	366.38	136.72
Employee related payables	452.66	436.64
Expense payable	1,331.45	3,777.69
Security deposits	-	11.46
Liability for mark to market loss on derivative contracts	344.93	-
	3,688.52	5,225.14

23. Other current liabilities

	As at 31 March 2019	As at 31 March 2018
Advance from customers	127.24	97.68
Statutory dues	180.75	204.62
	307.99	302.30

24. Revenue from operations

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of products (Including excise duty to the extent applicable)		
Finished goods	1,04,097.22	87,343.72
Traded Goods	3,716.32	-
Other operating revenue		
- By product & miscellaneous sale	4,042.16	290.04
- Export incentives	220.24	154.97
	1,12,075.94	87,788.73

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

24. Revenue from operations (contd.)

Revenue disaggregation by geography is as follows:

	For the year ended 31 March 2019	For the year ended 31 March 2018
Geography		
India	1,06,253.00	82,847.06
Outside India	5,822.94	4,941.67
Total	1,12,075.94	87,788.73

Information about major customers:

Revenue from one customer which individually constitutes more than 10 percent of the Company's total revenue is ₹12,864.59 (previous year revenue from two customers constituted more than 10 percent of the Company's total revenue ₹9,663.49 and ₹9,447.32).

Changes in deferred revenue are as follows:

	For the year ended 31 March 2019
Opening Balance	230.09
Revenue recognised during the year	230.09
Provision created during the year	650.94
Closing Balance	650.94

Reconciliation of revenue recognized with the contracted price is as follows:

	For the year ended 31 March 2019
Contracted price	1,12,315.51
Reductions towards variable consideration components	459.81
Revenue recognized	1,11,855.70

25. Other income

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest income		
On fixed deposits with bank	0.22	-
Others	103.27	68.70
Dividend income	-	1.42
Gain on sale of investments	17.58	260.00
Interest income from current investments	-	12.73
Liabilities no longer required written back	-	203.64
Sundry balances written back	-	28.31
Gain on sale of property, plant and equipment (net)	16.15	2.37
Miscellaneous income	50.15	33.62
	187.37	610.79

Notes to Financial Statements for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

26. Cost of materials consumed

	For the year ended 31 March 2019	For the year ended 31 March 2018
Inventory of raw materials at the beginning of the year	2,688.12	1,133.86
Purchases of raw materials	79,446.68	50,444.64
Inventory of raw materials at the end of the year	(2,208.31)	(2,688.12)
	79,926.49	48,890.38

27. Purchases of stock-in-trade

	For the year ended 31 March 2019	For the year ended 31 March 2018
Steel bars	3,488.19	-
	3,488.19	-

28. Changes in inventories of finished goods, stock-in-trade and work-in-progress

	For the year ended 31 March 2019	For the year ended 31 March 2018
Opening inventory		
Finished goods	8,903.19	7,673.67
	8,903.19	7,673.67
Closing inventory		
Finished goods	25,145.82	8,903.19
	25,145.82	8,903.19
Increase in excise duty on finished goods (as applicable)	-	(692.35)
	(16,242.63)	(1,921.87)

29. Employee benefits expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries, wages and bonus	4,608.23	4,166.01
Contribution to provident and other funds (refer note 38)	404.85	271.07
Share based payments to employees (refer note 38)	29.10	55.13
Provision for employee benefits (refer note 38)	-	92.02
Staff welfare expenses	87.85	88.27
	5,130.03	4,672.50

30. Finance cost

	For the year ended 31 March 2019	For the year ended 31 March 2018
Interest expense on		
- Term loans	967.64	802.92
- Others	1,266.41	1,206.92
Other borrowing cost	131.87	133.24
	2,365.92	2,143.08

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

31. Depreciation and amortisation expense

	For the year ended 31 March 2019	For the year ended 31 March 2018
Depreciation on property, plant and equipment (refer note 3)	2,381.13	2,141.43
Amortisation of intangible asset (refer note 4)	10.64	9.61
	2,391.77	2,151.04

32. Other expenses

	For the year ended 31 March 2019	For the year ended 31 March 2018
Stores and spare consumed	12,697.57	8,072.49
Power and fuel	13,234.68	12,780.92
Packing material	172.24	165.49
Processing Charges	666.76	731.76
Rent	69.60	90.58
Repairs and maintenance	2,034.57	1,827.23
Insurance	78.33	68.23
Rates and taxes	28.36	32.65
Payment to auditors (refer note no 42.1)	17.80	6.86
Loss on fair value of investments	0.26	-
Loss on sale of investments	2.58	-
Net loss on account of foreign exchange fluctuation	172.61	510.76
Balances written off	-	54.25
Bad debts	1.26	52.68
Legal and professional expenses	99.47	115.73
Director sitting fees	13.80	10.15
Commission to directors	29.27	43.61
Expected Credit loss allowances for doubtful trade receivables and advances	100.00	150.00
Freight and handling expense	2,294.73	2,214.39
Commission on sales	432.58	368.65
CSR Expense (refer note no. 42.2)	2.61	5.65
Miscellaneous expenses	840.54	760.25
	32,989.62	28,062.33

Notes to Financial Statements for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

33. Earning per share (EPS) (contd.)

	For the year ended 31 March 2019	For the year ended 31 March 2018
A. Basic earnings per share		
i) Profit for basic earning per share of ₹10 each	2,220.60	2,503.63
ii) Weighted average number of equity shares for (basic)		
Balance at the beginning of the year	3,56,97,376	1,85,55,376
Effect of fresh issue of shares	-	-
Bonus element in Rights Issue	-	59,87,168
Weighted average shares at fair value in Rights Issue	-	67,31,062
Weighted average shares at fair value in Qualified Institutional Placement	-	3,91,452
Weighted average shares at fair value in Employee Stock Option	27,692	-
Total weighted average number of equity shares outstanding for EPS	3,57,25,068	3,16,65,058
Add: Effect of dilutive common equivalent shares - share option outstanding	1,42,133	1,14,098
Total weighted average number of equity shares outstanding for Diluted EPS	3,58,67,201	3,17,79,156
Basic Earnings per share (face value of ₹ 10 each)	6.22	7.91
B. Diluted earnings per share		
i) Profit for diluted earning per share of ₹10 each	2,220.60	2,503.63
Total weighted average number of equity shares outstanding for dilutive EPS	3,58,67,201	3,17,79,156
Diluted Earnings per share (face value of ₹10 each)	6.19	7.88

34. Contingent liabilities and commitments

(to the extent not provided for)

	As at 31 March 2019	As at 31 March 2018
a) Claim against the Company not acknowledged as debts, under dispute		
-Excise duty and custom duty matters	55.05	47.08
-Sales tax matters	44.48	33.40
-Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load.	79.71	79.71
b) Bank guarantees and letters of credit outstanding	180.00	4,677.09
c) Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of capital advances ₹299.50 (31 March 2018 ₹1,049.59))	1,920.71	5,812.74
Export commitments against import of capital goods under EPCG scheme	944.02	2,076.85
d) Pursuant to recent judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages, for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicability of the judgement and period from which the same applies. The Company has assessed that there is no impact of the same for current year since provident fund is already deducted on such special allowances for the current year. Owing to the aforesaid uncertainty and pending clarification from the authorities in this regard, the Company has not recognised any provision for the previous years. Further, management also believes that the impact of the same on the Company though not quantifiable will not be material.		
e) The Company has initiated legal proceedings which have arisen in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material effect on the Company's results of operations or financial condition. Further, the Company has filed legal cases against certain parties for recoverability of balances due from them. Appropriate provision wherever required, has been created in the financial statements.		

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

35. Leases

a) Leases as lessee

Operating 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 payments charges in Statement of Profit and Loss aggregates ₹69.90 (31 March 2018 : ₹90.58).

36. 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 wise disclosure required by Ind AS 108 are made as follows:

Entity wise disclosures

A. Information about products and services

	For the year ended 31 March 2019	For the year ended 31 March 2018
Sale of products		
Finished goods		
- Black bars	78,499.28	66,795.11
- Bright bars	25,597.94	20,532.44
- Others (represent items which individually account for less than 10% of the total value of sale of own manufactured products)	7,758.48	306.19
Inventories:		
- Black bars	7,622.32	5,115.22
- Bright bars	2,115.88	1,139.55
- Billets	15,405.19	2,646.16
- Raw Material (Including material in transit)	2,994.61	3,476.20
- Others (represent items which individually account for less than 10% of the total value of sale of products)	3,184.20	3,483.16

B. Information about major customers (from external customers)

Revenue from one customer of the Company amounting to ₹12,864.59 during the year 2018-19 (2 customers amounting to ₹9,663.49 and ₹9,447.32 respectively, in the previous year 2017-2018) constitutes more than 10% of the total revenue of Company.

C. Information about geographical areas

Particulars	Year ended 31 March 2019		Year ended 31 March 2018	
	Domestic	Foreign	Domestic	Foreign
Revenues from sale of products to external customers	1,06,032.76	5,822.94	82,692.08	4,941.67
Non - Current assets :				
Property, Plant and Equipment	27,952.63	-	24,926.90	-
Capital work in progress	3,256.54	-	698.76	-
Intangible Assets	30.23	-	29.00	-
Other non current assets	1,407.36	-	2,086.45	-

Notes to Financial Statements for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

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

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondences with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of amounts payable to such enterprises as at the year end has been made in the financial statements based on information available with the Company as under :

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
a) Principal amount and Interest due thereon remaining unpaid to any supplier as on 31 March 2019		
- Principal	336.60	-
- Interest	-	-
b) The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"); along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	-	-
d) The amount of interest accrued and remaining unpaid at the end of year	-	-
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 expense under the MSMED Act 2006	-	-
	336.60	-

38. Employee benefits

A. Assets and liabilities relating to employee benefits

	Non - current		Current	
	As at 31 March 2019	As at 31 March 2018	As at 31 March 2019	As at 31 March 2018
Liability for gratuity	-	-	34.72	38.03
Liability for compensated absences	100.51	84.51	18.39	24.48
	100.51	84.51	53.11	62.51

For details about the related employee benefit expenses, refer to note 29.

B. Defined contribution plan:-

The Company's provident fund scheme and employee's state insurance (ESI) fund scheme are defined contribution plans. The Company has recorded an expense of ₹214.45 (31 March 2018: ₹193.64) under provident fund scheme and ₹63.97 (31 March 2018: ₹58.01) under ESI scheme. These have been included in the note 29 (Employees benefits expenses) in Statement of Profit and Loss.

C. Defined benefit plan

Gratuity (funded)

The employees' gratuity fund scheme managed by VSSL Gratuity fund trust is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The Company made annual contributions to the VSSL Gratuity fund trust.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

38. Employee benefits (contd.)

The above defined benefit plan exposes the Company to following risks:

Interest rate risk:

The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase.

Salary inflation risk:

Higher than expected increase in salary will increase the defined benefit obligation.

Demographic risk:

This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Company has not changed the processes used to manage its risks from previous periods. The funds are managed by specialised team of Life Insurance Corporation of India.

a) Funding

Gratuity is a funded benefit plan for qualifying employees. 100% of the plan assets are managed by VSSL Gratuity fund trust. The assets managed are highly liquid in nature and the Company does not expect any significant liquidity risks. The expected contribution to defined benefit plan for the next year is ₹78.90. The following table sets out the status of the defined benefit plan as required under Ind-AS 19 - Employee Benefits:

b) Reconciliation of present value of defined benefit obligation

Particulars	As at 31 March 2019	As at 31 March 2018
Present value of obligation at the beginning of the year	617.35	533.67
Current service cost	70.63	61.50
Interest cost	47.60	40.24
Past service cost	0.00	12.64
Actuarial (gains)/losses recognised in other comprehensive income	33.99	35.70
Benefits paid	(67.28)	(66.40)
Present value of obligation at the end of the year	702.29	617.35

c) Reconciliation of present value of plan assets

Particulars	As at 31 March 2019	As at 31 March 2018
Plan assets at the beginning of the year, at fair value	579.32	532.19
Expected return on plan assets	44.67	40.13
Actuarial gains/(losses) on plan assets recognised in other comprehensive income	5.42	5.93
Contributions	38.24	1.13
Benefits paid	(0.08)	(0.06)
Plan assets at the end of the year, at fair value	667.57	579.32

Notes to Financial Statements

for the year ended 31 March 2019
 All amounts are in ₹ lakhs, except for share data

38. Employee benefits (contd.)

d) Amount recognised in the balance sheet

Particulars	As at 31 March 2019	As at 31 March 2018
Present value of defined benefit obligation at the end of the year	702.29	617.35
Fair value of plan assets at the end of the year	667.57	579.32
Net liability recognised in balance sheet*	(34.72)	(38.03)

* Shown under the head "Provision for employee benefits"

e) Plan Assets

Particulars	As at 31 March 2019	As at 31 March 2018
Equity Instruments	16.34%	14.57%
Govt. Securities & Debt Instruments	79.67%	83.24%
Bank balances	3.52%	1.52%
Others	0.47%	0.67%

f) Expenses recognised in the Statement of Profit and Loss

Particulars	As at 31 March 2019	As at 31 March 2018
Current service cost	70.63	61.50
Interest cost	47.60	40.24
Past service cost	0.00	12.64
Expected return on plan assets	(44.67)	(40.12)
Expenses recognized in profit and loss account	73.56	74.26

g) Remeasurement recognized in other comprehensive income

Particulars	As at 31 March 2019	As at 31 March 2018
Actuarial gain/loss on the defined benefit obligation	28.58	29.77
Return on plan assets excluding interest income	0.00	0.00
Amount recognized in other comprehensive income	28.58	29.77

h) Actuarial Assumptions

i) Economic assumptions: The principal assumptions are the discount rate and salary growth rate. The discount rate is generally based upon the market yield available on the Government bonds at the accounting date with a term that matches that of the liabilities and the salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long term basis.

Particulars	As at 31 March 2019	As at 31 March 2018
Discount rate (per annum)	7.65%	7.71%
Expected rate of return on plan assets (per annum)	6.69%	6.92%
Future salary growth rate	6.00%	6.00%

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

38. Employee benefits (contd.)

ii) Demographic assumptions:

Particulars	As at 31 March 2019	As at 31 March 2018
Retirement age	58	58
Mortality rate	100% of IALM (2006 - 08)	
Attrition rate	Withdrawal Rate%	Withdrawal Rate%
Upto 30 years	5.00%	5.00%
31 to 44 years	5.00%	5.00%
44 and above	5.00%	5.00%

i) Sensitivity analysis on defined benefit obligation on account of change in significant assumptions:

Particulars	As at 31 March 2019		As at 31 March 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (.50 % movement)	(22.54)	24.19	(18.62)	19.95
Future salary growth (.50 % movement)	23.13	(21.74)	19.27	(18.14)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methods (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

j) Expected future benefit payments

	As at 31 March 2019	As at 31 March 2018
Undiscounted amount of expected benefit payments for next 10 years:		
Within 1 year	-	134.77
1-2 years	119.59	26.00
2-3 years	29.20	28.58
3-4 years	28.76	44.21
4-5 years	48.84	40.41
5-6 years	35.88	46.98
6 year onwards	440.02	296.40

D. Share based payments to employees

The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') which has been approved by the Board of Directors in its meeting held on 24 August 2016. and the Shareholders. 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 12 November 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.

During the year, the Company has allotted 36,750 equity shares to the eligible employees at a price of ₹65 per share and 24,497 equity shares on Rights basis on these equity shares in the ration 2:3 at a price of ₹50 per equity share. Issue of Rights Share has been accounted as modification to the scheme. Incremental expense on account of modification is ₹5.65 (31 March 2018 : Nil).

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

38. Employee benefits (contd.)

The fair value at grant date is determined using the Black Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plan are as follows:

i) Reconciliation of outstanding share options:

Particulars	Year ended 31 March 2019		Year ended 31 March 2018	
	Number of Options	Weighted average exercise Price (in ₹)	Number of Options	Weighted average exercise Price (in ₹)
Number of options exercisable at the end of the year	1,42,133	115.40	1,14,098	142.30

ii) The fair value of the options has been determined under the Black-Scholes model and the inputs used in the measurement of the grant-date fair

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
1. Risk free interest rate	6.53%	6.53%
2. Expected life (In year)	4.00	4.00
3. Expected Volatility	31.82%	31.82%
4. Dividend yield	-	-
5. Exercise Price (in ₹)	65.00	65.00
6. Price of the underlying share in the market at the time of option grant (in ₹)	99.00	99.00

*Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

iii) Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Total liability as the beginning of the year	55.13	-
Employee Option plan expense	29.10	55.13
Transfer to Security Premium account on account of issue of shares	(17.15)	-
Total liability as the end of the period	67.08	55.13

39. Related party disclosures

A. List of related parties and nature of relationship where control exists:

Name of party	Description of relationship
Vardhman Textiles Limited	Associate of Vardhman Textiles Limited

B. List of related parties and nature of relationship with whom transactions have taken place during the current/previous year

a) Key management personnel and individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise

Mr. Sachit Jain, Vice Chairman and Managing Director

Mr. Sanjeev Singla, Chief Financial Officer

Ms. Sonam Taneja, Company Secretary

Mr. Subhasis Dey, President & Chief Executive (up to 30 May 2018)

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

39. Related party disclosures (contd.)

b) Non Executive directors

Mr. Rajeev Gupta (Non -Executive Chairman)
 Mr. Sanjeev Pahwa
 Mr. Rajinder Kumar Jain
 Mr. Sanjoy Bhattacharyya
 Mr. Bal Krishan Choudhary
 Mrs. Suchita Jain
 Mr. Rakesh Jain (w.e.f. 27 April 2018)
 Ms. Shubhra Bhattacharya (w.e.f. 1 February 2019)
 Mr. Jayant Davar (up to 16 January 2019)
 Mr. Praful Bhai Anubhai Shah (up to 5 November 2017)

c) Enterprise over which KMP's have significant influence

Vardhman Holdings Limited
 Vardhman Acrylics Limited
 Vardhman Nisshinbo Garments Company Limited
 VMT Spinning Company Limited

C. Transactions with related parties during the current / previous year:

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
(i) Purchase/Processing of goods/ MEIS		
VMT Spinning Company Ltd.	11.34	1.75
Vardhman Yarns & Threads Ltd.	6.03	1.38
Vardhman Textiles Ltd.	344.85	72.27
Vardhman Nisshinbo Garments Company Ltd.	76.07	-
(ii) Sale of goods and services		
Vardhman Nisshinbo Garments Company Ltd.	2.08	-
Vardhman Textiles Ltd.	5.90	-
(iii) Sale of car		
Vardhman Textiles Ltd.	-	30.68
(iv) Logo Charges (including Tax)		
Vardhman Holdings Ltd.	18.59	14.71
(v) Interest received		
Vardhman Textiles Ltd.	-	0.10
VMT Spinning Company Ltd.	0.05	-
(vi) Common Corporate Charges (Including Tax)		
Vardhman Textiles Ltd.	117.71	105.66
(vii) Interest Paid		
Vardhman Textiles Ltd.	123.51	110.15
VMT Spinning Company Ltd.	-	0.10

(Table continued to next page)

Notes to Financial Statements

for the year ended 31 March 2019
All amounts are in ₹ lakhs, except for share data

39. Related party disclosures (contd.)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
(viii) Loan taken		
Vardhman Textiles Ltd.	1,500.00	1,500.00
(ix) Compensation to KMP:		
Short-term employee benefits*		
Mr. Sachit Jain	214.92	191.06
Mr. Sanjeev Singla	30.72	25.38
Ms. Sonam Taneja	5.27	4.88
Mr. Subhasis Dey	19.35	116.64
Directors Sitting Fees		
Mr. Rajeev Gupta	2.40	1.50
Mr. Sanjeev Pahwa	3.60	2.30
Mr. Rajinder Kumar Jain	2.80	2.00
Mr. Sanjoy Bhattacharyya	1.80	1.85
Mr. Jayant Davar	0.40	0.90
Mr. Rakesh Jain	2.40	-
Ms. Shubhra Bhattacharya	0.40	-
Mr. Praful Bhai Anubhai Shah	-	1.60
Commission to Directors		
Mr. Sachit Jain	29.27	37.64
Mr. Praful Bhai Anubhai Shah	-	5.97
Termination benefits		
Mr. Sachit Jain	-	-
Mr. Sanjeev Singla	-	-
Ms. Sonam Taneja	-	-
Mr. Subhasis Dey	14.07	-
Post employment benefits		
Mr. Sachit Jain	14.39	-
Mr. Sanjeev Singla	4.51	-
Ms. Sonam Taneja	0.64	-

* Including value of perquisites

D. Terms and conditions of transactions with related parties

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.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

40. Tax expense

	Year ended 31 March 2019	Year ended 31 March 2018
A. Income tax recognised in Statement of Profit and Loss		
Current tax	510.68	584.93
Tax adjustment relating to prior years	(76.88)	-
Deferred tax		
Attributable to -		
Origination and reversal of temporary differences	(440.48)	(579.00)
Total tax expense recognised in the current year	(6.68)	5.93
B. Reconciliation of effective tax rate		
Profit before tax	2,213.92	2,509.56
Tax at the Indian tax rate of 34.94 % (previous year 34.94%)	773.63	868.51
Effect of expenses that are not deductible in determining taxable profit	2.37	0.55
Recognition of previously unrecognised tax losses	701.06	(863.13)
Effect of change in estimate related to previous year	76.88	-
Income tax expenses recognised in statement of profit and loss	(6.68)	5.93
C. Income tax expense recognised in other comprehensive income		
Deferred tax assets/(liabilities)		
Arising on income and expenses recognised in other comprehensive income		
-Remeasurement of defined benefit obligation	(28.58)	(29.77)
Total income tax recognised in other comprehensive income	(28.58)	(29.77)
Bifurcation of the income tax recognised in other comprehensive income into:-		
Items that will not be reclassified to profit or loss	9.99	-
Items that may be reclassified to profit or loss	-	-
	9.99	-

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

Consequent to the introduction of Goods and Service Tax (GST) with effect from 1 July 2017, Central Excise, Value Added Tax (VAT) etc. has been subsumed into GST. In Accordance with Indian Accounting Standards 115 on Revenue and Schedule-II of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT etc. are not part of revenue. Accordingly revenue from operations, for the current year is not comparable with previous year since the same is net of Goods and Service Tax (GST) whereas excise duty form part of expenses in previous year (uptill 30 June 2017).

42. Other disclosures required by statute

42.1 Auditors Remuneration (excluding taxes as applicable)

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
As Auditor		
- Statutory audit and limited review of quarterly results	17.44	4.75*
- In other capacity		
Tax audit fee	-	1.25
Certification work	-	0.30
For reimbursement of expenses	0.36	0.08
	17.80	6.38

* In addition to this, certification charges amounting to ₹4.58 related to QIP has been adjusted with Securities premium in the previous year.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

42. Other disclosures required by statute (contd.)

42.2 Detail of Corporate Social Responsibility expenditure

	Year ended 31 March 2019	Year ended 31 March 2018
a) Amount required to be spent by the company during the year	32.51	5.53
b) Amount spent during the year:		
Construction / acquisition of any asset	-	-
On purpose other than above (i) above *	2.61	5.65
- in cash	2.61	5.65
Yet to be paid in cash	29.90	-

* Contribution of ₹0.59 to The Institute of Engineers (India) Shimla, ₹0.50 to Ashirvad School Ludhiana engaged in children with development disabilities, ₹0.50 to Behavior Momentum India Foundation NGO for the cause of Autism, ₹0.50 Vikas Parishad Charitable Trust for providing free artificial limbs/wheel chairs to needy disabled people, plantation at Municipal Corporation Park and at Community Park in Focal Point, Ludhiana for ₹0.42 and financial support to BPL Patient child of ₹0.10 (31 March 2018 - Donation of ₹3 to a woman mountaineer as support to climb Mount Everest, Plantation at Municipal Corporation Park for ₹0.66, safety jackets distributed for road safety for ₹0.78, donation of ₹0.59 to local police for CCTV installation and donation of ₹0.50 to The North India Cerebral Palsy Association.)

43. Financial instruments - Fair values and risk management

A. Accounting classification and fair values

The following table shows the carrying amounts and fair value of financial assets and financial liabilities including their level in the fair value hierarchy:

Particulars	Note	Level of hierarchy	As at 31 March 2019			As at 31 March 2018		
			FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets								
Non-current								
- Loans	(ii)	Level-3	-	-	68.79	-	-	142.40
Current								
- Investments		Level-1	0.77	-	-	816.01	-	-
- Trade receivables	(i)	Level-3	-	-	18,726.21	-	-	19,455.40
- Cash and cash equivalents	(i)	Level-3	-	-	28.43	-	-	748.50
- Loans	(i)	Level-3	-	-	102.58	-	-	101.92
- Other financial Assets (excluding derivative contracts)	(i)	Level-3	-	-	778.32	-	-	566.60
- Mark to market gain on derivative contracts		Level-2	-	-	-	25.16	-	-
Total financial assets			0.77	-	19,704.33	841.17	-	21,014.82
Financial Liabilities								
Non-current								
- Borrowings		Level-3	-	-	13,513.46	-	-	10,145.99
- Other financial liabilities		Level-3	-	-	14.02	-	-	-
Current								
- Borrowings	(i)	Level-3	-	-	18,681.68	-	-	11,849.73
- Trade payables	(i)	Level-3	-	-	16,349.63	-	-	6,060.80
- Current maturities of non current borrowing	(i)	Level-3	-	-	1,165.38	-	-	817.50
-Liability for mark to market loss on derivative contracts		Level-2	344.93	-	-	-	-	-
- Other financial liabilities	(i)	Level-3	-	-	2,178.21	-	-	4,407.64
Total financial liabilities			344.93	-	51,902.38	-	-	33,281.66

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

43. Financial instruments - Fair values and risk management (contd.)

Note:

- (i) Fair valuation of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instrument.
- (ii) Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.
- (iii) Fair value of borrowings is as follows :

	Level	Fair value		Amortised cost	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
Non-current borrowings (including current maturities)*	3	15,188.86	11,212.79	14,678.84	10,963.49

*The fair value of borrowings is based upon a discounted cash flow analysis that used the aggregate cash flows from principal and finance costs over the life of the debt and current market interest rates.

- (iv) Derivatives are carried at fair value at each reporting date. The fair values of the derivative financial instruments has been determined using valuation techniques with market observable inputs. The models incorporates various inputs including credit quality of counter-parties and foreign exchange forward rates.

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2019 and 31 March 2018.

44. Financial risk management

(i) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to effect changes in market conditions and Company's activities. The Company, through its training and management standards and procedures, aims to maintain discipline and constructive control environment in which all employees understand their roles and obligations.

The Company's audit committee oversees how management monitors compliance with Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risk faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the result of which are reported to audit committee.

The Company has exposure to the following risks arising from financial instruments:

- credit risk (see (ii))
- liquidity risk (see (iii)): and
- market risk (see (iv))

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit risk exposure and arises principally from the Company's receivable from customers and loans. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the Balance Sheet:

Particulars	As at 31 March 2019	As at 31 March 2018
Trade receivables	18,726.21	19,455.40
Cash and cash equivalents	28.43	748.50
Loans	102.58	101.92
Other financial assets	778.32	591.76

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for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

44. Financial risk management (contd.)

Trade receivables

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and business intelligence. Sale limits are established for each customer and reviewed annually. Any sales exceeding those limits require approval from the appropriate authority as per policy. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a institutional, dealers or end-user customer, their geographic location, industry, trade history with the Company and existence of previous financial difficulties.

The Company's exposure to credit risk for trade receivables by geographic region is as follows:

	As at 31 March 2019	As at 31 March 2018
Within India	18,194.00	18,312.22
Outside India	532.21	1,143.18

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

	Year ended 31 March 2019	Year ended 31 March 2018
Revenue from top customer	11.47%	11.06%
Revenue from top five customers	31.73%	36.62%

The Company based on internal assessment which is driven by the historical experience/ current facts available in relation to default and delays in collection thereof, the credit risk for trade receivables is considered low. The Company estimates its allowance for trade receivable using lifetime expected credit loss. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount of trade receivable and the amount of the loss is recognised in the Statement of Profit and Loss within other expenses.

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables.

	Gross carrying amount	Loss allowance	Carrying amount
31 March 2019			
Less than 6 months	18,404.96	-	18,404.96
More than 6 months	671.25	350.00	321.25
	19,076.21	350.00	18,726.21
31 March 2018			
Less than 6 months	18,609.38	-	18,609.38
More than 6 months	1,096.02	250.00	846.02
	19,705.40	250.00	19,455.40

The movement in the allowance for impairment in respect of trade receivables is as follows:

	As at 31 March 2019	As at 31 March 2018
Balance as at the beginning of the year	250.00	100.00
Amounts utilised/adjusted during the year	100.00	150.00
Balance as at the end of the year	350.00	250.00

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

44. Financial risk management (contd.)

The loans primarily represents security deposits and loans given to employees. The management believes these to be high quality assets with negligible credit risk. The management believes the parties to which these deposits and loans have been given have strong capacity to meet the obligations and where the risk of default is negligible or nil and accordingly no allowance for expected credit loss has been provided on these financial assets. Credit risk on cash and cash equivalents and bank deposits is limited as the Company generally invests in deposits with banks with high credit ratings assigned by domestic credit rating agencies.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to manage liquidity is to have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed circumstances, without incurring losses or risking damage to the Company's reputation. Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

The following table provides details regarding the contractual maturities of significant financial liabilities:

	Less than 1 Year	1 to 5 years	More than 5 years	Total
31 March 2019				
Borrowings (including current maturities)	1,165.38	9,652.90	3,884.20	14,702.48
Trade payables	16,349.63	-	-	16,349.63
Other financial liabilities	2,178.21	-	-	2,178.21
	19,693.22	9,652.90	3,884.20	33,230.32
31 March 2018				
Borrowings (including current maturities)	817.50	6,742.50	3,460.00	11,020.00
Trade payables	6,060.80	-	-	6,060.80
Other financial liabilities	4,407.64	-	-	4,407.64
	11,285.94	6,742.50	3,460.00	21,488.44

(iv) Market risk

(a) Commodity price risk

The Company is exposed to the movement in price of key raw materials in domestic and international markets. The Company has in place policies to manage exposure to fluctuations in the prices of the key raw materials used in operations. The Company manages fluctuations in raw material price through hedging in the form of advance procurement when the prices are perceived to be low and also enters into advance buying contracts as strategic sourcing initiative in order to keep raw material and prices under check to the extent possible.

(b) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings with floating interest rates.

(c) Exposure to interest rate risk

The Company is exposed to interest rate risk because funds are borrowed at both fixed and floating interest rates. Interest rate risk is measured by using the cash flow sensitivity for changes in variable interest rate. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The exposure of the Company's borrowing to interest rate changes as reported to the management at the end of the reporting period are as follows:

Notes to Financial Statements

for the year ended 31 March 2019
All amounts are in ₹ lakhs, except for share data

44. Financial risk management (contd.)

	As at 31 March 2019	As at 31 March 2018
Fixed rate borrowings	1,500.00	2,238.97
Floating rate borrowings	31,860.52	20,574.25
	33,360.52	22,813.22

Interest rate sensitivity analysis

A reasonably possible change of 0.50% in interest rates at the reporting date would have impacted the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit and loss	
	Strengthening	Weakening
For the year ended 31 March 2019		
Interest rate (0.5% movement)	(159.30)	159.30
For the year ended 31 March 2018		
Interest rate (0.5% movement)	(102.87)	102.87

(d) Foreign Currency Risk and sensitivity

The functional currency of the Company is Indian Rupee (₹). 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.

Exposure to currency risk

The following table provides details of the Company's exposure to currency risk:

Liabilities	Currency	As at 31 March 2019		As at 31 March 2018	
		Amount	Amount in foreign currency (in lakhs)	Amount	Amount in foreign currency (in lakhs)
Short term Borrowings (secured)	USD	5,929.36	85.73	6,257.28	96.00
Less: Derivative contracts		5,929.36	85.73	6,257.28	96.00
Interest accrued but not due on unsecured loan	USD	5.26	0.08	6.84	0.10
Trade payable	USD	-	81.22	-	38.52
	EURO	-	0.73	-	0.68
	SEK	-	0.61	-	-
Trade receivables	USD	-	11.37	-	16.39
	Euro	-	-	-	1.70

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

44. Financial risk management (contd.)

The following table summarizes the company's exposure to foreign currency risk from financial instruments at the end of each reporting period.

Particulars	As at 31 March 2019 (in lakhs)	As at 31 March 2018 (in lakhs)
a) Exposure on account of Financial assets		
Trade Receivable (A)		
-In USD	11.37	16.39
-In EURO	-	1.70
Amount hedged through forwards & options (B)		
-In USD	4.84	3.50
-In EURO	-	1.70
Net Exposure of Foreign Currency Assets (C = A - B)		
-In USD	6.53	12.89
-In EURO	-	-
b) Exposure on account of Financial Liabilities		
Trade Payable, ECB & Short term loans (D)		
-In USD	166.95	134.52
-In EURO	0.73	0.68
-In SEK	0.61	-
-In AED	-	-
Amount hedged through forwards & options # (E)		
-In USD	198.29	187.32
-In EURO	1.17	2.06
-In SEK	-	-
-In AED	-	11.25
Net Exposure of Foreign Currency Assets (F = D - E)		
-In USD	-	-
-In EURO	-	-
-In SEK	0.61	-
-In AED	-	-
Net Exposure to Foreign Currency Assets / (Liability) (C-F)		
-In USD	6.53	12.89
-In EURO	-	-
-In SEK	(0.61)	-
-In AED	-	-

Excess forwards and options against pending purchase orders.

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

Particular	2018-19 (Average exchange rate)	2017-18 (Average exchange rate)	2018-19 (Year end rate)	2017-18 (Year end rate)
INR/USD	69.89	64.46	69.16	65.18
INR/EURO	80.92	75.45	77.67	80.22
INR/SEK	7.79	-	7.44	-

Notes to Financial Statements

for the year ended 31 March 2019
 All amounts are in ₹ lakhs, except for share data

44. Financial risk management (contd.)

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, SEK and EURO exchange rate (With all other variables held consent) will be as under:

Particular	As at 31 March 2019	As at 31 March 2018
1 % Strengthening/weakening of USD against ₹	4.52	8.40
1 % Strengthening/weakening of EURO against ₹	-	-
1 % Strengthening/weakening of SEK against ₹	(0.05)	-

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

Particulars	Year Ended 31 March 2019	Year Ended 31 March 2018
Currency fluctuations		
Net foreign exchange (gain)/ losses shown as operating expenses	(339.74)	302.80
Net foreign exchange (gain)/ losses shown as Finance Cost	167.49	-
Net foreign exchange (gain)/ losses shown as Other Income	-	-
Derivatives		
Derivatives (gain) / losses shown as operating expenses	344.93	207.96
Total	172.68	510.76

45. 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.

	As at 31 March 2019	As at 31 March 2018
Borrowings	33,360.52	22,813.22
Trade payables	16,013.03	6,060.80
Other payables	3,009.89	4,859.85
Less: cash and cash equivalents	28.43	748.50
Net debt	52,355.01	32,985.37
Equity	36,198.85	33,931.61
Capital and net debt	88,553.86	66,916.97
Gearing Ratio	59.12%	49.29%

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.

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

46.

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.

47.

The Company transitioned to Ind AS on 31 March 2017 with a transition date of 1 April 2015. Pursuant to Ind AS 101 "First-time Adoption of Indian Accounting Standards" the Company had elected to take deemed cost exemption in relation to carrying value of Property, Plant and Equipment and Other intangible assets on transition date.

However, the Company had not presented the deemed cost after netting of the Accumulated depreciation/amortisation on the transition date from the value of gross block as on that date. The cumulative effect of the aforesaid has now been considered and presented in the aforesaid schedule as included in the value of Gross block and Accumulated depreciation/amortisation as at 1 April 2018 basis. Had the Company considered the impact at transition date, the comparative disclosure for Property, Plant and Equipment and other intangible assets would have been as follows:

Property, plant and equipment

Particulars	Land-Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office Equipments	Total
Gross carrying amounts							
Balance as at 1 April 2017	844.94	4,005.55	24,467.68	58.34	287.62	197.16	29,861.29
Additions	-	139.24	484.75	1.59	18.22	64.13	707.93
Disposals	-	-	(1.05)	(0.12)	(66.81)	-	(67.98)
Balance as at 31 March 2018	844.94	4,144.79	24,951.38	59.81	239.03	261.29	30,501.24
Accumulated depreciation							
Balance as at 1 April 2017	-	303.11	3,017.23	17.16	32.96	72.93	3,443.39
Charge for the year	-	175.81	1,891.21	5.61	30.83	37.96	2,141.43
Disposals	-	-	-	(0.07)	(10.40)	-	(10.47)
Balance as at 31 March 2018	-	478.93	4,908.44	22.70	53.39	110.89	5,574.35
Net carrying amounts							
Balance as at 31 March 2018	844.94	3,665.86	20,042.94	37.11	185.64	150.40	24,926.89

Other Intangible assets

Particulars	Computer softwares	Total
Gross carrying amount		
Balance as at 1 April 2017	48.11	48.11
Additions - Acquired	-	-
Disposals	-	-
Balance as at 31 March 2018	48.11	48.11
Depreciation		
Balance as at 1 April 2017	9.50	9.50
Charge for the year	9.61	9.61
Disposals	-	-
Balance as at 31 March 2018	19.11	19.11
Net carrying amount		
Balance as at 31 March 2018	29.00	29.00

Notes to Financial Statements

for the year ended 31 March 2019

All amounts are in ₹ lakhs, except for share data

48.

The Company is eligible for fiscal incentives under the Mega project policy of the Punjab State Government for its expansions completed up to 31 March 2016. Though the plant has been commissioned in earlier years but the benefits have not been considered till date as the same is pending for sanction/ audit which is considered as the key event of providing reasonable assurance that the entity will comply with the conditions attaching to the government grant as a result of which no government grant is recognised. The amount received for a specific incentive received during the current year has been recorded under other current financial liability.

Significant accounting policies	2
Notes to financial statements	3-48
The accompanying notes form an integral part of the financial statements	
As per our report of even date attached	

For **B S R & Co. LLP**

Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

Adhir Kapoor

Partner
Membership number: 098297

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

Sachit Jain

Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain

Director
DIN : 00746471

Sanjeev Singla

Chief Financial Officer

Sonam Taneja

Company Secretary

Place: Ludhiana
Date: 4 May 2019

Place: Ludhiana
Date: 4 May 2019

NOTICE

NOTICE is hereby given that the **NINTH ANNUAL GENERAL MEETING** of members of Vardhman Special Steels Limited will be held on Friday, the 20th day of September, 2019 at 10.00 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, 2019 together with Report of Board of Directors and Auditors thereon.

Item No. 2 – To re-appoint Mr. Rajinder Kumar Jain as a director liable to retire by rotation

To appoint a Director in place of Mr. Rajinder Kumar Jain (DIN: 00046541), who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

Item No. 3 – To appoint Mrs. Shubhra Bhattacharya 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), Mrs. Shubhra Bhattacharya (DIN: 01225975), 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 her 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 1st February, 2019.”

Item No. 4 – To appoint Mr. Raghav Chandra 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. Raghav Chandra (DIN: 00057760), 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 4th May, 2019.”

Item No. 5 – To ratify remuneration payable to Cost Auditors for the financial year ending 31st March, 2020

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 and Companies Cost Audit 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, 2020, be paid the remuneration of ₹45,724/- plus out of pocket expenses and applicable taxes.

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. 6 – To Issue and allot Equity Shares

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

“RESOLVED THAT pursuant to Sections 42 and 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 (**“Act”**) read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the **“ICDR Regulations”**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeovers) Regulations, 2011, the applicable provisions of the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 and any other applicable laws, rules and regulations (including any amendment(s), statutory modification(s) or re-enactment(s) of each of the above for the time being in force), enabling provisions in the Memorandum and Articles of Association of the Company and the equity listing agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited and subject to necessary approvals/sanctions/permissions of third parties or lenders (if any)/appropriate statutory/regulatory authorities, if applicable, and subject to such conditions as may be prescribed by any of them while granting such approvals/sanctions/permissions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the **“Board”** which term shall be deemed to include any Committee(s), which the Board may have constituted or may constitute to exercise the powers conferred on the Board by these resolutions), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot 46,29,629 (Forty Six Lakh Twenty Nine Thousand Six Hundred and Twenty Nine) equity shares (**“Shares”**) having a face value of INR 10 (Indian Rupees Ten) per equity share for an aggregate amount of INR 49,99,99,932 (Indian Rupees Forty Nine Crore Ninety Nine Lakh Ninety Nine Thousand Nine Hundred Thirty Two only) to Aichi Steel Corporation, Japan (**“ASC”**) by way of a preferential allotment on private placement basis (**“Issue”**).

RESOLVED FURTHER THAT the Shares shall be of the same class and shall rank pari passu with the existing equity shares of the Company in all respects, and be entitled to all such rights and privileges as available to the holders of existing Shares.

RESOLVED FURTHER THAT the Board and/or any Committee of Board authorized in this regard is hereby authorised to make an offer to ASC through private placement offer letter (in the format of PAS-4) immediately after passing of these resolutions.

RESOLVED FURTHER THAT in accordance with the provisions of Chapter V of the ICDR Regulations, the relevant date for determining the price of the Shares which will be issued in the Issue is August 21, 2019, which is 30 (Thirty) days prior to the date on which the meeting of the members of the Company is held to consider the proposed Issue.

RESOLVED FURTHER THAT in accordance with Regulation 170(1) of the ICDR Regulations the Shares shall be allotted by the Company to ASC within a period of 15 (Fifteen) days from the date of passing of these resolutions, provided that where any approval or permission by any regulatory authority or the Central

Government for the allotment is pending, the allotment shall be completed within a period of 15 (Fifteen) days from the date of the order on such approval or the date of approval or permission, as the case may be.

RESOLVED FURTHER THAT the Shares shall be subject to lock-in as provided under the applicable provisions of Chapter V of the ICDR Regulations.

RESOLVED FURTHER THAT the Shares proposed to be allotted to ASC shall be listed on the stock exchanges where the existing equity shares of the Company are listed, subject to the receipt of necessary regulatory permissions and approvals, as the case may be, and that the Board be and is hereby authorised to make the necessary applications and to take all other steps as may be necessary for and in connection with the listing of the Shares and for the admission of such Shares with the depositories, viz. National Securities Depository Limited and Central Depository Services (India) Limited, and for the credit of such Shares to the demat account of ASC.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable for such purpose, including but not limited to execution of various deeds, documents, writings, agreements, and also to modify, accept and give effect to any modifications therein and the terms and conditions of the issue, as may be required by the statutory, regulatory and other appropriate authorities and to settle all queries or doubts that may arise in the proposed issue, without being required to seek any further consent or approval of the members.

RESOLVED FURTHER THAT subject to applicable laws, the Board be and is hereby also authorized to delegate, all or any of the powers herein conferred, to any Committee(s), Director(s) or Officer(s) of the Company and to revoke and substitute such delegation from time to time, as deemed fit by the Board, to give effect to the aforesaid resolution.

RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and are hereby severally authorized to issue duly certified copies of these resolutions, as and when required."

Item No. 7 – To amend Articles of Association of Company

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

"**RESOLVED THAT** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013, read with the Companies (Incorporation) Rules, 2014, (including any amendment(s), statutory modification(s) or re-enactment(s) thereof, for the time being in force) the existing articles of the Articles of Association of the Company be and are hereby repealed and substituted with the new articles as contained in the draft Articles of Association submitted before the members in this meeting, which are hereby approved and adopted.

RESOLVED FURTHER THAT the Board be and is hereby severally authorized to sign all such forms and returns and other documents, and to do all such acts, deeds and things as may be necessary to give effect to the above resolution.

RESOLVED FURTHER THAT any one of the Directors or the Company Secretary of the Company be and are hereby severally authorized to issue duly certified copies of these resolutions, as and when required."

By Order of the Board

Place: New Delhi
Dated: 10.08.2019

(Sonam Taneja)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS 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. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

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 9th September, 2019 to 20th September, 2019 (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 2018-19 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 2018-19 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 required to submit their PAN details to the Registrar and Share Transfer Agent.

12. Voting through electronic means:

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, and 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 9th 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 17th September, 2019 (9:00 a.m.) and ends on 19th September, 2019 (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 13th September, 2019, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after end of voting period on 19th September, 2019. 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	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <p>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.</p> <p>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.</p>
Bank Details or Date of Birth (DOB)	<p>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.</p> <p>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).</p>

- (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 also to be 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 190820063 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 emailed 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. 13th September, 2019 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 email to helpdesk.evoting@cdslindia.com.
13. 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 Company and make a report of the votes cast in favor or against, if any, forthwith to the Chairman of the Company.
 14. 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.
 15. 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: New Delhi
Dated: 10.08.2019

(Sonam Taneja)
Company Secretary

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. 3 of the Special Business:

The Board of Directors of the Company in its meeting held on 1st February, 2019, had appointed Mrs. Shubhra Bhattacharya as an Additional Director of the Company pursuant to section 161(1) of the Companies Act, 2013 and Articles of Association of the Company. She will hold office upto the date of ensuing Annual General Meeting.

The Company has received requisite notice in writing from a member proposing the appointment of Mrs. Shubhra Bhattacharya as a candidate for the office of Independent Director of the Company for a term of consecutive 5 years starting from 1st February, 2019.

The Company has also received consent from Mrs. Shubhra Bhattacharya and also a declaration confirming that she 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.

Mrs. Shubhra Bhattacharya 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 Mrs. Shubhra Bhattacharya is provided at the end of this statement.

The Board recommends the Ordinary Resolution as set out at Item No. 3 of the Notice for approval by the Members.

Memorandum of Interest:

Except Mrs. Shubhra Bhattacharya, being appointee, none of the Directors / Key Managerial Personnel (KMP) of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 3.

Item No. 4 of the Special Business:

The Board of Directors of the Company in its meeting held on 4th May, 2019, had appointed Mr. Raghav Chandra 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 the appointment of Mr. Raghav Chandra as a candidate for the office of Independent Director of the Company for a term of consecutive 5 years starting from 4th May, 2019.

The Company has also received consent from Mr. Raghav Chandra and also a 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. Raghav Chandra 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. Raghav Chandra is provided at the end of this statement.

The Board recommends the Ordinary Resolution as set out at Item No. 4 of the Notice for approval by the Members.

Memorandum of Interest:

Except Mr. Raghav Chandra, being appointee, none of the Directors/Key Managerial Personnel (KMP) of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4.

Item No. 5 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 4th May, 2019 had re-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, 2020.

Accordingly, the consent of the members is solicited for passing an Ordinary Resolution as set out at Item No. 5 of the notice for ratification of payment of remuneration of ₹45,724/- to the Cost Auditors for the Financial Year ending 31st March, 2020. The Board recommends the Ordinary Resolution as set out at Item No. 5 of the Notice for approval by the Members.

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. 5.

Item No. 6 of the Special Business:

In order to raise funds for funding the capital expenditure requirements of the Company for improving the quality of the products being manufactured by the Company and for the purposes of reducing the cost of production and bringing in process efficiencies in manufacturing the products of the Company, the Company proposes to offer, issue and allot 46,29,629 (Forty Six Lakh Twenty Nine Thousand Six Hundred and Twenty Nine) equity shares ("**Shares**") having a face value of INR 10 (Indian Rupees Ten) per equity share for an aggregate amount of INR 49,99,99,932 (Indian Rupees Forty Nine Crore Ninety Nine Lakh Ninety Nine Thousand Nine Hundred Thirty Two only) to Aichi Steel Corporation ("**ASC**") by way of preferential allotment on private placement basis ("**Issue**").

The issue and allotment of the Shares so offered shall be in dematerialized form and the Shares shall, subject to receipt of necessary approvals, be listed and traded on the National Stock Exchange of India Limited and the BSE Limited, and shall be subject to the provisions of the Memorandum and Articles of Association of the Company.

The disclosures required pursuant to Regulation 163 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**") and the Companies Act, 2013, are as follows:

a) The objects of the preferential issue:

The object of the issue is to raise funds for funding the capital expenditure requirements of the Company for improving the quality of the products being manufactured by the Company and for the purposes of reducing the cost of production and bringing in process efficiencies in manufacturing the products of the Company.

- b) **Total number of securities to be issued, price or price band at/within which the allotment is proposed, basis on which the price has been arrived at:**

The Company proposes to offer and to issue 46,29,629 (Forty Six Lakh Twenty Nine Thousand Six Hundred and Twenty Nine) equity shares having a face value of INR 10 (Indian Rupees Ten only) per equity share for an aggregate amount of INR 49,99,99,932 (Indian Rupees Forty Nine Crore Ninety Nine Lakh Ninety Nine Thousand Nine Hundred Thirty Two only).

The Shares would be issued at a price of INR 108 (Rupees One Hundred and Eight only) per Share, or such higher price per Share computed on the basis of the minimum price required to be paid for each Share under the ICDR Regulations.

- c) **Relevant date with reference to which the price has been arrived at:**

The relevant date for determination of the price at which the Shares are proposed to be issued in the Issue is August 21, 2019 which is 30 (thirty) days prior to the date of AGM.

- d) **Class or classes of persons to whom the allotment is proposed to be made:**

The issuance and allotment of the Shares in the Issue is proposed to be made to ASC.

- e) **Intent of the promoters, directors or key management personnel of the Company to subscribe to the offer:**

None of the promoters, directors or key management personnel of the Company has any intention to subscribe to the offer. The offer is limited to ASC.

- f) **Shareholding Pattern of the Company before and after the proposed preferential Issue:**

The pre issue and post issue shareholding pattern of the Company is as under:

Shareholder	Pre-Issue		Post-Issue	
	Shares	%	Shares	%
Promoter and Promoter Group	2,37,71,481	66.47	2,37,71,481	58.85
Public (all shareholders excluding Promoter but including mutual funds, FIs, FIIIs, insurance companies, NRIs and Indian public)	1,19,93,392	33.53	1,19,93,392	29.69
ASC	-	-	46,29,629	11.46
Total	3,57,64,873	100.00	4,03,94,502	100.00

- g) **Proposed time within which the preferential Issue shall be completed:**

Pursuant to Regulation 170(1) of the ICDR Regulations, the Shares shall be allotted within a period of 15 (Fifteen) days from the date of approval of the members to the Issue, provided that where the said allotment is pending on account of pendency of any approval for such allotment by any regulatory authority or the Central Government, the allotment shall be completed within a period of 15 (Fifteen) days from the date of the order on such application or the date of approval or permission, as the case may be.

- h) **Identity of the natural persons who are ultimate beneficial owners of the shares proposed to be allotted and/or who ultimately control the proposed allottees, the percentage of post preferential issue capital that may be held by them and change in control, if any, in the issuer consequent to the preferential issue:**

The equity shares of the proposed allottee are listed on the Tokyo Stock Exchange in Japan, and accordingly, in terms of the proviso to Regulation 163(1)(f) of the ICDR Regulations, no further disclosure is necessary.

There will be no change in the management or control of the Company, consequent to the said issuance of Shares.

- i) **Names of the proposed allottees and the percentage of the post preferential issue that may be held by them:**

Name of the proposed allottee	Post preferential issue shareholding
Aichi Steel Corporation	11.46% (eleven point four six per cent.)

- j) **The number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as price:**

Nil

- k) **Justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer:**

Not applicable, as the allotment of the Shares proposed to be made is not for consideration other than cash.

- l) **Undertaking by the Company**

As required under the ICDR Regulations, the Company hereby undertakes that:

- (a) It shall re-compute the price of the Shares in terms of the provision of the ICDR Regulations where it is required to do so; and
- (b) If the amount payable on account of the re-computation of price is not paid within the time stipulated in the ICDR Regulations, the Equity Shares shall continue to be locked-in till the time such amount payable is paid by the allottee(s).

- m) **Lock in**

The Shares will be subject to applicable lock-in and transfer restrictions stipulated under Regulations 167 and 168 of the ICDR Regulations.

The entire pre-preferential allotment shareholding of ASC, if any, shall be locked-in from the relevant date upto a period of 6 months from the date of the trading approval. ASC has not sold its equity shares in the Company during the 6 months preceding the relevant date. The issue of the Shares is in accordance with the provisions of the Memorandum and Articles of Association of the Company.

- n) **Auditor's Certificate**

A copy of the certificate of the statutory auditors of the Company certifying that the Issue is being made in accordance with the requirements of the ICDR Regulations shall be placed before the members of the Company at the AGM and the same shall be open for inspection at the Registered Office of the Company between 10:30 a.m. and 12:30 p.m. on all working days, other than Sunday, up to the date of the AGM.

In terms of Sections 42 and 62(1)(c) of the Companies Act, 2013, the approval of the members by way of a special resolution is required to issue the Shares by way of a preferential allotment on private placement basis. Hence, the Board recommends the Special Resolution as set out at Item No. 6 of the Notice for approval by the Members of the Company. The resolution of the Board in this regard was passed on August 10, 2019.

Memorandum of Interest:

None of the Directors/ Key Managerial personnel of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 6, except to the extent of their respective shareholding in the Company.

Item No. 7 of the Special Business:

The Company has entered into a Share Subscription and Investment Agreement ("SSIA") with ASC dated August 10, 2019. The Articles of Association of the Company are required to be amended to incorporate the relevant provisions of the SSIA.

The Board of Directors at their meeting held on August 10, 2019 gave their approval (subject to the approval of members) to amend the existing Articles of Association of the Company to incorporate the relevant provisions of the SSIA.

In terms of Section 14 of the Companies Act, 2013, the approval of the members by way of a special resolution is required for the alteration of the Articles of Association of the Company. Hence, the Board recommends the Special Resolution as set out at Item No. 7 of the Notice for approval by the Members of the Company.

The Articles of Association of the Company is available for inspection in physical or in electronic form during specified business hours i.e. between 10:30 a.m. to 12:30 p.m. at the Registered Office of the Company and copies thereof shall also be made available for inspection in physical or electronic form at the Registered Office and at the AGM.

Memorandum of Interest:

None of the Directors/ Key Managerial Personnel of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No.7, except to the extent of their respective shareholdings in the Company.

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	Mr. Rajinder Kumar Jain	Mrs. Shubhra Bhattacharya	Mr. Raghav Chandra
Date of Birth	07.02.1939	16.05.1970	31.10.1958
Date of Appointment	15.03.2011	01.02.2019	04.05.2019
Expertise in specific functional area	Mr. Rajinder Kumar Jain is an Engineer and has retired as a General Manager from Indian Railways.	Mrs. Shubhra Bhattacharya has rich experience of more than 25 years in Human Resource.	Mr. Raghav Chandra is a retired IAS officer and has held key positions with Center/ State Govt. at various levels.
Qualification	Chartered Mechanical Engineer, The Institute of Mechanical Engineers, London	B.A. (Maths) Hons, MBA (HR)	B.Sc. (Hons), M.Sc. (Mathematics), Masters in Public Administration
Directorships in Other Listed Companies as on 31st March, 2019	Nil	Nil	Nil
Chairperson/Member of Committees of Other Listed Companies as on 31st March, 2019	Nil	Nil	Nil
No. of Shares held	52,197	Nil	Nil
Relationship with other Director(s)	Mr. Sachit Jain is the son and Mrs. Suchita Jain is the daughter-in-law of Mr. Rajinder Kumar Jain.	Not related to any Director.	Not related to any Director.

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. Mr. Rajeev Gupta – Chairman
2. Mr. B.K. Choudhary
3. Mr. Raghav Chandra
4. Mr. Rajinder Kumar Jain
5. Mr. Rakesh Jain
6. Mr. Sanjeev Pahwa
7. Mr. Sanjoy Bhattacharyya
8. Mrs. Shubhra Bhattacharya
9. Mrs. Suchita Jain
10. Mr. Sachit Jain – Vice-Chairman & Managing Director

CHIEF FINANCIAL OFFICER

Mr. Sanjeev Singla

COMPANY SECRETARY

Ms. Sonam Taneja

STATUTORY AUDITORS

M/s BSR & Co. LLP,
Chartered Accountants, Chandigarh.

WORKS

Vardhman Special Steels Limited Unit-I,
C-58, Phase-III, Focal Point,
Ludhiana- 141010

BANKERS

State Bank of India
HDFC Bank Limited
Axis Bank Limited
Yes Bank Limited
ICICI 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 – 600062.
- C/O MPI Export Pvt Ltd, B-26, MIDC Chakan, Pune – 410 501.
- Gala #908A, Gat #71 B/s, Goodyear Tyre, Group Grampanchayat – Ghanegaon, Vitava Naryangaon (Khurad) – Aurangabad-410504



Vardhman

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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****9TH ANNUAL GENERAL MEETING****2019**

I/We hereby record my/ our presence at the 9th Annual General Meeting of Vardhman Special Steels Limited held at the Registered Office of the Company situated at Chandigarh Road, Ludhiana-141 010 on Friday, the 20th day of September, 2019 at 10.00 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 2018-19 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 2018-19 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.
190820063		

NOTE: Please read instructions given at Point No. 12 of the Notice of 9th Annual General Meeting annexed in the Annual Report for 2018-19 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 9th Annual General Meeting of the Company, to be held on Friday, the 20th September, 2019 at 10:00 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 Mr. Rajinder Kumar Jain as a director liable to retire by rotation.
Special Business	
3.	To appoint Mrs. Shubhra Bhattacharya as an Independent Director of the Company.
4.	To appoint Mr. Raghav Chandra as an Independent Director of the Company.
5.	To ratify remuneration payable to Cost Auditors for the financial year ending 31 st March, 2020.
6.	To issue and allot Equity Shares.
7.	To amend Articles of Association of Company.

Sign this day of 2019.

Signature of shareholder Signature of Proxy holder(s)

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.

Affix Revenue
Stamp not
less than
Rs. 0.15

