Vardhmān
Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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Ref/VSSL:SCY:SEPT:2017-18 **Dated: 23-Sept-2017**

The Deputy General Manager, Corporate Relationship Deptt, Bombay Stock Exchange Limited, 1st Floor, New Trading Ring, Rotunda Building, P.J Towers, Dalal Street,Fort, **MUMBAI-400001.** **Scrip Code: 534392**	The National Stock Exchange of India Ltd, "Exchange Plaza, Bandra-Kurla Complex, Bandra (East), **MUMBAI-400 051** **Scrip Code: VSSL**

SUB: SUBMISSION OF ANNUAL REPORT FOR FINANCIAL YEAR 2016-17

Dear Sir,

Pursuant to the provisions of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Annual report of the Company for the Financial Year 2016-17.

Thanking you,

Yours faithfully,
For VARDHMAN SPECIAL STEELS LIMITED

(SONAM TANEJA)
Company Secretary

HEADS & HEARTS

Vardhman

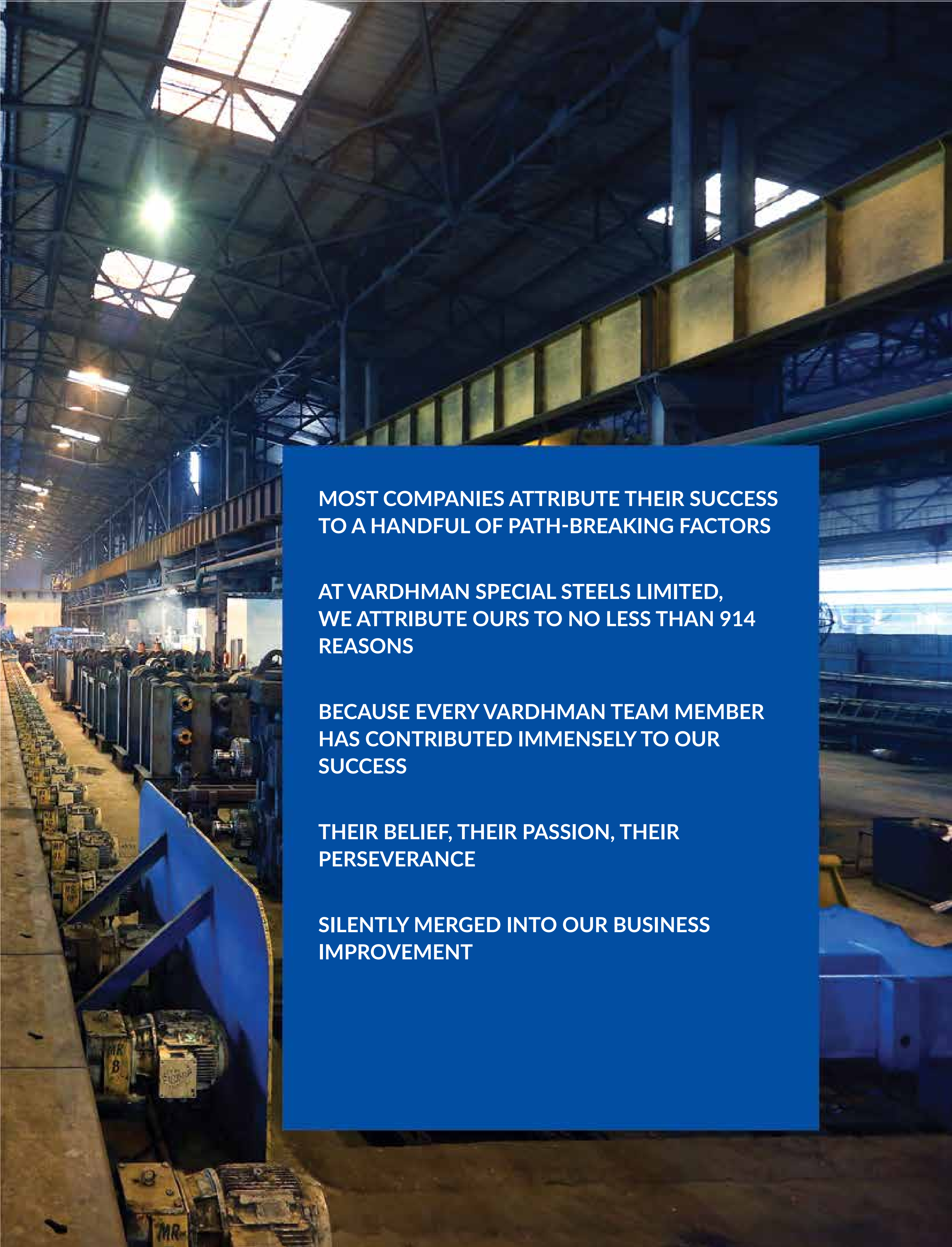
Delivering Excellence. Since 1965.

REASONS

VARDHMAN SPECIAL STEELS LIMITED

ANNUAL REPORT 2016-17

Contents



MOST COMPANIES ATTRIBUTE THEIR SUCCESS TO A HANDFUL OF PATH-BREAKING FACTORS

AT VARDHMAN SPECIAL STEELS LIMITED, WE ATTRIBUTE OURS TO NO LESS THAN 914 REASONS

BECAUSE EVERY VARDHMAN TEAM MEMBER HAS CONTRIBUTED IMMENSELY TO OUR SUCCESS

THEIR BELIEF, THEIR PASSION, THEIR PERSEVERANCE

SILENTLY MERGED INTO OUR BUSINESS IMPROVEMENT

At Vardhman,

We did not make any path-breaking innovations
We just asked our team to dream

We believed in their dreams
We invested in their dreams

We asked them to do different things
We directed them to do things differently

We supported their efforts
We applauded their progress

We celebrated their failures
We pushed them to learn and improve

AND WITH THAT...

WE EMBARKED ON THE JOURNEY OF MEMORABLE GROWTH THAT HAD ELUDED OUR COMPANY IN THE FIRST DECADE OF THE TWENTY FIRST CENTURY.

STEELY RESOLVE

Our steel melting team determined to raise their efficiency bar.
We only supported their resolve.

While they painstakingly analysed every operational and maintenance process, worked on improvement and institutionalised the improved discipline, we complemented their efforts by investing in new technology, superior machines, adequate redundancies and small automation.

AND THE RESULTS WERE QUITE INTERESTING!

OUR PRODUCTIVITY IMPROVED	**10** Average no. of heats per day (2011-12)	▶	**15** Average no. of heats per day (2016-17)
OUR CYCLE TIME BETWEEN BATCHES REDUCED	**109** Gross tap-to-tap time (minutes in 2011-12)	▶	**95** Gross tap-to-tap time (minutes in 2016-17)
OUR HEAT SEQUENCING IMPROVED	**11%** Sequencing percentage (2011-12)	▶	**68%** Sequencing percentage (2016-17)
OUR STEEL PRODUCTION JUMPED (BILLETS)	**99,893 MT** Steel production (2011-12)	▶	**1,35,884 MT** Steel production (2016-17)

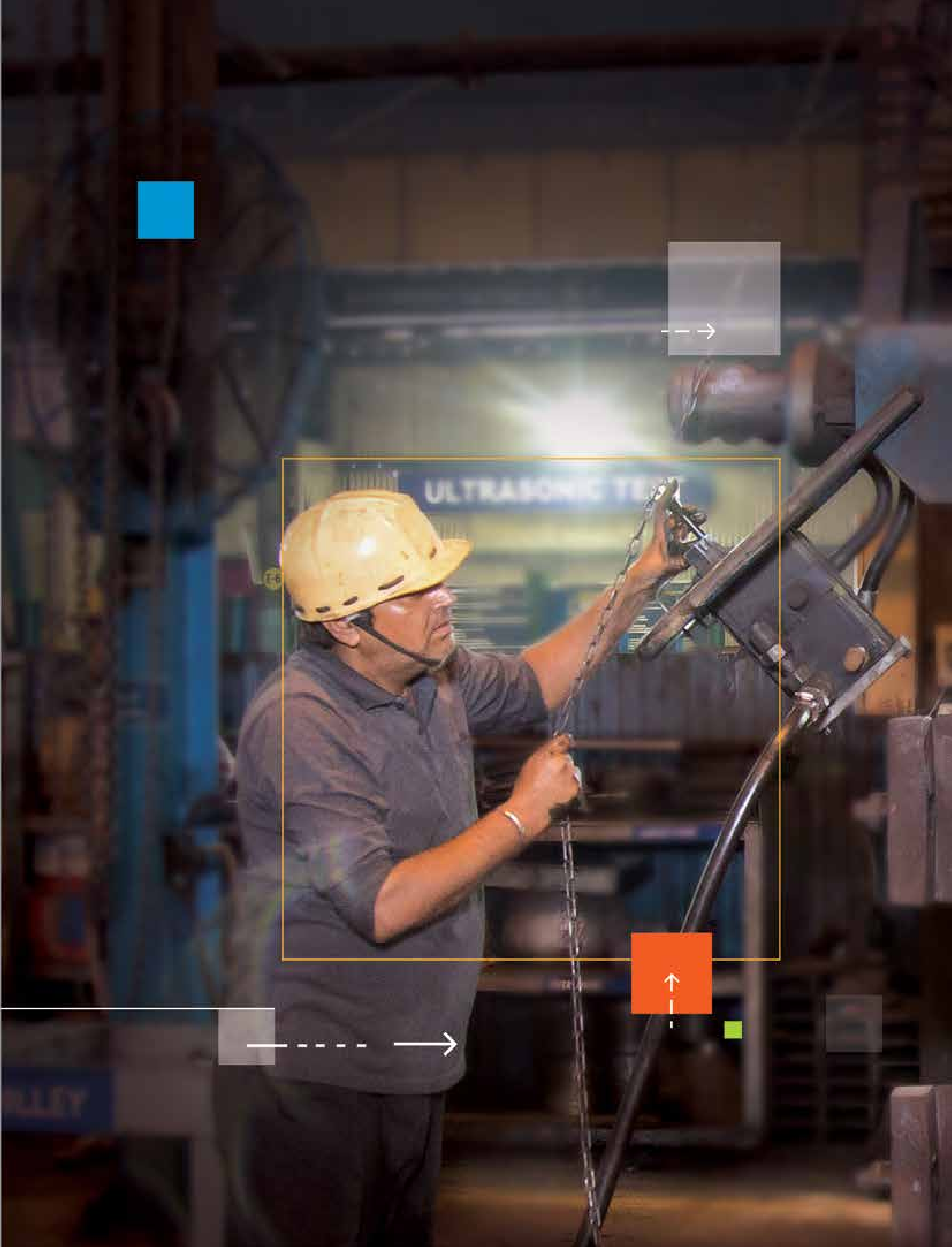
ON A ROLL

Our rolling mill team resolved to widen the opportunity matrix
We only facilitated their efforts.

While we invested in a new rolling mill sourced from the leading rolling mill supplier of the world, our team worked fervently on making the best even better.

AND, OUR WORLD HAS TRANSFORMED EVER SINCE!

WE WIDENED OUR PRODUCT RANGE	**25-70 mm** Sizes of rolled products (2011-12)	**16-125 mm** Sizes of rolled products (2016-17)
WE IMPROVED ON THE LABEL CAPACITY	**70,000 TPA** Rolling mill capacity (2011-12)	**1,80,000 TPA** Rolling mill capacity (2016-17)
OUR WASTAGES DECLINED	**0.35%** Miss roll - operational (2011-12)	**0.16%** Miss roll - operational (2016-17)
OUR OWN STEEL PRODUCTION JUMPED (ROLLED)	**67,298 MT** Steel production (2011-12)	**1,35,199 MT** Steel production (2016-17)


ULTRASONIC

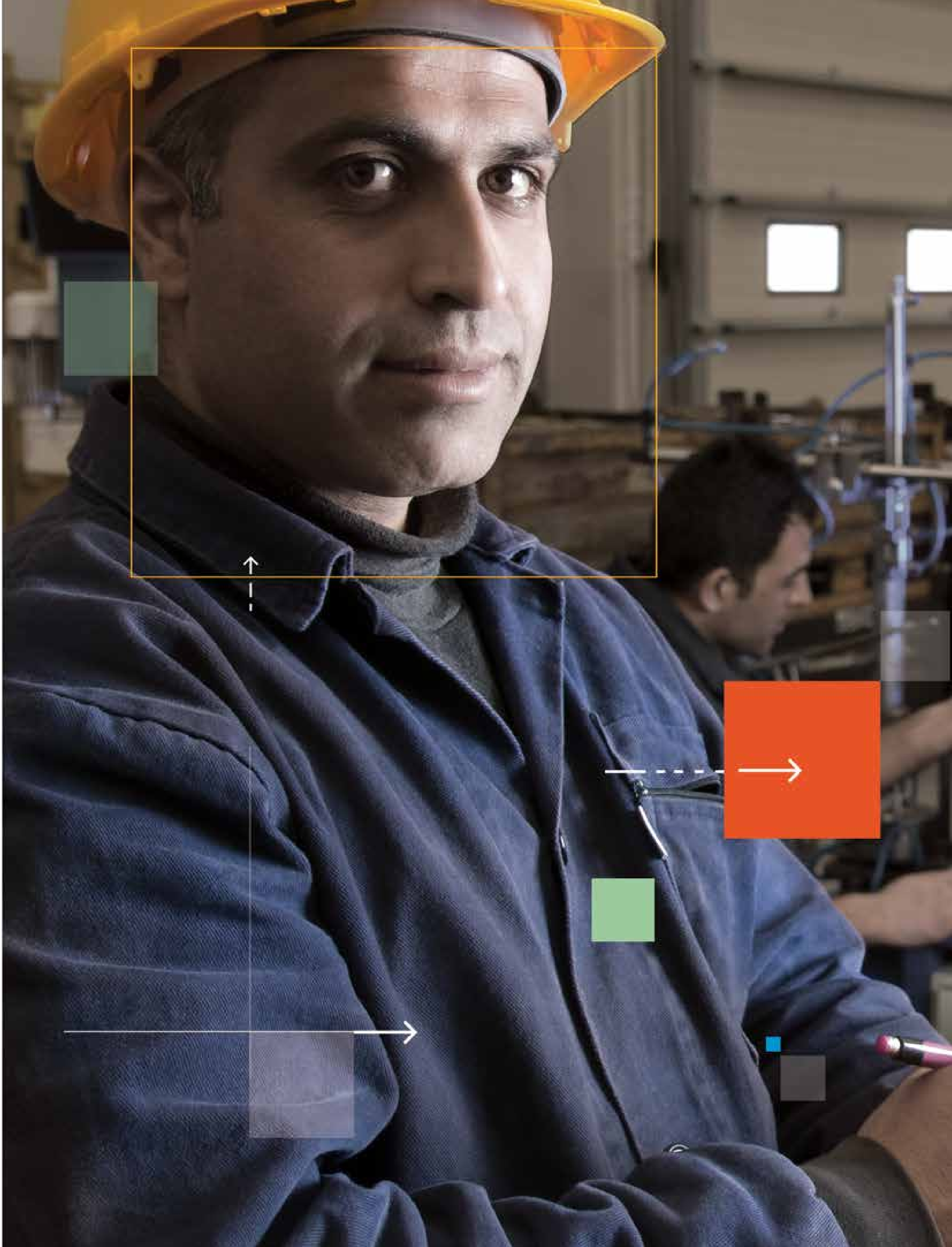
REACHING OUT

Our marketing team determined that the efforts of their in-plant colleagues be adequately rewarded. We encouraged their out-reach adventures.

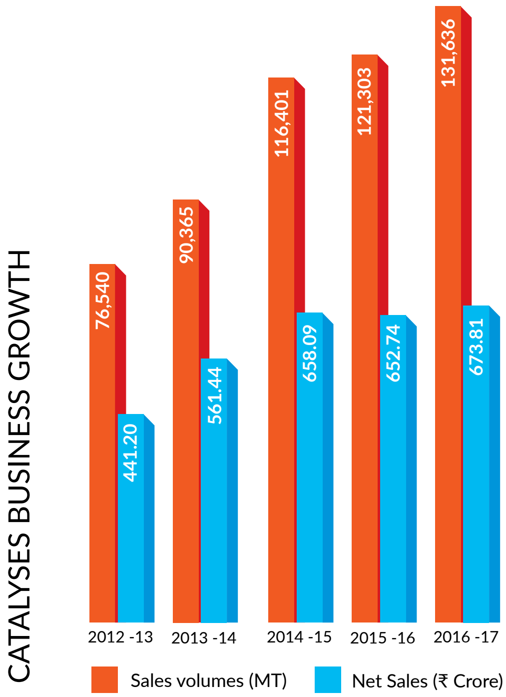
While our team unearthed business development opportunities from new and existing customers, we assisted them with our contacts and clout to strike the deal.

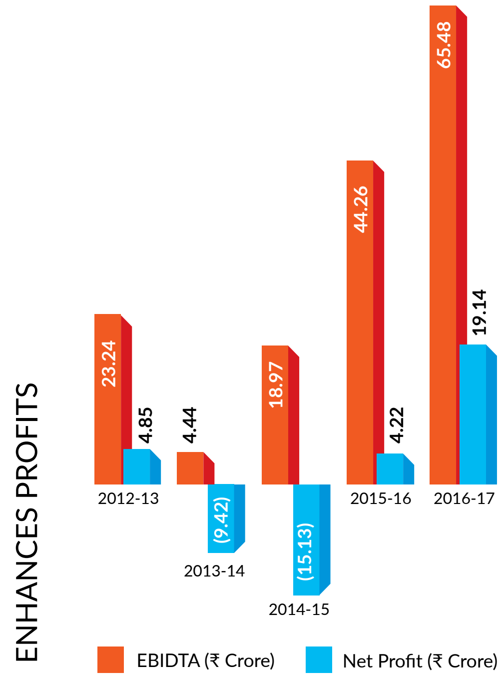
THE NUMBERS SHOWCASE OUR SUCCESS!

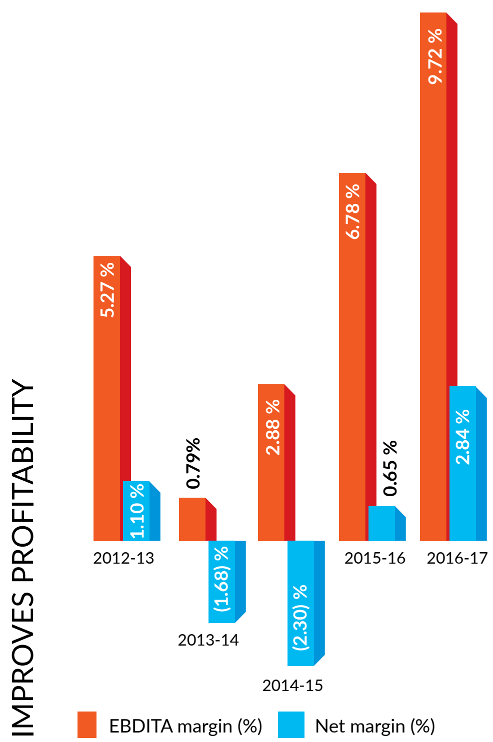
OUR DOMESTIC REACH WIDENED	**12** OEM's in India (2011-12)	**18** OEM's in India (2016-17)
OUR GLOBAL PRESENCE EXPANDED	**2** Global customers (2011-12)	**7** Global customers (2016-17)
SALES VOLUMES INCREASED	**93,169** MT Sales volumes (2011-12)	**1,31,636** MT Sales volumes (2016-17)
OUR CUSTOMER'S CONFIDENCE STRENGTHENED	**14** Customers (Tier 1's & Tier 2's) giving us more than 60% of their business (2011-12)	**21** Customers (Tier 1's & Tier 2's) giving us more than 60% of their business (2016-17)

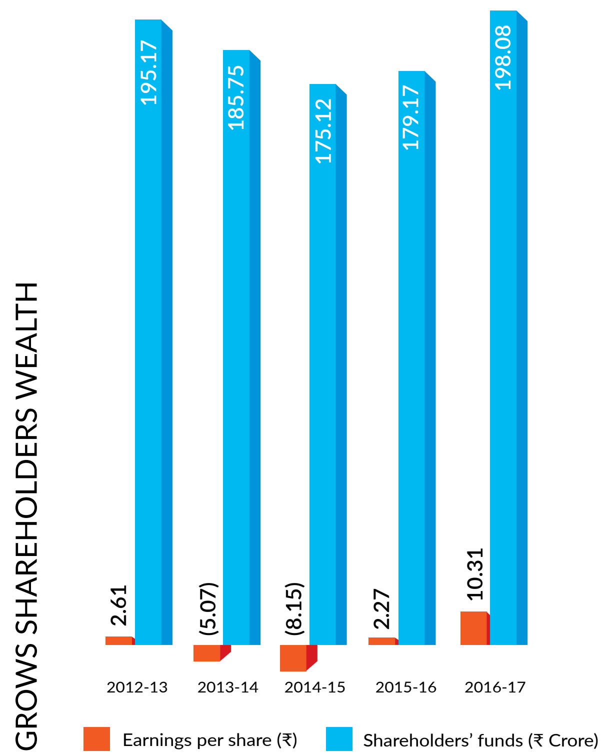


BELIEF IN YOUR PEOPLE.
IT MAKES A WORLD OF DIFFERENCE









OUR TEAM WAS THE REASON FOR SUCH A SATISFYING GROWTH

OUR TEAM HAS BEEN THE REASON FOR TAKING US TO A HIGHER ORBIT

AND OUR TEAM WILL ALWAYS BE THE REASON BEHIND THE NEVER CEASING PURSUIT OF OUR (AND THEIR) BIGGEST DREAMS!

ABOUT THE CORPORATE

VARDHMAN SPECIAL STEELS LIMITED: ONE OF INDIA'S LEADING STEEL BAR PRODUCERS FOR AUTOMOTIVE APPLICATIONS

Incorporated in May 2010 as a Public Limited Company, Vardhman Special Steels Limited was vested with the steel business undertaking of the parent company Vardhman Textiles Limited in 2011, pursuant to a Scheme of Arrangement & Demerger.

Headquartered in Ludhiana, Punjab, we are one of India's leading producers of special steels and cater to diverse requirements of the Engineering, Automotive, Tractor, Bearing and Allied Industries. We also satiate the steel requirements of discerning customers for forging applications in international markets of Thailand, Taiwan, Turkey, Russia and Spain.

Our manufacturing facility incorporates cutting-edge manufacturing technology, ensuring the highest levels of quality and compliance. Our product basket comprises billets, steel bars and rods and bright bars of various categories of special and alloy steels.

Leveraging state-of-the-art manufacturing facilities and vast experience in the domain, we have an extensive client list which includes globally renowned corporations such as Toyota, Hero Moto Corp, Caterpillar, Hino Motors, Maruti, Bajaj and Hyundai, among others.

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

We enjoy access to many warehouses across India which facilitates just-in-time delivery to our customers.

MISSION

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

CORE IDEOLOGY

- Absolute market orientation for a quick and positive response to customer needs
- Uncompromising commitment to flexible, professional and personalised services
- Delivery up 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

74.97%
Promoters holding,
March 31, 2017

0.41%
Institutional holding,
March 31, 2017

271.19
Market capitalisation,
March 31, 2017 (₹ crore)

586.23
Enterprise value,
March 31, 2017 (₹ crore)

BILLETS
1,60,000 MTPA
ROLLED BARS
1,80,000 MTPA
Manufacturing capacity,
March 31, 2017

200+
Number of clients,
March 31, 2017

914
Team size,
March 31, 2017

673.81
Net Sales, 2016-17
(₹ crore)

COMPETITIVE ADVANTAGE

OUR EDGE OVER PEERS...

Business space: The Company has prudently cherry-picked uncluttered pockets within the special steels universe – critical steels for automobiles – where it enjoys the position of an important/only supplier.

Experience: The Company has been in the special steels space for more than 4 decades; this provides the leadership team with significant experience to proactively understand sectoral trends and draw business strategies aligned to the emerging opportunities in India.

Focus: The Company has focused singularly on serving needs of the automotive sector. This focus has enabled it to fine tune its operating systems and processes with the increasingly stringent standards of this ever evolving user sector. The experience has enabled it to seamlessly cater to the requirements of special steels to its customers.

Technology: The Company follows the single route (EAF route) which eliminates the chance of any mix up of steel produced from alternate routes installed within the same premises – which infuses confidence in customers.

Equipment: The Company has sourced its manufacturing, R&D and quality control equipment from the best in the business across the globe. This intelligent investment has facilitated in matching the ever tightening tolerance standards of global OEMs across user sectors. In addition, the Company has selected to invest in equipment with a relatively small heat size (30 MT) as it provides it with the flexibility to meet urgent client demands.

Product range: The Company has invested in a full-fledged R&D unit managed by a team of 54 experts capable of developing a wide variety of steel grades specified by its automotive customer. This capability has expanded its client list and strengthened relations with key clients.

Quality: The Company's unwavering commitment to match customer specifications resulted in investment in sophisticated equipment, absorbing cutting-edge technology and aligning systems and processes with the global standards (JIS, SAE, DIN, IS) leading to the certification of its infrastructure and processes to global benchmarks.

Deliveries: The Company's access to warehousing facilities pan-India and its production planning discipline has enabled it to serve pan-India manufacturing facilities of global automotive OEMs operating in India, from a single manufacturing facility in Ludhiana (North India). Besides, its strong team of experienced metallurgists for after sales service has strengthened the Company's bond with its customers.

Brand: The Company enjoys strong support of the Vardhman brand.

...which has yielded good returns!

AN ENVIABLE CLIENT LIST

CARS

TOYOTA
HYUNDAI
MARUTI SUZUKI
RENAULT
NISSAN
FORD

TWO WHEELERS

YAMAHA
HERO MOTOCORP
TVS
BAJAJ AUTO
HONDA

HCV / LCV

TATA
DAIMLER
ASHOK LEYLAND
SWARAJ MAZDA
VOLVO

AUTO COMPONENTS

OERLIKON GRAZIANO
MERITOR
MAGNA
GKN
AMERICAN AXLE

TRACTOR

JOHN DEERE
TAFE
MAHINDRA
SONALIKA
NEW HOLLAND

AUTOMOTIVE / OFF HIGHWAY

CATERPILLAR
DANA
JCB

AND HEALTHY BUSINESS GROWTH

11.17% Revenue growth (4-year CAGR)	40.97% Net profit growth (4-year CAGR)
29.56% EBIDTA growth (4-year CAGR)	0.37% Shareholders fund growth (4-year CAGR)

FROM VICE CHAIRMAN'S DESK

"The adventure I promised you in my previous letter has just begun. So tighten your seatbelts and enjoy riding with us."

Dear Shareholders,

It is my pleasure to communicate with you again. The last two years I have been talking about different 5 year anniversaries. In FY 14-15, I talked about my 5 years of association with Vardhman Special Steels Limited (VSSL), in FY 15-16 it was about 5 years as Managing Director and in FY 16-17, I was looking forward to yet another such 5 year, anniversary and luckily, it is the 5 year anniversary of our listing! We got listed in May, 2012 at a share price of ₹30/- and today after 5 years, we are at a share price of over ₹100/-, post an attractively priced Rights Issue. Accompanying this has been an enhanced liquidity on a healthy trading volume in the shares which allows investors to enter and exit the Company when they choose. The last year has been an eventful one and I would like to dwell on all the significant events that happened.

CAPACITY ENHANCEMENT

The planned upgradation happened on schedule and from December onwards we have had an increased annual capacity of 1,60,000 tonnes of melting. This project, though not too heavy in terms of capital expenditure, was nevertheless very challenging and I must compliment our Operations Team for successfully implementing all the changes. We have now created a base as well, where with only marginal investment we can enhance the capacity to about 1,80,000 tonnes. However, with each capacity expansion new bottlenecks emerge, as Eliyahu Goldratt of 'The Goal' fame had predicted. Land and storage space has become a constraint and we are now in the process of purchasing some more land nearby to shift our storage of finished goods there and make some more space in the plant to carry out inspection of quality. We are also looking to strengthen our R&D capabilities with a PhD already joined and a couple of M.Techs' as a part of us. This is imperative to further inculcate research mindedness in the Company.

MANAGEMENT CHANGES

Most of the Senior Management changes that we made last year are settling down. As competent as a new senior level hire may be, it takes time for both the person and the Company to find a balance or fit with each other. This is especially true for companies with an established culture such as VSSL. Also, I have moved up to the designation of Vice-Chairman and Managing Director, which signifies my greater focus on the steel company. Further, to incentivise management, for the first time, the Company has issued stock options to the senior management, as was approved by the shareholders. This will align their long term wealth creation to sustained good performance. Even my proposed commission, which will soon be on its way for your approval, is structured in a way that I get rewarded when the Return on Average Net Worth exceeds 15%.

CAPITAL STRUCTURE

It had been on our mind that the debt equity of our Company was very high. At its peak, it had touched 2:1 and Debt to EBITDA ratio had touched a mindboggling 17:1. This was clearly a dangerous territory and we needed to take corrective action. As our performance improved, our Debt-Equity came off from its highs to 1.6:1 and this has been further pared down to below 1:1, with the infusion of capital via a successful Rights Issue. Further, in this Rights Issue, we reserved shares for all our employees too. I am happy to report that almost all our employees in the staff and above categories participated in the Issue. However, I was disappointed that participation at the worker level was much lower than anticipated. My purpose was to make each employee a part owner of the Company and I personally met with several groups of workers, trying to convince them to invest but unfortunately the fear of the unknown proved too much for them and many did not invest. Today, the employees including workers who participated in the Issue are very happy. Further, even as regards to promoter shareholding, a part of that is being transferred in my name, again showing a greater focus from me in the Company.

INTERNATIONAL ALLIANCES

Over the years there have been a few international alliances between Indian alloy steel manufacturers and primarily Japanese steel makers like; Sunflag with Diado, Usha Martin with Aichi and Mahindra Steel with Sanyo. Recently in March, there was an announcement of a Joint Venture between Mukand and Sumitomo. This announcement has taken everyone by surprise and will lead to some more companies looking at such collaborations. We have already made it clear that we have been searching for a partner. This search continues but with a slight change. We are now open to a partner taking a minority stake in Vardhman Special Steels Limited. This is a new stance and over the next few months there could be a possibility of some interesting conversations. This area continues to be of high focus on my part.

TPM

There have been attempts in the past to implement TPM in the plant but we have never been able to give it the kind of attention it required because of our team's pre-occupation with continuous project work and growth. Now that the major work on projects is over, we can focus on TPM. We have hired a widely acclaimed consultant to help us in our journey and over the next 2-3 years we hope to make decent progress in this area too. This will lead to improvement all along the production line, quality will improve, costs will reduce, delivery (service) will improve and so will safety and morale.

GOVERNMENT INCENTIVE

This has been yet another long pending item - to get incentives for the rolling mill project which was commissioned in Jan'14. We have now completed all the formalities except one which is verification of fixed capital investment. The government is in the process of approving such parties who will be authorised to verify such investments and once that is done, the path to our incentive should be clear. Further, we had been debating with the government to rectify a flaw in the policy by which new units were being given a higher rate of incentive than expansion units. We had argued that the rate of incentive should be the same if capped by total investment. The government is now examining this issue. Also, the government in their recently held cabinet meeting has announced that power will be available to all industry at ₹5.00 per unit. This will be a huge incentive from when it gets implemented and should be a big positive for VSSL. As things stand, this should get implemented by second half of this year.

OUTLOOK FOR 17-18

I would say the outlook for FY 17-18 looks positive though the first two quarters may not be too great as raw material prices have increased coupled with a humongous increase in electrode prices globally, while the finished goods prices have not moved commensurately. Discussions with OEMs are on and we expect resolution in due course. We may have a tepid H1 but then onwards we should be fine with the price increase as well as the lower power tariff of ₹5.00 being implemented, as per our belief, in a few months time.

DIVIDEND

Now that the Company has come into the profit zone, another debate is likely to start in the Board- when to start paying out Dividend. I believe, we should conserve capital for growth purpose right now and distribution of profit to shareholders should come later, but this is something that will take its own course.

CROSS ROADS

At present we find ourselves at crossroads. It is visible to us that the incremental production that we can take out from this plant is a maximum of 20% more. However, our marketing team has been able to procure orders more than what we can serve. Further, our existing customers too are growing and looking for more capacity from us. Upto now, my work was easy – upgrade the plant, debottleneck, get more approvals, get more orders, produce and sell more with an unwavering focus on quality and cost while doing so. Now comes the difficult part, with several options in front of us and having to choose one or more of the following:

- Start a trading operation for some of our non critical customers by outsourcing manufacturing either partly or fully
- Set up a new green field alloy steel plant
- Acquire one of the weak or closed steel plants and turn it around
- Merge with an existing strong player to create an even stronger steel company
- Stay where we are and keep harvesting the business by cutting less profitable or unprofitable customers and do margin maximisation
- Focus further on downstream value-added steels

Which one of the above options we adopt, will be a matter of discussion and debate at the Board level and will have profound impact on the fortunes of the Company. Each of these options comes with its own peculiar risks and rewards. A strong balance sheet and a strong promoter holding provides us with significant flexibility which is not available to many companies. Dear shareholders, you can be rest assured that the adventure I promised you in my previous letter has just begun. So please tighten your seat belts and enjoy riding with us!

Warm regards

Sachit Jain
A fellow shareholder


NPUT BED

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

Global economy: Global growth slowed to 3.1% in 2016 against 3.4% in 2015. This stable average growth rate, however, masks divergent developments in different country groups. There has been a stronger-than-expected pickup in growth in advanced economies, primarily owing to reduced inventories and marginal recovery in manufacturing output. But this uptick was partially negated by an unexpected slowdown in some emerging market economies, mostly reflecting distinctive factors. (Source: IMF)

Among advanced economies, activity rebounded strongly in the United States. Further, a return to growth in France and robust expansion in Germany helped the Eurozone shrug off the UK's vote to quit the EU. The scenario for emerging market and developing economies (EMDEs) remained diverse. Growth in China was stronger than expected, supported by policy stimulus. But activity was weaker than expected, in certain Latin American countries.

Outlook: Economic activity in both advanced economies and EMDEs is expected to accelerate in 2017 and 2018, with global growth projected to be 3.5% and 3.6% respectively. The geopolitical situation in the Middle East and East Asia coupled with China's National Development and Reform Commission (NDRC) policies may impact production of coal and steel in China and consequently will have an impact upon global energy and metal prices namely crude oil, coal and steel.


WASH ROOM

INDIAN ECONOMY

The Indian economy has been growing at an accelerated pace since 2014, supported by favourable government reforms and stringent fiscal regime that reigned in inflation.

India sustained its 7%-plus GDP growth momentum registered over the last three years, as the nation's GDP grew by 7.1% in 2016-17 against a 7.9% growth recorded in 2015-16. This decline was largely owing to certain short-term policy initiated disruptions.

The industrial sector growth remained lacklustre with the Index of Industrial Production (IIP), registering a growth of 5% during 2016-17 against ~ 8% in 2015-16.

The downfall of global oil prices that began in late 2014, boosted economic activity in India and improved the external current account and fiscal positions and helped lower inflation.

Challenges: A key concern for the country is the health of the banking system, which continues to battle with the rising bad loans and heightened corporate vulnerabilities in certain key sectors of the economy. Besides, the prospect of firming up of crude oil prices could result in an increase in trade and current account deficits.

Outlook: India's economic growth is expected to improve in 2017-18.
This optimism is based on the following assumptions:

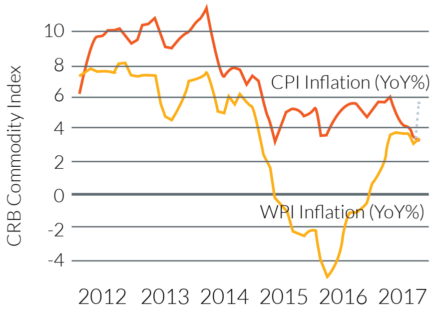
- The adoption of the Goods and Service Tax (GST) promises to create a single national market, which will enhance the efficiency of movement of goods and services. This critical fiscal policy could make an important contribution to raise India's medium-term GDP growth momentum (Source: IMF).
- The Union Budget 2017-18, puts an unprecedented thrust on infrastructure development which will have a multi-sector cascading impact. This initiative promises to make an important contribution to India's economic resurgence.

BENIGN OIL AND COMMODITY PRICES HAVE HELPED IMPROVE INDIAN PUBLIC FINANCES AND REDUCE SOME OF ITS EXTERNAL VULNERABILITIES.

Benign Commodity Index

Source: Bloomberg

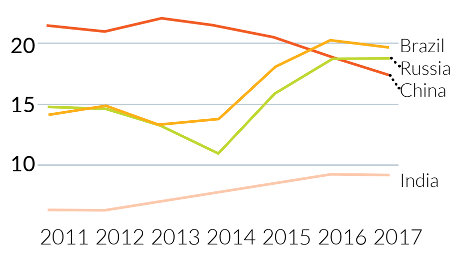
... Have helped tame inflation



Source: CMIE, MOSPI

... And have helped India tide over her external vulnerabilities

The lines depict the import Cover (IC) ratio of each country



Import Cover refers to the months of imports a country's forex reserves can finance when faced with a sudden shock that wipes out all sources of external financing. Source: IMF

THE STEEL SECTOR
PERFORMANCE AND PROSPECTS

Global steel: According to the World Steel Association, the amount of crude steel produced worldwide increased by 0.8% to 1.63 billion tonnes last year. China, India, Turkey and Ukraine were the only four countries among the top 10 steel-producing nations to witness growth in steel production in CY 2016. During the year, China recorded a 1.2% y-o-y increase in production, as the world's largest producer reversed the decline, it witnessed in Jan-Feb 2016.

The global steel consumption grew by just 1% on a y-o-y basis to 1.52 billion tonnes in CY 2016. This transpired mainly due to an improving apparent consumption in China, where the Government's mini stimulus measures drove buoyancy in infrastructure investment and the housing market. However, the statistic remained depressed in CIS, Middle East, Africa and America.

China's steel exports fell in 2016 from a record in 2015. This was due to improved domestic demand and Beijing's resolve to tackle overcapacity - a relief for steelmakers across the globe who have been hit by cheap Chinese shipments.

Outlook: According to the World Steel Association's forecasts, the global apparent consumption of finished steel is expected to grow by 20.2 million tonnes i.e. 1.3% to 1.54 billion tonnes in CY 2017. The apparent consumption in China is expected to remain flat at 681 million tonnes. The steel consumption in Emerging and Developing economies (ex-China) is expected to increase by 4% to 452.7 million tonnes. As for the developed economies, consumption is expected to grow by 0.7% to 401.5 million tonnes.

Indian steel: India is the world's third-largest producer of crude steel, up from eighth in 2003 - the growth being driven by domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output, contributing about 2% to the nation's GDP.

ADVANTAGE INDIA

ROBUST DEMAND

- Demand would be supported by growth in the domestic market.
- Infrastructure, oil & gas and automotive sectors would drive the growth of the industry.
- Lower per capita consumption compared to the international average which showcases headroom for probable growth.

INCREASING INVESTMENTS

- To achieve steel capacity build-up of 300 MT by 2025, India would need to invest US$210 billion over the next decade.
- 301 MoUs have been signed with various states for planned capacity of about 486.7 MT.
- Ministry of Steel plans to set up Steel Research and Technology Mission in India to promote R&D activities in the sector.

COMPETITIVE ADVANTAGE

- India is the world's third-largest producer of crude steel (up from eighth in 2003).
- Easy availability of low-cost manpower and presence of abundant iron ore reserves make India competitive in the global landscape.

POLICY SUPPORT

- 100% FDI in steel through the automatic route is allowed.
- Large infrastructure projects in the PPP mode are being formed.
- National Steel Policy (NSP) implemented to encourage the industry to reach global benchmarks.
- Policy clarity and stability expected in respect of mining leases and forest clearances.
- 20% safeguard duty on steel imports.

Performance: During the year, India's steel sector was impacted by intense pressure, with a surge in domestic steel production and elevated steel imports at predatory pricing. India imposed 'Minimum Import Price' (MIP) in February 2016 on various iron and steel products, after seeing that the provisional safeguard duty of hot rolled sheet failed to have a desirable impact on unbridled and unfair flow of steel imports into the country. This recent imposition reduced imports considerably during the period under review. India emerged as a net exporter in 2016-17 after a three year gap.

IN A NUTSHELL

Production of crude steel 97.443 MT ▶ a growth of 8.5% over the previous year	Steel exports 8.245 MT ▶ a growth of 102%
Consumption of finished steel 83.652 MT ▶ an increase of 2.6% over 2015-16	Import of finished steel declined significantly to 7.227 MT ▶ down by 38%

Estimates for 2017-18: With several budgetary allocations boosting infrastructure, the demand of steel and steel products is expected to rise. According to the World Steel Association, India will contribute 5.1 million tonnes out of the forecasted growth of around 20 million tonnes in global steel demand during the CY 2017. In the short and medium term, the steel industry is set to grow at a 6-6.5% CAGR, according to CRISIL.

The recent ruling that domestic steel will be given preference in Government projects as part of the Make in India programme, provides a shot in the arm for the Indian Steel Industry.

Indian alloy steel: The demand of alloy steel depends upon the size and growth of the auto-component and automotive sector. In keeping with this reality, it would be relevant to discuss the road ahead for the Indian automobile sector.

The Indian auto industry is the third largest automobile sector in the world. The industry accounts for 7.1% of the country's Gross Domestic Product (GDP). Increasing disposable income of the average Indian, fuelling aspiration and easy access to finance is expected to accelerate the demand for automobiles, significantly over the coming years.

Passenger vehicle production to nearly triple from 3.4 mn in FY16 to 10 mn in FY20E; 2020, India's share in the global passenger vehicle market to touch 8% by 2020 from 2.40% in 2015.

Two wheeler production to rise from 18.8 mn in FY16 to 34 mn by FY20E

The Indian automotive aftermarket is estimated to grow at around 10-15% p.a., to reach US$ 16.5 billion by 2021 from around US$7 billion in 2016.

(Source: IBEF)

The auto component industry is one of the most dynamic sectors in Indian manufacturing. In sync with the automobile industry, it is undergoing stages of evolution, revolution and disruption imposed by user innovation and a dynamic regulatory mechanism across the globe. This transformation is also growing the preference towards environment-friendly products. Accordingly, the alloy steel making necessarily needs to comply with these stringent environment norms to remain in business.

Alloy and carbon steel for automotive forging application has a production capacity of approximately 4.0 mn tonnes, with demand as high as 4.5 mn tonnes. The demand is further expected to go upto 7 mn tonnes by 2020. Steel producers have lined up new production facilities upto 3 mn tonnes per annum, to bridge this demand v/s production gap by 2020.

Global opportunities: The automobile industry is witnessing robust growth in emerging and saturated markets. For example, estimates suggest that the light vehicle sales could increase from 90 mn in 2016 to 92 mn in 2017 growing by 2.2% and to the 100 mn mark by 2022. This trend is expected to prevail for other segments in the automobile industry – providing significant growth opportunities for the alloy steel sector.

BUSINESS PERFORMANCE

"WE ARE LOOKING FORWARD TO EXCITING TIMES OVER THE COMING YEARS."

A REFLECTION ON THE COMPANY'S OPERATIONAL PERFORMANCE BY THE MANAGEMENT

Was the team happy with the operational performance of the Company?

It was a good all round performance. Even as production and sales volumes scaled new heights, efficiencies improved and wastages declined – which essentially forms the bedrock of an improved performance on a sustainable basis. Hence, while net sales grew by 3.23% from ₹652.74 crore in 2015-16 to ₹673.81 crore in 2016-17, net profit leapfrogged by 353.85% from ₹4.22 crore in 2015-16 to ₹19.14 crore in 2016-17.

This is interesting...

Production volumes increased, for we successfully debottlenecked capacities, replaced conventional equipment with contemporary variants and improved upon our shopfloor systems and processes. As we improved our productivity benchmarks, we also sustained our quality standards – our critical business USP for years.

How did you sell the additional volumes?

Selling has never been a problem- for our product quality, has always been respected and appreciated by our customers. As a result, as production volumes increased we were able to increase our wallet share with our key domestic customers, in the passenger car and two-wheeler segments. Besides, our export volumes also grew significantly.

What happened on the export front?

We achieved our highest export earnings in 2016-17. And this was largely due to our relationship with a Thailand-based company which overtime has provided interesting export opportunities. We ensured that the team faithfully matched the product quality and delivery timelines of our international customers. This year we received product approvals from two leading, quality-conscious, globally-respected European automobile OEMs – an important watermark on our globally-aligned business strategies and practices.

How did the team manage to improve business profitability significantly?

Four factors played an important role in improving business profitability – from an operational perspective.

- One - fuel cost dipped consequent to a favourable change in power sourcing regulation.
- Two - increased production and operational efficiencies optimised conversion costs.
- Three - raw material prices declined.
- Four - realisation improved owing to increased demand from the automobile sector.

These factors helped in improving business profitability.

What are the priorities for the current year?

We have a three-point agenda for 2017-18.

- One - increase capacity through line-balancing and small de-bottlenecking initiatives.
- Two - increase the capacity utilisation of our facility.
- Three - strengthen operational efficiencies even further.

From a marketing perspective, we are looking at strengthening our presence in the passenger car segment in India. In the international markets we are working on forging win-win relations with leading international steel majors, who could strengthen business prospects and global respect. We are looking forward to some exciting times over the coming years.

RISK MANAGEMENT

ALLAYING SHAREHOLDER APPREHENSION

Business is all about taking and navigating risks. Vardhman Special Steels leverages its deep domain knowledge to undertake proactive measures that strengthen viability across projects, geographies and market cycles.

The Company adopts an intensive and well formulated risk management approach, along with prudential standards, well thought out reporting and effective control mechanisms. The strength of this framework has been enhanced by a combination of centrally-issued policies and divisionally-evolved procedures. The senior management team intermittently analyses the risk management framework, to keep itself abreast with the contemporary standards and incipient challenges.

1 Market place apprehensions

Demand risk: Special steels demand may not experience attractive growth

Mitigation: Special steels as the name suggests is required for certain niche applications. As such, the demand for an approved steel grade is dovetailed to the growth of its end application. Vardhman Special Steels primarily caters to the special steels requirement of the automotive sector – a large and growing sector.

The Indian automobile sector is poised to grow at a healthy pace owing to growing disposable income and soaring aspiration of the average Indian. The Central Government's Auto Mission Plan II forecasts the passenger vehicle market to more than triple to 9.4 mn units by 2026 from 2.8 mn now, if the economy grows at an average rate of 5.8% every year during the covered period.

Besides, India has emerged as the largest two-wheeler market in the world – a position which is expected to be maintained over the coming years, owing to increasing demand from the rural segment and increased woman commuters. These credible estimates are expected to sustain the demand for special steels over the coming years.

Competition risk: Increasing competition from Indian and global players could impact business prospects and business profitability.

Mitigation: There are about 12 prominent players we are competing with in the special steels segment in India. The large players are concentrated in West and East India. The medium-sized players have their own niche – some focus on the bearing sector, some others on the commercial vehicles market while some have dovetailed their growth to the defence and railways sectors. Vardhman has chosen to be in the niche small diameter steel bar space catering to the passenger vehicles and two-wheelers. Within this broad space, the Company chooses to be in niche spaces where it enjoys the status of an important/sole supplier. About 60% of its steel goes to low-volume, critical quality and special steels applications – a rather uncluttered space.

Measure:
Sales volumes have increased from
93,169 MT in 2011-12
to 1,31,636 MT in 2016-17

Geographic risk: Being concentrated in a single geography could impede the management's growth aspiration.

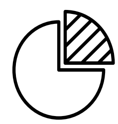
Mitigation: Despite being an India-centric operation, the Company has established an expansive marketing footprint – an entrenched presence in India and across 6 nations globally. Within India, the Company enjoys healthy and growing business relations with most leading automotive OEMs creating a de-risked regional presence in India. For its international business, the Company has created a dedicated marketing team which has grown business volumes in every key nation of its presence.

Measure:
Domestic business volumes and exports have increased by 5.47% and 27.56% CAGR respectively over the last three years leading to 2016-17.

Client concentration risk: Dependence on a handful of key customers could throttle the Company's growth target.

Mitigation: Like every corporate, Vardhman has select key customers which are core to its business growth and future strategy. But the significant business development efforts made by the team have yielded heartening results. While business with key clients has increased individually, their proportion in the overall revenue mix has declined.

Measure:
Revenue from top 5 clients has declined from 33.69% in 2011-12 to 32.86% in 2016-17 even as revenue increased by 6.47% CAGR over the same period.



Client attrition risk: Loosing a key client could impact business growth.

Mitigation: Unlike commodity steels which is largely transactional in nature, the special steels business is a relationship-based business. Here products are customised to client specifications, relations are built based on quality & service level commitments and cost of switching vendors is expensive (in terms of time and resources). At Vardhman, the team's commitment to consistent quality and customer service has ensured that the Company has not lost a single key customer over the last three years.

Measure:
The Company's major client list has expanded from 14 in 2011-12 to 21 in 2016-17.

2 Shopfloor apprehensions

Capacity risk: The Company may not have enough capacity to service the growing demand.

Mitigation: The Company has institutionalised a system of periodic discussion among various business stakeholders,to understand sectoral trends and align business strategies accordingly. This discipline has enabled the Company to proactively plan infrastructure and resources, to seamlessly meet external opportunities. The recent capacity increase from 1,25,000 TPA to 1,60,000 TPA through line balancing and de-bottlenecking is a case in point – which facilitated an increase in topline by 21% over the previous year.

Measure:

Going further, the Company has planned to increase melting capacity to 1,80,000 TPA keeping in view the healthy growth of the automotive sector over the coming years.

Quality risk: Aggressive growth in business volumes could lead to a compromise in product quality.

Mitigation: The Company remains committed to superior product quality for which it has aligned its business processes with exacting global standards - ISO 14001:2004; OHSAS 18001:2007; ISO 9001:2008; ISO/TS 16949:2009. Moreover, the Company's quality assurance commitment has resulted in quantum investments in sophisticated testing equipment and people training. The effectiveness of these initiatives is reflected in its client list comprising global and Indian automotive OEMs.

Measure:

Client rejects have declined from 0.44% in 2011-12 to 0.23% in 2016-17 even as production volumes scaled by 6.91% (CAGR) over the same period.

Product development risk: The Company may not be able to meet the wide array of special steels being demanded by OEMs.

Mitigation: The Company focuses on critical steels suited for niche applications – as such product development is its key strength. For this, the Company continually invests in upgrading its R&D capabilities by absorbing new technology, sourcing best-in-class equipment and continually training its R&D team on global trends. The Company's ability to develop products adhering to client specifications is reflected in its wide array of special steels and its growing client base. The Company's investment in R&D efforts has increased from ₹1.77 crore in 2011-12 to ₹4.52 crore in 2016-17.

Measure:

More than 85% of its clients have been with the Company for more than five years.

3 Corporate apprehensions

Growth risk: Will the Company be able to sustain the growth momentum?

Mitigation: Looking at the future, the Company is further expanding its melting capacity to 1,80,000 TPA which is expected to be operational in the next year. In addition, the Company is focused on increasing value-added component in its sales-mix which should catalyse profitable business growth.

Measure:
The Company expects to grow business by 21% in the current year.

Leverage risk: How will the Company de-leverage its financial statements?

Mitigation: The Company realises that a high leverage position eats into business profitability in the short term while adversely impacting business sustainability in the medium term. To reduce its debt burden, the Company has prudently utilised its operating cash flow to repay its debts. Recently, the Company came out with a Rights Issue primarily for reducing its debt burden and increasing organisational liquidity.

Measure:
Debt-equity ratio declined from a peak of 1.98x as on March 31, 2015 to 1.59x as on March 31, 2017 and will further decline to below 0.9x post Rights Issue.

Directors' Report

Dear Members,

The Directors of your Company have pleasure in presenting their 7th Annual Report of the business and operations of the Company along with the Audited Financial Statements for the year ended, 31st March, 2017.

1. FINANCIAL RESULTS:

The financial performance of your Company for the year ended 31st March, 2017 is as under:- (₹ in Lakhs)

PARTICULARS	2016-17	2015-16
Revenue from operations (Net)	75,312.90	72,551.41
Other Income	564.29	265.24
Profit before Depreciation, Interest & Tax (PBDIT)	6,548.09	4,426.38
Interest and Financial expenses	2,827.97	2,301.62
Profit before Depreciation and Tax (PBDT)	3,720.12	2,124.76
Depreciation	1,806.70	1,703.11
Profit before Tax (PBT)	1,913.42	421.65
Provision for Tax - Current Tax (Net of MAT)	(6. 27)	-
- Income Tax relating to earlier years	6.53	-
Profit after tax (PAT)	1,913.68	421.65
Other Comprehensive Income	(22.67)	(16.53)
Total Comprehensive Income	1,891.01	405.12
Earnings per share (₹)		
- Basic	10.31	2.27
- Diluted	10.31	2.27

Note: The financial statements of the Company for the year ended 31st March, 2017, are the first the Company has prepared in accordance with Indian Accounting Standards (Ind-AS). The financial statements for the year ended 31st March, 2016 have been restated in accordance with Ind-AS for comparative information.

Indian Accounting Standards (Ind-AS):

The Ministry of Corporate Affairs (MCA), vide its notification in the Official Gazette dated 16th February, 2015, notified the Ind-AS applicable to certain classes of Companies. Ind-AS has replaced the existing Indian GAAP prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. Ind-AS is applicable on the Company from 1st April, 2016, with a transition date of 1st April, 2015.

The reconciliations and descriptions of the effect of the transition from IGAAP to Ind-AS have been provided in Note No. 46 in the notes to accounts of the financial statements.

2. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

PRODUCTION & SALES REVIEW:

During the year under review, the production of Billets increased from 1,26,396 MT to 1,35,884 MT, showing an increase of 7.50% over the previous year. The Rolled production increased from 1,20,002 MT to 1,35,119 MT, showing an increase of 12.66% over the previous year.

Your Company has registered Revenue from Operations of ₹75,312.90 lakhs as compared to ₹72,551.41 lakhs in the previous year. The exports of the Company decreased from ₹4,250.67 lakhs to ₹3,953.28 lakhs, showing a decrease of 6.99%.

PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹6,548.09 lakhs as against ₹4,426.38 lakhs in the previous year. After providing for depreciation of ₹1,806.70 lakhs (Previous Year ₹1,703.11 lakhs), interest of ₹2,827.97 lakhs (Previous Year ₹2,301.62 lakhs), the net profit from operations after comprehensive income worked out to ₹1,891.01 lakhs as compared to ₹405.12 lakhs in the previous year.

RESOURCES UTILISATION:

a) Fixed Assets:

The net block as at 31st March, 2017 was ₹26,456.50 lakhs as compared to ₹25,060.00 lakhs in the previous year.

b) Current Assets:

The current assets as on 31st March, 2017 were ₹33,507.89 lakhs as against ₹34,723.03 lakhs in the previous year. Inventory level was at ₹11,783.09 lakhs as compared to the previous year level of ₹10,690.38 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	2016-17	2015-16
Cash and Cash equivalents:		
Beginning of the year	379.06	864.85
End of the year	594.64	379.06
Net cash provided (used) by:		
Operating Activities	6,803.54	4,638.06
Investing Activities	(1,565.42)	(1,576.34)
Financial Activities	(5,022.54)	(3,547.51)

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 recommended 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:

Vice-Chairman & Managing Director: The Board of Directors of your Company in its meeting held on 28th April, 2017 had approved to elevate Mr. Sachit Jain to Vice-Chairman & Managing Director of the Company.

Liable to retire by rotation: In accordance with the provisions of the Articles of Association of the Company, Mr. B.K. Choudhary, 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.

Independent Director: Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar, Independent Directors of the Company, were appointed as Independent Directors of the Company by the members in their Annual General Meeting held on 24th September, 2014 for a term of consecutive three years starting from the date of 4th Annual General Meeting till the conclusion of 7th Annual General Meeting. Since their term expires at the ensuing Annual General Meeting, the Board of Directors in its meeting held on 28th April, 2017 recommended their re-appointment for the consideration of the members of the Company at the ensuing Annual General Meeting for a term of five consecutive years.

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 programme 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:

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

Annual Evaluation of the Board Performance:

The meeting of Independent Directors of the Company for the calendar year 2016 was held on 12th November, 2016 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 and the minutes of the meeting was submitted to the Chairman of the Company.

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, 2017:

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 Six (6) times and the intervening gap between any two meetings was within the period prescribed under Companies Act, 2013. The details of Board Meetings are set out in Corporate Governance Report which forms part of this Annual Report.

10. AUDITORS AND AUDITORS REPORT:

Statutory Auditors:

At the Annual General Meeting held on 24th September, 2014, M/s. S.S. Kothari Mehta & Company, Chartered Accountants, Panchkula, were appointed as Statutory Auditors of the Company to hold office till the conclusion of 9th Annual General Meeting of the Company. In terms of provisions of Section 139 (1) of the Companies Act, 2013, the appointment of Statutory Auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. S.S. Kothari Mehta & Company as Statutory Auditors is placed for ratification by the members.

Further, the Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2017. 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 29th April, 2016 for the financial year 2016-17.

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, 2017. The Auditors' Report is self-explanatory and requires no comments. The Report forms part of this report as **Annexure II**.

Cost Auditor:

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 2017-18. 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 2017-18 is placed for ratification by the Members.

The Cost Auditor's Report for the Financial Year 2017-18 will be forwarded to the Central Government as required under law.

11. AUDIT COMMITTEE & VIGIL MECHANISM:

Composition of Audit Committee:

The Audit Committee consists of Mr. Prafull Anubhai, Chairman and Independent Director, Mr. Rajeev Gupta, Independent Director, Mr. Sanjeev Pahwa, Independent Director, Mr. Sanjoy Bhattacharyya, Independent Director and Mr. Rajinder Kumar Jain, Non-Executive Director. Mr. Prafull Anubhai 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 provisions of Section 177(9) of the Companies Act, 2013 the Company has established a "Vigil Mechanism" incorporating whistle blower policy in terms of the 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 code of conduct by way of direct access to the Chairman/ Chairman of the Audit Committee.

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

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

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

12. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. Corporate Governance is about maximizing shareholders value legally, ethically and sustainably. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under 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.

The Company has identified following thrust areas for CSR:-

- **Promotion of education:** To continue our endeavour for promoting education by setting up schools, colleges to deliver high quality education to students of all strata of society including wards of employees of the Company.
- **Environment protection and energy conservation:** To protect environment and to sustain and continuously improve standards of Environment, Health and Safety through the collective endeavour of Company and its employees at all levels towards attaining world class standards.
- **Development of human capital:** To encourage the development of human capital through skills development, vocational training programmes.
- **Rural development:** To contribute to development in rural areas through agricultural research and knowledge sharing, promoting superior farm practices, improving cotton production, productivity and quality and other agri-extension practices such as soil and moisture conservation and watershed management etc.
- **Other initiatives:**
    - To contribute to empowering women economically, supplementing primary and secondary education and participating in rural capacity building programmes and such other schemes.

- To respond to emergency situations & disasters by providing timely help to affected victims and their families.
- Any other project/ programme pertaining to activities listed in Schedule VII of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014.

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

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

Since the average profit of the Company in the last three financial years is Nil, the Company has not undertaken any CSR initiative.

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

14. RISK MANAGEMENT:

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

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

15. INTERNAL FINANCIAL CONTROLS & ITS ADEQUACY:

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

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

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

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

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

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

Your Directors draw attention of the Members to Note 38 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, 13 and 20 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:

The extracts of Annual Return pursuant to the provisions of Section 92, 134 and Rule 12 of the Companies (Management and Administration) Rules, 2014 for the financial year 2016-17 in Form MGT-9 is annexed hereto and form part of this report as **Annexure V**.

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 endeavouring to build high performance culture on one hand and amiable work environment on the other hand. During the year, the Company employed around 914 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) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 is annexed hereto and forms part of this report.

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

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

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 the provisions of Section 134 (5) of the Companies Act, 2013 the Board hereby submits 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, 2017 and of the profit of the Company for the year ended on 31st March, 2017;

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. a proper system has been devised to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively

24. GENERAL DISCLOSURES:

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

1. Details relating to deposits covered under Chapter V of the Act.

2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
4. No change in nature of Business of Company.
5. No unclaimed dividend to Investor Education and Protection Fund.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

VARDHMAN SPECIAL STEELS LIMITED EMPLOYEE STOCK OPTION PLAN, 2016:

The Board of Directors in its meeting held on 24th August, 2016, approved introduction of an equity based compensation scheme called "**Vardhman Special Steels Limited Employee Stock option Plan 2016**" for its eligible employees subject to approval of Members of the Company in the 6th Annual General Meeting of the Company. The Board has delegated necessary power to the Nomination and Remuneration Committee to implement and administer the Plan once approved by the shareholders of the Company. Accordingly, the Nomination and Remuneration Committee of the Company in its meeting held on 12th November, 2016 has granted 2,10,000 Options to its eligible employees against the Plan under the First Grant out of a total of 3,71,108 options.

FURTHER ISSUE OF EQUITY SHARES ON RIGHTS BASIS:

The Board of Directors of your Company in its meeting held on 28th October, 2016 had approved the proposal of further issue of 1,23,70,000 Equity Shares of face value of ₹10 each for cash on Rights basis in the ratio of 2 shares for every 3 shares held at a price of ₹50 per Rights equity share (inclusive of Share premium of ₹40 per share) aggregating to ₹6,185 lakhs to all eligible existing Equity Shareholders of the Company. The Board in the same meeting also approved Issue of Equity Shares to the eligible employees of the Company, subject to approval of Shareholders, at the same price within the limits as prescribed under relevant SEBI Regulations.

The approval of the Shareholders of the Company for Employee Reservation was obtained by way of Postal Ballot (including E-voting) on 22nd December, 2016.

Further, the Committee of Directors constituted by Board of Directors for Rights Issue in its meeting held on 23rd January, 2017 had resolved to reserve 12,00,000 shares for existing employees at same price as that of Rights Issue.

25. 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: Gurugram
Date: April 28, 2017

Praful Anubhai
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 2016-17.
III	CSR Activities – Annual Report FY 2016-17.
IV	Conservation of energy, technology absorption, foreign exchange earnings and outgo.
V	Extract of Annual Return - MGT 9.
VI	Particulars of employees and related disclosures.

Annexures to the Directors' Report

ANNEXURE- I

NOMINATION & REMUNERATION POLICY OF THE COMPANY

1. PREFACE:

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

Upon the recommendations of Nomination and Remuneration Committee, the Board of Directors of the Company 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:-

   a. 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.

   b. That relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

   c. That remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

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

e) To devise a policy on Board diversity.

3. MEMBERSHIP:

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

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

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

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

4. CHAIRMAN:

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

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

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

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

5. FREQUENCY OF MEETINGS:

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

6. COMMITTEE MEMBERS' INTERESTS:

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

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

7. SECRETARY:

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

8. VOTING:

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

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

9. MINUTES OF COMMITTEE MEETING:

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

10. EFFECTIVE DATE & AMENDMENTS:

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

ANNEXURE- II

SECRETARIAL AUDIT REPORT IN FORM MR-3
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[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 my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017, 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, 2017according to the provisions of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Environment Protection Act, 1986

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

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

We further report that

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

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

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

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

We further report that during the audit period, the Company has received the approval of the members for Employee Reservation alongwith Rights Issue u/s 62 of the Companies Act, 2013, read with applicable rules thereof.

for **Harsh Goyal & Associates**
Company Secretaries
Harsh Kumar Goyal
Proprietor

Place : Ludhiana FCS 3314
Date : April 28, 2017 C P No.:2802

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
Proprietor

Place : Ludhiana FCS 3314
Date : April 28, 2017 C P No.:2802

ANNEXURE - III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2016-17:

SR. NO.	PARTICULARS	DETAILS
1.	Brief outline of CSR Policy	The thrust areas for CSR includes promotion of education, environment protection and energy conservation, development of human capital, rural development, women empowerment, disaster relief, 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	₹(861.13) lakhs
4.	Prescribed CSR Expenditure	Nil
5.	**Details of CSR spent during the year:**	
	Total amount to be spent for the financial year	Nil
	Amount unspent, if any	N.A.
	Manner in which the amount spent during the financial year	N.A.
6.	In case the Company has failed to spend two percent, reason thereof.	Since, the average profits of the Company in last three financial years is Nil, the Company has not undertaken any CSR initiative.

RESPONSIBILITY STATEMENT:

I, Sanjeev Pahwa, Chairman of the CSR Committee of Vardhman Special Steels Limited undertake that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.

SIGNED BY:-

Date: 28.04.2017

Sanjeev Pahwa

Place: Gurugram

Chairman of CSR Committee

ANNEXURE- IV

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014.

STEPS TAKEN FOR CONSERVATION OF ENERGY:

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

Conservation measures taken, proposed measures being implemented for reduction of consumption of energy and consequent impact thereof on the cost of production of goods in Vardhman Special Steels Limited for the year 2016-17:

1. Improvement of Power factor from 0.957 to 0.97 by installing the Statcom Panels at EAF.
2. VD Hot well pump replaced with new high efficiency pump, so motor power reduced by 15 kW.
3. BDM Roll Pass design changed from 09 Passes to 07 Passes for B-8 Rolling.

The above energy conservation measures resulted in annual saving of 11.60 lac units of electricity amounting to ₹87.00 lakhs.

TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished as under:

A) RESEARCH AND DEVELOPMENT (R&D):

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

a) A project was undertaken to increase yield improvement by adopting Ramp Down practice at caster to reduce metal loss.

b) A Thermodynamic and Kinematic calculations model has been developed to achieve following objectives:

- Study of loss of iron oxide in EAF slag and its recovery through rectification of oxygen blowing practice.
- Amount of oxygen needed to melt per ton of steel.
- Amount of lime used to maintain desired basicity at Melting station. Hence saving in lime consumption.
- Develop continuing education platforms to train engineers in-house on technical topics.

c) The initial trials of purging with N_2 gas in place of costly nitrated ferro alloys like nitrated manganese metal, nitrated low carbon ferro chrome has been standardised. Many grades with nitrogen mainly micro alloyed grades both for shaft and crank rod application are being produced by purging nitrogen gas. This has led to the savings of ₹300 to ₹350 per ton based on nitrogen requirement.

d) Improvement in yield - Cooling pattern of few grades prone to cracks has been changed wherein slow cooling has been adopted at bloom/billet stage. Thereafter, special coating is being done on billet before charging to reheating furnace resulting in lesser defects in final product and also eliminated secondary process.

e) Slow cooling practice adopted in grade with high alloys & prone for segregation.

f) Low oxygen steel developed for Suzuki with some modification in SOP of Steel manufacturing & casting.

g) Ultra Clean steel developed for BOSCH, EATON, SCANIA.

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

- Optimization of slag making in EAF & LRF has been extensively carried out.

  Further improvement is needed by knowing slag analysis preferably online, so that further improvement in quality and reduction in cost can be achieved.

- Based upon Thermodynamic and Kinematic calculations along-with actual production data, a new software was developed that helps operators at shop floor to know the amount of raw-materials (Scrap, DRI, Oxygen, Lime etc.) required to be added to ensure the efficient Electric Arc Furnace production process. This software was further upgraded for calculating the amount of de-oxidizers & ferro alloys need to be added during refining process of steel.

- Improvement in control of decarb layer, as rolled & spherodized annealing products has been standardised for coating the billets before rolling & coating the rolled products before spherodizing & annealing.
- Percentage of sequence casting has been increased even with critical grades & critical customers by mutual discussions.

3. Future Course of action:

Management is fully committed to further strengthen the Research & Development activities by inducting 8 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: (₹ in lakhs)

Particulars	(2016-17)	(2015-16)
Capital	7.64	5.40
Recurring	444.27	252.56
Total	451.91	257.96
Total R & D expenditure as a Percentage of Turnover	0.60	0.35

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made:

a) New Tundish design is being updated required with water modelling from time to time in conversation with IIT Kanpur and its supplier.

b) Ferro Alloy addition in LRF through bins instead of manual has been started. This will help in reduction of LRF time, reduction in segregation and improvement in quality.

c) To achieve further cleanliness for Bosch, Eaton USA, Scania Germany, Auto immersion Ultrasonic Test has been ordered to the world renowned supplier M/S GE USA. Expected to be commissioned by Oct 2017. Further planning for XRD, ASPEX, SEM - EDAX etc. during the FY 2017-18.

2. Particulars of technology imported in last five years.

a) 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.

b) Radiation Detection Gate

c) Radioactive Contamination Analyser

d) To have controlled or retarded cooling for crank prone grades after casting, slow cooling pits in CCM bay has been planned instead of stack casting on open.

e) Secondary APCD - Fume Extraction System

FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

- Exported 6,800.22 MT of rolled products, having value of ₹39.53 crore, during the financial year 2016-17, achieving a growth rate of 20% over last financial year.
- Major thrust to have ready to supply orders for cut blank to Europe.
- Developed steel grade like SAE4150 for Jaguar cars and Volvo.
- Marketing contract with companies in Germany and Italy to promote our products in Europe.

Total Foreign Exchange earned and used: (₹ in lakhs)

Particulars	2016-17	2015-16
a) Earnings (FOB value of Exports)	3,644.48	3,935.19
b) Outgo (CIF value of Imports and Expenditure in Foreign Currency)	10,538.78	12,377.82

ANNEXURE- V

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

S. No.	Particulars	Details
i)	CIN	L27100PB2010PLC033930
ii)	Registration Date	14th May, 2010
iii)	Name of the Company	Vardhman Special Steels Limited
iv)	Category/ Sub-Category of the Company	Listed Public Company
v)	Address of the Registered office and contact details	Vardhman Premises, Chandigarh Road, Ludhiana-141010, Punjab, India.
vi)	Whether listed company	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Alankit Assignments Limited 1E/13, Alankit Heights, Jhandewalan Extn., New Delhi- 110055. Phone: 011- 41540060-63 Fax: 011- 41540064 E-mail: rta@alankit.com

II. Principal Business Activities of the Company:

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

S. No	Name and Description of main products /services	NIC Code of the product /service	% to total turnover of the Company
1.	Steel Bars & Rods	241	99.33%

III. Particulars of Holding, Subsidiary and Associate Companies:

S. No	Name and Address of the Company	CIN/ GLN	Holding /Subsidiary / Associate	% of shares held	Applicable section
	N.A.				

IV. Share holding pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category –wise share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physicals	Total	% of Total Shares	Demat	Physicals	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individuals (including shares held by partners of Partnership firms)	2,92,321	0	2,92,321	1.58	2,92,321	0	2,92,321	1.58	0
b) Central Govt./ State Govt. (s)	0	0	0	0	0	0	0	0	0
c) Banks /FI	0	0	0	0	0	0	0	0	0
d) Any other (specify)									
• Bodies corporate	1,07,76,686	0	1,07,76,686	58.07	1,07,76,686	0	1,07,76,686	58.07	
• LLP	25,22,655	0	25,22,655	13.60	25,22,655	0	25,22,655	13.60	0
• Trust	3,19,747	0	3,19,747	1.72	3,19,747	0	3,19,747	1.72	0
Sub –total (A)(1):-	**1,39,11,409**	**0**	**1,39,11,409**	**74.97**	**1,39,11,409**	**0**	**1,39,11,409**	**74.97**	**0**
2) Foreign									
a) Individuals (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0	0	0	0	0	0
b) Government	0	0	0	0	0	0	0	0	0
c) Institutions	0	0	0	0	0	0	0	0	0
d) Foreign Portfolio Investor	0	0	0	0	0	0	0	0	0
Sub –total (A)(2):-	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Shareholding of Promoter and Promoter Group (A)= (A) (1) + (A) (2)	**1,39,11,409**	**0**	**1,39,11,409**	**74.97**	**1,39,11,409**	**0**	**1,39,11,409**	**74.97**	**0**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	84,826	4,454	89,280	0.48	2,262	4,454	6,716	0.04	-0.44
b) Venture Capital Funds	0	0	0	0	0	0	0	0	0
c) Alternate Investment Funds	0	0	0	0	0	0	0	0	0
d) Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physicals	Total	% of Total Shares	Demat	Physicals	Total	% of Total Shares	
e) Foreign Portfolio Investors	13,986	1,738	15,724	0.08	13,986	1,738	15,724	0.08	0
f) Financial Institutions/ Banks	197	12,027	12,224	0.07	197	12,027	12,224	0.07	0
g) Insurance Companies	81,798	315	82,113	0.44	41,407	315	41,722	0.22	-0.22
h) Provident Funds/ Pension Funds	0	0	0	0	0	0	0	0	0
i) Any other (specify)	0	0	0	0	0	0	0	0	0
Sub –total (B)(1):-	**1,80,807**	**18,534**	**1,99,341**	**1.07**	**57,852**	**18,534**	**76,386**	**0.41**	**-0.66**
2. Central Government/ State Government (s)/ President of India	0	0	0	0	0	0	0	0	0
Sub- Total (B)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3. Non Institutions									
a) Individuals – i. Individual shareholders holding nominal share capital up to ₹2 lakhs	17,24,339	2,18,732	19,43,071	10.47	20,15,376	2,08,806	22,24,182	11.99	1.52
ii. Individual shareholders holding nominal share capital in excess of ₹2 lakhs	19,36,389	0	19,36,389	10.45	17,85,127	0	17,85,127	9.62	-0.83
b) NBFCs registered with RBI	0	0	0	0	1,000	0	1,000	0.01	0.01
c) Employee Trusts	0	0	0	0	0	0	0	0	0
d) Overseas Depositories (holding DRs) (balancing figures)	0	0	0	0	0	0	0	0	0
e) Any Other (specify)									
e-1) Bodies Corporate	4,74,548	8,645	4,83,193	2.60	5,14,476	8,589	5,23,065	2.82	0.22
e-2) NRI	78,107	351	78,458	0.42	30,386	351	30,737	0.17	-0.25
e-3) Trust	3,515	0	3,515	0.02	3,470	0	3,470	0.02	0.00
Sub-Total (B)(3)	**42,16,898**	**2,27,728**	**44,44,626**	**23.96**	**43,49,835**	**2,17,746**	**45,67,581**	**24.62**	**0.66**
Total public shareholding (B) = (B)(1) + (B (2) + (B) (3)	**43,97,705**	**2,46,262**	**46,43,967**	**25.03**	**44,07,687**	**2,36,280**	**46,43,967**	**25.03**	**0**
Shares held by custodian for GDRs & ADRs(C)	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**1,83,09,114**	**2,46,262**	**1,85,55,376**	**100**	**1,83,19,096**	**2,36,280**	**1,85,55,376**	**100**	**0**

(ii) Shareholding of Promoters:

S. No	Shareholders Name	Shareholding at the beginning of the year		Shareholding at the end of year		% change in shareholding during the year
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	
1	Adishwar Enterprises LLP	25,22,655	13.60	25,22,655	13.60	0.00
2	Devakar Investment and Trading Company Private Limited	11,08,175	5.97	13,29,012	7.16	1.19
3	Flamingo Finance and Investment Company Limited	1,18,102	0.64	1,18,102	0.64	0.00
4	Anklesh Investments Private Limited*	71,500	0.39	0	0.00	-0.39
5	Marshall Investment and Trading Company Private Limited*	1,09,102	0.59	0	0.00	-0.59
6	Ramaniya Finance and Investment Company Limited	94,006	0.51	94,006	0.51	0.00
7	Santon Finance and Investment Company Limited	1,01,120	0.54	1,01,120	0.54	0.00
8	Plaza Trading Company Private Limited*	168	0.00	0	0.00	0.00
9	Pradeep Mercantile Company Private Limited*	144	0.00	0	0.00	0.00
10	Srestha Holdings Private Limited*	34,400	0.19	0	0.00	-0.19
11	Syracuse Investment and Trading Company Private Limited*	5,523	0.03	0	0.00	-0.03
12	Mahavir Spinning Mills Private Limited	2,129	0.01	2,129	0.01	0.00
13	S.P. Oswal	1,32,422	0.71	1,32,422	0.71	0.00
14	Shakun Oswal	30,715	0.17	30,715	0.17	0.00
15	Suchita Jain	54,161	0.29	54,161	0.29	0.00
16	Sachit Jain	8,001	0.04	8,001	0.04	0.00
17	Soumya Jain	1,596	0.01	1,596	0.01	0.00
18	Sagrika Jain	1,548	0.01	1,548	0.01	0.00
19	Eastern Trading Company	11,808	0.06	11,808	0.06	0.00
20	Amber Syndicate	17,249	0.09	17,249	0.09	0.00
21	Northern Trading Company	16,512	0.09	16,512	0.09	0.00
22	Paras Syndicate	18,309	0.10	18,309	0.10	0.00
23	Vardhman Holdings Limited	30,80,517	16.60	30,80,517	16.60	0.00
24	VTL Investments Limited	2,26,800	1.22	2,26,800	1.22	0.00
25	Vardhman Textiles Limited	58,25,000	31.39	58,25,000	31.39	0.00
26	Mahavir Shares Trust	3,19,747	1.72	3,19,747	1.72	0.00
	Total	**13,911,409**	**74.97**	**13,911,409**	**74.97**	**0.00**

*Hon'ble Punjab & Haryana High Court, Chandigarh, vide its order no. 229 of 2015 (O & M) dated 1st August, 2016 had sanctioned the scheme of amalgamation of Anklesh Investments Private Limited, Marshall Investment and Trading Company Private Limited, Plaza Trading Company Private Limited, Pradeep Mercantile Company Private Limited, Srestha Holdings Private Limited and Syracuse Investment and Trading Company Private Limited with Devakar Investment and Trading Company Private Limited w.e.f

1st April, 2015. Therefore, the Investments made by merged companies got vested in Devakar Investment and Trading Company Private Limited.

(iii) Change in Promoter's Shareholding:

S. No	Name	Shareholding		Date	Increase / Decrease in share holding	Reason	Cumulative Shareholding during the year (01-04-16 to 31-03-17)	
		No. of shares at the beginning (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company				No. of Shares	% of total shares of the Company
1.	Anklesh Investments Private Limited*	71,500	0.39	01-Apr-2016				
				19-Oct-2016	-71,500	Amalgamation	0	0.00
		0	0.00	31-Mar-2017	0		0	0.00
2.	Marshall Investment and Trading Company Private Limited*	1,09,102	0.59	01-Apr-2016				
				19-Oct-2016	-1,09,102	Amalgamation	0	0.00
		0	0.00	31-Mar-2017	0		0	0.00
3.	Syracuse Investment and Trading Company Private Limited*	5,523	0.03	01-Apr-2016				
				19-Oct-2016	-5,523	Amalgamation	0	0.00
		0	0.00	31-Mar-2017	0		0	0.00
4.	Pradeep Mercantile Company Private Limited*	144	0.00	01-Apr-2016				
				19-Oct-2016	-144	Amalgamation	0	0.00
		0	0.00	31-Mar-2017			0	0.00
5.	Plaza Trading Company Private Limited*	168	0.00	01-Apr-2016				
				19-Oct-2016	-168	Amalgamation	0	0.00
		0	0.00	31-Mar-2017			0	0.00
6.	Srestha Holdings Private Limited*	34,400	0.19	01-Apr-2016				
				19-Oct-2016	-34,400	Amalgamation	0	0.00
		0	0.00	31-Mar-2017	0		0	0.00
7.	Devakar Investment and Trading Company Private Limited*	11,08,175	5.97	01-Apr-2016				
				19-Oct-2016	2,20,837	Amalgamation	13,29,012	7.16
		13,29,012	7.16	31-Mar-2017			13,29,012	7.16

*Hon'ble Punjab & Haryana High Court, Chandigarh, vide its order no. 229 of 2015 (O & M) dated 1st August, 2016 had sanctioned the scheme of amalgamation of Anklesh Investments Private Limited, Marshall Investment and Trading Company Private Limited, Plaza Trading Company Private Limited, Pradeep Mercantile Company Private Limited, Srestha Holdings Private Limited and Syracuse Investment and Trading Company Private Limited with Devakar Investment and Trading Company Private Limited w.e.f 1st April, 2015. Therefore, the Investments made by merged companies got vested in Devakar Investment and Trading Company Private Limited.

(iv) Shareholding pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):-

S. No.	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative Shareholding during the year	
	Top Ten Shareholders	No. of Shares at beg (01.04.2016)/ end (31.03.2017)	% of total shares of the Company				No. of shares	% of total shares of the Company
1	Sanjay Devikanandan Gupta	7,00,000	3.77	1-Apr-16				
				4-Nov-16	-1,80,000	Transfer	5,20,000	2.80
				10-Mar-17	-2,50,000	Transfer	2,70,000	1.46
				24-Mar-17	-90,000	Transfer	1,80,000	0.97
				31-Mar-17	-25,000	Transfer	1,55,000	0.84
		1,55,000	0.84	31-Mar-17			1,55,000	0.84
2	T Udayaraj*	2,09,244	1.13	1-Apr-16				
				27-May-16	-5,000	Transfer	2,04,244	1.10
				3-Jun-16	-13,948	Transfer	1,90,296	1.03
				10-Jun-16	-10	Transfer	1,90,286	1.03
				2-Sep-16	-1,950	Transfer	1,88,336	1.01
				7-Oct-16	-24,211	Transfer	1,64,125	0.88
				14-Oct-16	-3,529	Transfer	1,60,596	0.87
				21-Oct-16	-2,000	Transfer	1,58,596	0.85
				28-Oct-16	-1,284	Transfer	1,57,312	0.85
				11-Nov-16	-1,000	Transfer	1,56,312	0.84
				18-Nov-16	-1,000	Transfer	1,55,312	0.84
				25-Nov-16	-1,342	Transfer	1,53,970	0.83
				2-Dec-16	-1,000	Transfer	1,52,970	0.82
				16-Dec-16	-50,000	Transfer	1,02,970	0.55
				31-Dec-16	-5,312	Transfer	97,658	0.53
				6-Jan-17	-41,729	Transfer	55,929	0.30
				13-Jan-17	-18,376	Transfer	37,553	0.20
				20-Jan-17	-15,508	Transfer	22,045	0.12
				27-Jan-17	-11,334	Transfer	10,711	0.06
				17-Feb-17	-10,711	Transfer	0	0.00
		0	0.00	31-Mar-17			0	0.00

S. No.	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative Shareholding during the year	
	Top Ten Shareholders	No. of Shares at beg (01.04.2016)/ end (31.03.2017)	% of total shares of the Company				No. of shares	% of total shares of the Company
3	Anil Kumar Goel	1,68,153	0.91	1-Apr-16				
				11-Nov-16	1,79,847	Transfer	3,48,000	1.88
				18-Nov-16	619	Transfer	3,48,619	1.88
				25-Nov-16	1,381	Transfer	3,50,000	1.89
				10-Mar-17	89,375	Transfer	4,39,375	2.37
				17-Mar-17	1,56,625	Transfer	5,96,000	3.21
				24-Mar-17	88,903	Transfer	6,84,903	3.69
				31-Mar-17	24,545	Transfer	7,09,448	3.82
		7,09,448	3.82	31-Mar-17			7,09,448	3.82
4	Vandana Sehgal	1,79,179	0.97	1-Apr-16				
				17-Jun-16	600	Transfer	1,79,779	0.97
				9-Sep-16	1,247	Transfer	1,81,026	0.98
				16-Dec-16	8,810	Transfer	1,89,836	1.02
				3-Feb-17	-13,447	Transfer	1,76,389	0.95
				17-Mar-17	24,247	Transfer	2,00,636	1.08
				31-Mar-17	-10,500	Transfer	1,90,136	1.02
		1,90,136	1.02	31-Mar-17			1,90,136	1.02
5	Seema Goel	1,00,000	0.54	1-Apr-16	0	Nil movement during the year		
		1,00,000	0.54	31-Mar-17			1,00,000	0.54
6	N Chandrasekaran	83,934	0.45	1-Apr-16	0	Nil movement during the year		
		83,934	0.45	31-Mar-17			83,934	0.45

S. No.	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative Shareholding during the year	
	Top Ten Shareholders	No. of Shares at beg (01.04.2016)/ end (31.03.2017)	% of total shares of the Company				No. of shares	% of total shares of the Company
7	UTI Transportation and Logistics Fund*	82,564	0.44	1-Apr-16				
				22-Apr-16	-1,638	Transfer	80,926	0.44
				6-May-16	-5,926	Transfer	75,000	0.40
				13-May-16	-5,000	Transfer	70,000	0.38
				20-May-16	-24,357	Transfer	45,643	0.25
				27-May-16	-5,643	Transfer	40,000	0.22
				3-Jun-16	-25,911	Transfer	14,089	0.08
				10-Jun-16	-14,089	Transfer	0	0.00
		0	0.00	31-Mar-17	0		0	0.00
8	Sumpoorna Porfolio Limited*	80,190	0.43	1-Apr-16				
				29-Apr-16	-3,000	Transfer	77,190	0.42
				6-May-16	-8,554	Transfer	68,636	0.37
				20-May-16	-4,208	Transfer	64,428	0.35
				27-May-16	591	Transfer	65,019	0.35
				17-Jun-16	-4,013	Transfer	61,006	0.33
				30-Jun-16	-50	Transfer	60,956	0.33
				8-Jul-16	50	Transfer	61,006	0.33
				29-Jul-16	11	Transfer	61,017	0.33
				21-Sep-16	-61,017	Transfer	0	0.00
				7-Oct-16	779	Transfer	779	0.00
				21-Oct-16	12,098	Transfer	12,877	0.07
				28-Oct-16	-2,405	Transfer	10,472	0.06
				4-Nov-16	-5,487	Transfer	4,985	0.03
				30-Dec-16	-2,000	Transfer	2,985	0.02
				20-Jan-17	36,892	Transfer	39,877	0.21
				10-Feb-17	-2,691	Transfer	37,186	0.20
				17-Feb-17	-2,000	Transfer	35,186	0.19
				27-Feb-17	-809	Transfer	34,377	0.19
				10-Mar-17	-29,995	Transfer	4,382	0.02
				31-Mar-17	-1,877	Transfer	2,505	0.01
		2,505	0.01	31-Mar-17			2,505	0.01

S. No.	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative Shareholding during the year	
	Top Ten Shareholders	No. of Shares at beg (01.04.2016)/ end (31.03.2017)	% of total shares of the Company				No. of shares	% of total shares of the Company
9	Vivek Mundra	56,543	0.30	1-Apr-16	0	Nil movement during the year		
		56,543	0.30	31-Mar-17			56,543	0.30
10	Suketu Bhanuray Sanghvi*	65,010	0.35	1-Apr-16				
				8-Jul-16	-60,000	Transfer	5,010	0.03
				21-Oct-16	-5,010	Transfer	0	0.00
		0	0.00	31-Mar-17			0	0.00
11	Prabhudas Lilladher Financial Services Pvt. Ltd.#	0	0.00	1-Apr-16				
				30-Dec-16	50,370	Transfer	50,370	0.27
				6-Jan-17	228	Transfer	50,598	0.27
		50,598	0.27	31-Mar-17			50,598	0.27
12	Mona Ketan Shah#	48,050	0.26	1-Apr-16	0	Nil movement during the year		
		48,050	0.26	31-Mar-17			48,050	0.26
13	Life Insurance Corporation of India#	41,407	0.22	1-Apr-16	0	Nil movement during the year		
		41,407	0.22	31-Mar-17			41,407	0.22
14	Mukul Agrawal#	40,934	0.22	1-Apr-16	0	Nil movement during the year		
		40,934	0.22	31-Mar-17			40,934	0.22

* Ceased to be in the list of Top 10 shareholders as on 31.03.2017. The same is reflected above since the shareholder was one of the Top 10 shareholder as on 01.04.2016.

Not in the list of Top 10 shareholders as on 01.04.2016. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on 31.03.2017.

v) Shareholding of Directors and Key Managerial Personnel:

S. No	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative shareholding during the year (01-04-16 to 31-03-17)	
		No. of shares at the beginning (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company				No. of Shares	% of total shares of the Company
A)	**Directors:**							
1.	Sachit Jain Vice-Chairman & Managing Director	8,001	0.04	01-Apr-2016	0	Nil move-ment during the year		
		8,001	0.04	31-Mar-2017			8,001	0.04
2.	Suchita Jain Non-Executive Director	54,161	0.29	01-Apr-2016	0	Nil move-ment during the year		
		54,161	0.29	31-Mar-2017			54,161	0.29
3.	Prafull Anubhai Independent Director	0	0.00	01-Apr-2016	0	Nil Holding / movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00
4.	Rajeev Gupta Independent Director	0	0.00	01-Apr-2016		Nil Holding / movement during the year		
		0	0.00	31-Mar-2017			0	0.00
5.	Jayant Davar Independent Director	0	0.00	01-Apr-2016	0	Nil Holding / movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00
6.	Sanjeev Pahwa Independent Director	0	0.00	01-Apr-2016	0	Nil Holding / movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00
7.	Sanjoy Bhattacharyya Independent Director	10	0.00	01-Apr-2016	0	Nil move-ment during the year		
		10	0.00	31-Mar-2017	0		10	0.00

S. No	Name	Shareholding		Date	Increase / Decrease in share-holding	Reason	Cumulative areholding during the year (01-04-16 to 31-03-17)	
		No. of shares at the beginning (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company				No. of Shares	% of total shares of the Company
8.	B.K. Choudhary Non-Executive Director	0	0.00	01-Apr-2016	0	Nil Holding/ movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00
9.	Rajinder Kumar Jain Non- Executive Director	12,662	0.07	01-Apr-2016				
				30-Aug-2016	4,000	Transfer	16,662	0.09
				31-Aug-2016	200	Transfer	16,862	0.09
				14-Sep-2016	400	Transfer	17,262	0.09
				15-Sep-2016	202	Transfer	17,464	0.09
				16-Sep-2016	2,600	Transfer	20,064	0.11
				19-Sep-2016	1,098	Transfer	21,162	0.11
				20-Sep-2016	1,000	Transfer	22,162	0.12
				21-Sep-2016	1,000	Transfer	23,162	0.12
				22-Sep-2016	1,400	Transfer	24,562	0.13
				23-Sep-2016	52	Transfer	24,614	0.13
		24,614	0.13	31-Mar-2017			24,614	0.13
B)	**Key Managerial Personnel (KMP's):**							
1.	Sanjeev Singla Chief Financial Officer	0	0.00	01-Apr-2016	0	Nil Holding/ movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00
2.	Sonam Taneja Company Secretary	0	0.00	01-Apr-2016	0	Nil Holding/ movement during the year		
		0	0.00	31-Mar-2017	0		0	0.00

(vi) Indebtedness:

Indebtedness of the Company including interest outstanding /accrued but not due for payment (₹ in lakhs)

PARTICULARS	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal amount	30,926.46	2,825.98	–	33,752.44
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	93.84	-	-	93.84
Total (i+ii+iii)	**31,020.30**	**2,825.98**	**-**	**33,846.28**
Change in indebtedness during the financial year				
Addition	5,000.00	-	-	5,000.00
Reduction	6,577.66	616.91	-	7,194.57
Net change	(1,577.66)	(616.91)	-	(2,194.57)
Indebtedness at the end of the financial year				
i) Principal amount	29,392.86	2,209.07	-	31,601.93
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	49.79	-	-	49.79
Total (i+ii+iii)	**29,442.65**	**2,209.07**	**-**	**31,651.72**

(vii) Remuneration of Directors and Key Managerial Personnel:

A. Remuneration to Managing Director, Whole time Directors and /or Manager:

S. No	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount (In ₹)
		Mr. Sachit Jain	
1.	Gross Salary		
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961		93,96,000
	b) Value of perquisites u/s 17(2) Income-Tax Act, 1961		8,980
	c) Profits in lieu of salary under section 17(3) Income –Tax Act, 1961		-
2.	Stock option		-
3.	Sweat Equity		-
4.	Commission		
	- As % of profit		-
	- Others, specify		
5.	Others, please specify		-
	Total (A)		**94,04,980**
	Ceiling as per the Act		**1,04,75,604**

B. Remuneration to other directors: (Amount in ₹)

S. No	Particulars of Remuneration	Name of Directors					Total Amount
1.	Independent Directors	Mr. Prafull Anubhai	Mr. Rajeev Gupta	Mr. Sanjeev Pahwa	Mr. Jayant Davar	Mr. Sanjoy Bhattacharyya	
	– Fee for attending board / committee meetings	1,70,000	80,000	1,00,000	30,000	55,000	4,35,000
	– Commission	10,00,000					10,00,000
	– Others, please specify						
2.	Other Non-Executive Directors	Rajinder Kumar Jain					
	-Fee for attending board / committee meetings	1,30,000					1,30,000/-
	- Commission						
	-Others, Please specify						
	Total (1)	**11,70,000**	**80,000**	**1,00,000**	**30,000**	**55,000**	**14,35,000**
	Total (2)	**1,30,000**	**-**	**-**	**-**	**-**	**1,30,000**
	Total (B) =(1+2)	**13,00,000**	**80,000**	**1,00,000**	**30,000**	**55,000**	**15,65,000**
	Total Managerial Remuneration						**1,09,69,980**
	Overall ceiling as per the act						2,30,46,329

C. Remuneration to key managerial personnel other than MD / Manager / WTD (Amount in ₹)

S. No	Particulars of remuneration	Key managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary				
	a) Salary as per provisions contained in section 17(1) of the Income Tax Act,1961	N.A.	3,88,235	17,99,810	**21,88,045**
	b) Value of perquisites u/s 17(2) Income Tax Act,1961				
2.	Stock Option		-	-	-
3.	Sweat Equity		-	-	-
4.	Commission				
	– As % of profit				
	– Others, specify		-	-	-
5.	Others:				
	Provident Fund		22,140	84,510	**1,06,650**
	LTA		-	30,407	**30,407**
	Total		**4,10,375**	**19,14,727**	**23,25,102**

(viii) Penalties / punishment / compounding of offences:

Type	Section of the Companies Act	Brief Description	Details of penalty / punishment / compounding fees imposed	Authority (RD/ NCLT/ COURT)	Appeal made, if any (give details)
A. Company					
Penalty		**N.A.**			
Punishment					
Compounding					
B. Directors					
Penalty					
Punishment					
Compounding					
C. Others officers in default					
Penalty					
Punishment					
Compounding					

ANNEXURE- VI

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF COMPANIES ACT, 2013 READ WITH RULES 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 2016-17 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2016-17 are as under:

S. No.	Name of Director / KMP and Designation	Remuneration for Directors / KMP for Financial Year 2016-17 (Amount in ₹)	% Increase in Remuneration in the Financial Year 2016-17	Ratio of Remuneration of each Director / KMP to Median Remuneration of Employees
1.	Sachit Jain Vice-Chairman & Managing Director	94,04,980	1.67	29.19
2.	Suchita Jain Non-Executive Director	–	–	–
3.	B. K. Choudhary Non-Executive Director	–	–	–
4.	Rajinder Kumar Jain Non-Executive Director	130,000	30	0.40
5.	Prafull Anubhai Independent Director	11,70,000	875	3.63
6.	Rajeev Gupta Independent Director	80,000	-15.79	0.25
7.	Sanjeev Pahwa Independent Director	100,000	-16.67	0.31
8.	Jayant Davar Independent Director	30,000	-45.45	0.09
9.	Sanjoy Bhattacharyya Independent Director	55,000	22.22	0.17
10.	Sanjeev Singla Chief Financial Officer	19,14,727	23.29	5.94
11.	Sonam Taneja Company Secretary	4,10,375	17.63	1.27

2. The median remuneration of employees of the Company during the financial year was ₹3,22,145.
3. In the financial year, there was an increase of 7.74 % in the median remuneration of employees.
4. There were 914 permanent employees on the rolls of Company as on March 31, 2017.
5. Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year 2016-17 was 18.24% whereas the increase in the managerial remuneration for the same financial year was 1.67%.
6. It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

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

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

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

Sr. No.	Name of employee	Designation / Nature of duties	Remun-eration (in ₹ lakhs)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last employment
1.	Mr. Subhasis Dey	President & Chief Executive	120.02	BE	55	32.05	10.06.2016	Managing Director, Banco Group, Vadodara

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 & Disclosure 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, 2017:

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

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

Relationship Inter-se:

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

ii. Board Meetings:

During the financial year 2016-17, the Board met 6 times on the following dates:

- 29th April, 2016
- 30th July, 2016
- 24th August, 2016
- 28th October, 2016
- 12th November, 2016
- 3rd February, 2017

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

Name of Director	No. of Board meetings attended	Atten-dance at last AGM	Total No. of Directorships in other Companies	No. of Committee memberships in other Companies	Total No. of Board Chairmanship in other Companies	Total No. of Committee Chairmanship in other companies
Sachit Jain	6	Yes	6	2	-	1
Rajinder Kumar Jain	6	No	-	-	-	-
Suchita Jain	6	Yes	7	-	-	-
Prafull Anubhai	6	Yes	3	5	-	2
B.K. Choudhary	5	No	2	1	-	-
Sanjeev Pahwa	4	No	2	1	-	-
Rajeev Gupta	2	No	7	5	-	-
Jayant Davar	2	No	4	-	-	-
Sanjoy Bhattacharyya	3	No	1	-	-	-

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	Prafull Anubhai (Chairman) Rajeev Gupta Sanjeev Pahwa Rajinder Kumar Jain Sanjoy Bhattacharyya	• 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. • The Policy on dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: **http://vardhmansteel.com/sites/default/files/download-files/related_party_transaction_final.pdf**
Nomination and Remuneration Committee	Rajeev Gupta (Chairman) Prafull Anubhai B.K. Choudhary	• The role of the Nomination and Remuneration Committee is as per Section 178 of the Companies Act, 2013 read with Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. • Formulated and recommended Nomination and Remuneration Policy. • The Nomination & Remuneration Policy includes policy on Director's appointment and remuneration including the criteria for determining qualifications, positive attributes, independence of a Director and other matters as provided under Section 178(3) of the Companies Act, 2013. • Nomination and Remuneration Policy of the Company forms part of the Board Report as Annexure I.

Name of Committee	Composition	Terms of Reference
Corporate Social Responsibility Committee	Sanjeev Pahwa (Chairman) Sachit Jain Suchita Jain	• Formulated and recommended CSR Policy of the Company indicating CSR activities proposed to be undertaken by the Company pursuant to the provisions of Schedule VII of the Companies Act, 2013 read with CSR Rules, 2014. The CSR policy may be accessed on the Company's website at the link: **http://vardhmansteel.com/Corporate%20Social%20Responsibility%20Policy.pdf** • During the year, the Company has not undertaken any CSR initiatives as average profits of the last three financial years is Nil. • The Annual Report on CSR activities undertaken by the Company forms part of the Board Report as Annexure III.
Stakeholders' Relationship Committee	Sanjeev Pahwa (Chairman) Suchita Jain B.K. Choudhary	• The Committee reviews and ensures redressal of investor grievances. • The Committee noted that during the year the Company received **Nil** complaints from Investors. There is no pendency in respect of shares received for transfer during 2016-2017 except those that are disputed/ sub-judice.

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

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

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

N.A. - Not a member of the Committee

*Mr. Sachit Jain ceased to be the member of Nomination & Remuneration Committee of the Company w.e.f. 24th August, 2016.

** Mr. Sanjoy Bhattacharyya was appointed as member of Audit Committee of the Company w.e.f. 28th October, 2016.

iii. Meeting of Independent Directors:

The meeting of Independent Directors of the Company for the calendar year 2016 was held on 12th November, 2016 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 and the minutes of the meeting was submitted to the Chairman of the Company.

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.

Familiarization Programme for Independent Directors

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

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

4. DIRECTORS' REMUNERATION:

i) Managing Director:

The Company pays remuneration to Managing Director as approved by the Board of Directors and the Members of the Company in the General Meeting. Due to anticipated inadequacy in profits for the financial year 2016-17, the Shareholders had approved remuneration to Mr. Sachit Jain, Managing Director, in terms of limits set under Section-II of Part-II of Schedule V of the Companies Act, 2013.

(₹ in Lakhs)

Name	Designation	Salary	Perquisites & Allowances	Retirement Benefit	Commission	Gross remuneration
Sachit Jain	Managing Director	60.00	34.05	-	-	94.05

ii) Non-Executive Directors:

Mr. Prafull Anubhai, Non-Executive Chairman and Independent Director of the Company is entitled to remuneration by way of commission @ 1% of the Net Profit of the Company subject to maximum of ₹10 lakhs per annum. The remuneration due to Mr. Prafull Anubhai for the year 2016-17 is ₹10 lakhs.

The Directors are paid sitting fees @ ₹15,000/- per Board Meeting and @ ₹10,000/- per Committee Meeting. The detail of sitting fees paid to the Directors during the Financial Year 2016-17 is given hereunder: -

S. No.	Name of Director	Sitting Fee (₹)
1.	Prafull Anubhai	1,70,000
2.	Rajinder Kumar Jain	1,30,000
3.	Rajeev Gupta	80,000
4.	Sanjeev Pahwa	1,00,000
5.	Jayant Davar	30,000
6.	Sanjoy Bhattacharyya	55,000

5. SHAREHOLDING DETAIL OF DIRECTORS AS ON 31ST MARCH, 2017:

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	54,161
2.	Sachit Jain	8,001
3.	Rajinder Kumar Jain	24,614
4.	Sanjoy Bhattacharyya	10

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

6. GENERAL BODY MEETINGS:

i. The details of Annual General Meeting & No. of Special Resolutions passed during last three financial years are as follows:

Meeting	Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
6th Annual General Meeting for the Financial Year ended 31st March, 2016.	Wednesday, 28th September, 2016 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	4
5th Annual General Meeting for the Financial Year ended 31st March, 2015.	Friday, 4th September, 2015 at 12:00 noon.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	1
4th Annual General Meeting for the Financial Year ended 31st March, 2014.	Wednesday, 24th September, 2014 at 03:30 p.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	1

ii. Postal Ballot:

During the year, the members approved following matter by passing Special Resolution through Postal Ballot:

To consider and approve Employee Reservation along with Rights Issue.

The Board had appointed M/s. Harsh Goyal & Associates, Practicing Company Secretaries as Scrutinizer to conduct the postal ballot process in a fair and transparent manner. The details of the voting pattern is as follows:-

Promoter / Public	No. of shares held	No. of votes polled	% of votes polled on outstanding shares	No. of votes in favour	No. of votes against	% of votes in favour on votes polled	% of votes in against on votes polled
	1	2	3 = (2/1)*100	4	5	6= (4/2)*100	7= (5/2)*100
Special Resolution							
Promoter & Promoter Group	1,39,11,409	1,39,11,409	100	1,39,11,409	0	100	0
Public	46,43,967	34,206	0.74	33,374	832	97.57	2.43
Total	**1,85,55,376**	**1,39,45,615**	**75.16**	**1,39,44,783**	**832**	**99.99**	**0.01**

There is no immediate proposal for passing any resolution through Postal Ballot in the financial year 2017-18.

7. DISCLOSURES:

i. There was no materially significant related party transaction that may have any potential conflict with interest of the Company at large.

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

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

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

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

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

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

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

8. MEANS OF COMMUNICATION:

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

GENERAL INFORMATION FOR SHAREHOLDERS

i) 7th Annual General Meeting:

Date : 22nd September, 2017

Time : 11.00 a.m.

Venue : Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana-141 010.

ii) Financial Calendar 2017-18 (Tentative)

First Quarter Results : July, 2017

Second Quarter Results : October, 2017

Third Quarter Results : January, 2018

Annual Results : May, 2018

iii) Dates of Book Closure : 11.09.2017 to 22.09.2017 (both days inclusive)

iv) Dividend payment date : The Board of Directors has not recommended Dividend for Financial Year 2016-17.

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

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

The Company has duly paid the listing fee to both the aforesaid Stock Exchanges for the financial year 2016-17.

vi) Stock Code:

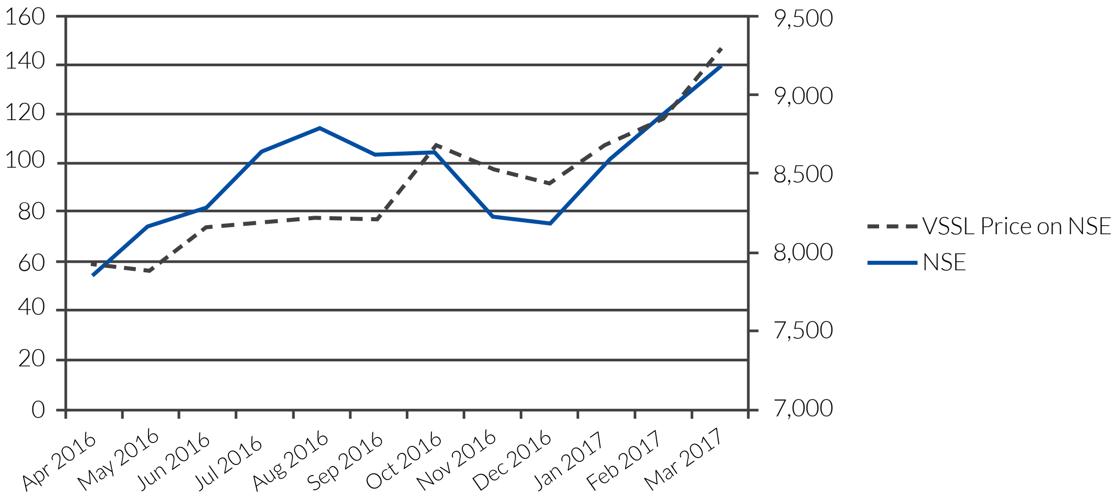
- The Bombay Stock Exchange Limited, Mumbai: 534392
- The National Stock Exchange of India Limited: VSSL

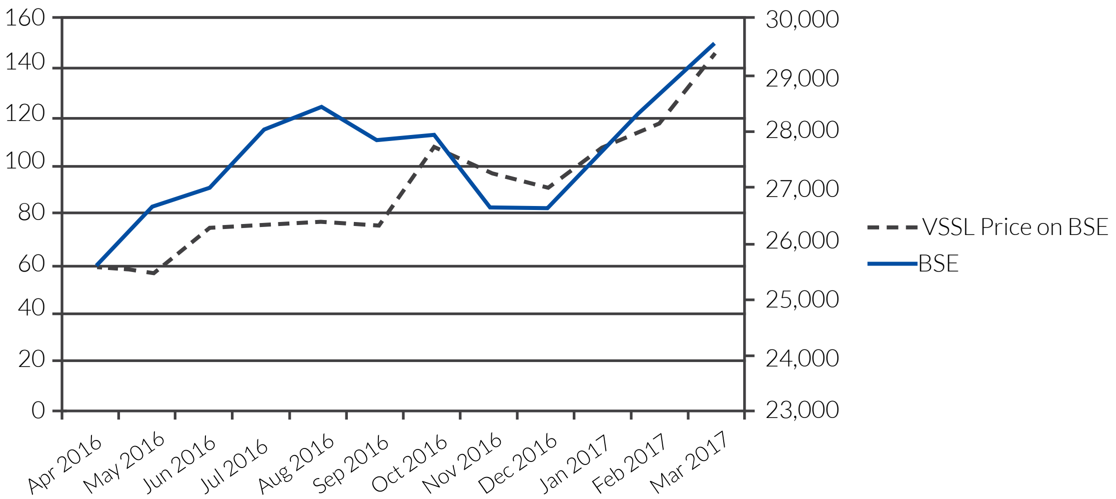
vii) Stock Market Data:

The month-wise highest and lowest and closing stock prices of NSE viś-a-viś BSE during the financial year 2016-17 are given below:

Financial Year 2016-17	Share Prices of Vardhman Special Steels Limited on NSE				Share Prices of Vardhman Special Steels Limited on BSE			
	Highest (₹)	Lowest (₹)	Closing (₹)	%age change over last month's closing	Highest (₹)	Lowest (₹)	Closing (₹)	%age change over last month's closing
April	61.00	52.00	59.25	12.64	62.90	45.30	59.25	12.75
May	67.00	54.00	56.55	-4.56	64.80	54.60	57.00	-3.80
June	84.15	53.00	74.05	30.95	82.00	55.65	74.90	31.40
July	78.95	60.40	75.65	2.16	79.50	59.95	76.30	1.87
August	87.50	71.90	77.70	2.71	89.95	71.20	77.80	1.97
September	84.50	72.55	77.00	-0.90	87.85	72.70	76.00	-2.31
October	126.90	75.05	107.55	39.68	125.70	73.65	107.70	41.71
November	116.95	79.55	97.70	-9.16	114.00	79.40	97.75	-9.24
December	107.10	87.20	91.90	-5.94	110.00	86.10	91.95	-5.93
January	121.00	84.65	107.75	17.25	131.00	90.00	107.80	17.24
February	133.00	103.20	117.85	9.37	133.40	103.55	117.90	9.37
March	149.50	110.10	146.15	24.01	149.00	106.00	146.70	24.43

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 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, 2017:

Range	Shareholders		Shares	
No. of Shares	Number of total holders	% to total holders	Number of shares held	% to total shares
Upto 500	15,649	95.09	7,21,962	3.89
501-1000	305	1.85	2,32,117	1.25
1001-2000	162	0.98	2,49,091	1.34
2001-3000	77	0.47	1,91,216	1.03
3001-4000	47	0.29	1,66,009	0.90
4001-5000	40	0.24	1,85,878	1.00
5001-10000	69	0.42	5,07,699	2.74
10001-above	108	0.66	1,63,01,404	87.85
Total	**16,457**	**100**	**1,85,55,376**	**100**

xii) Dematerialisation of shares:

As on 31st March, 2017, 98.73% of the capital comprising 1,83,19,096 shares, out of total of 1,85,55,376 shares, were dematerialized.

xiii) Stock Options:

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

xiv) Plant Location:

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

xv) Address for correspondence:

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

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

Vice-Chairman & Managing Director's declaration

I, Sachit Jain, Vice-Chairman & Managing Director of Vardhaman 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, 2017.

Place: Gurugram
Dated: 28th April, 2017

Sachit Jain
Vice-Chairman & Managing Director

Auditors' Certificate on Corporate Governance

To
The Members of
Vardhman Special Steels Limited

We have examined the compliance of conditions of Corporate Governance by Vardhman Special Steels Limited ("the Company") for the year ended March 31, 2017, as stipulated in Regulations 17-27, clause (b) to (i) of Regulation 46 (2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') pursuant to the Listing Agreement of the Company with Stock Exchanges.

The compliance with the terms and conditions contained in the corporate governance is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the terms and conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. Pursuant to the requirements of the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Company has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended March 31, 2017.

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

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

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

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

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

Harish Gupta
Partner
Membership Number: 098336

Place: New Delhi
Date: April 28, 2017

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the members of Vardhaman Special Steels Limited

Report on the Ind-AS Financial Statements

We have audited the accompanying Ind-AS financial statements of Vardhaman Special Steels Limited ('the Company') which comprise the Balance Sheet as at March 31, 2017, the statement of profit and loss (including other comprehensive income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind-AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind-AS, of the financial position of the Company as at March 31, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

(e) on the basis of written representations received from the Directors as on March 31, 2017 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2017 from being appointed as a Director in terms of sub-section 2 of section 164 of the Act;

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

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

i. the Company has disclosed the impact of pending litigations on its financial position in its Ind-AS financial statements – refer note 33 to the Ind-AS financial statements.

ii. the Company has made provision, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts to the Ind-AS financial statements.

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

iv. the Company has provided requisite disclosures in its Ind-AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the management– refer note 42 to the Ind-AS financial statements.

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

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram
Date: April 28, 2017

"Annexure A" to the Independent Auditor's Report

The Annexure as referred in paragraph (1) 'Report on Other Legal and Regulatory Requirements of our Independent Auditors' Report to the members of Vardhman Special Steels Limited on the financial statements for the year ended March 31, 2017, we report that:

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

(b) The fixed assets have been physically verified by the management according tothe programme of periodical verification in phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its fixed assets. The discrepancies, if any, noticed on such physical verification have been properly dealt with in the books of accounts.

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

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

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

iv. According to the information and explanations given to us, the Company have complied with the provisions of section 185 and I86 of the Act with respect to the loans, investments made.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits with public consequently, the directives issued by the Reserve Bank of India, the provisions of Section 73 to 76 or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.

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

vii. (a) According to the information and explanations given to us and on the basis of examination of the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales-tax, income tax, service tax, custom duty, excise duty, value added tax, cess and any other material statutory dues with the appropriate authorities to the extent applicable and further, there are no undisputed statutory dues payable for a period of more than six months from the date they become payable as at March 31, 2017.

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

Name of the statute	Nature of dues	Period to which amount relates	Amount involved (₹ In Lakhs)*	Forum where dispute is pending
Sales Tax Act	VAT& CST	2014-15	2.75	The Assistant Commissioner, Uttar Pradesh
Central Excise Act, 1944	Excise Duty	1994-95	4.16	Chief Commissioner Excise, Chandigarh
		2000-01	0.45	CESTAT, Chandigarh
		2000-01	34.78	Commissioner Appeals, Chandigarh
		2005-06	1.33	Remanded back to Commissioner Appeals by CESTAT in Aug 2010
		2014-15	1.46	Assistant Commissioner, Ludhiana
		2013-14	0.85	CESTAT, Chandigarh
		2013-14	0.25	CESTAT, Chandigarh
		2015-16	0.71	Assistant Commissioner, Ludhiana
		2015-16	1.16	Assistant Commissioner, Ludhiana
		2016-17	1.93	Assistant Commissioner, Ludhiana
Income Tax Act, 1961	Income Tax	2012-13	520.89	Deputy Commission of Income Tax, Circle I, Ludhiana
Entry Tax	Punjab VAT & CST	2011-12, 2012-13 & 2013-14	1,450.00	Punjab & Haryana High Court

*Net of Payment

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

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

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

x. According to the information and explanations given to us, no instance of fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

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

xii. In our opinion and 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 based on our examination of the record 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 Ind-AS financial statements as required by the applicable Accounting standards.

xiv. Based upon the audit procedures performed and the information and explanations given to us, the Company has not made any preferential allotment of shares during the year under review. Consequently, requirements of clause (xiv) of Paragraph 3 of the order are not applicable.

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

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

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

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram
Date: April 28, 2017

"Annexure B" to the Independent Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") as referred to in paragraph 2(f) of 'Report on Other Legal and Regulatory Requirements' section.

We have audited the internal financial controls over financial reporting of Vardhman Special Steels Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Harish Gupta
Partner
Membership Number: 098336

Place: Gurugram
Date: April 28, 2017

Balance Sheet as at March 31, 2017

(All amounts in ₹ Lakhs)

	Particulars	Note	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
	ASSETS				
1	**Non-current assets**				
	(a) Property, plant and equipment	3	26,417.88	25,024.80	22,997.74
	(b) Capital work-in-progress		111.32	210.84	2,079.82
	(c) Other intangible assets	3.1	38.62	35.20	-
	(d) Financial assets				
	Investments	4	67.87	141.97	1,752.98
	Loans	5	46.42	25.97	18.00
	Others financial assets	6	-	-	0.07
	(e) Other non-current assets	7	1,077.42	1,220.85	869.37
	Total non-current assets		**27,759.53**	**26,659.63**	**27,717.98**
2	**Current assets**				
	(a) Inventories	8	11,783.09	10,690.38	13,288.98
	(b) Financial assets				
	Investments	9	30.53	1,308.11	-
	Trade receivables	10	18,897.16	19,416.94	17,898.22
	Cash and cash equivalents	11	594.54	376.54	859.33
	Bank balances other than above	12	0.10	2.52	5.52
	Loans	13	69.92	54.00	49.82
	Other financial assets	14	81.71	110.70	110.14
	(c) Current tax assets (Net)		76.36	98.39	99.96
	(d) Other current assets	15	1,974.48	2,665.45	1,776.58
	Total current assets		**33,507.89**	**34,723.03**	**34,088.55**
	TOTAL ASSETS		**61,267.42**	**61,382.66**	**61,806.53**
	EQUITY AND LIABILITIES				
	Equity				
	(a) Equity share capital	16	1,855.54	1,855.54	1,855.54
	(b) Other equity		17,952.55	16,061.54	15,656.42
	Total equity		**19,808.09**	**17,917.08**	**17,511.96**
	Liabilities				
1	**Non-current liabilities**				
	(a) Financial liabilities				
	Borrowings	17	11,545.50	12,902.09	10,438.36
	(b) Provisions	18	80.31	62.88	54.43
	(c) Other non-current liabilities	19	19.72	13.89	19.00
	Total non-current liabilities		**11,645.53**	**12,978.86**	**10,511.79**
2	**Current liabilities**				
	(a) Financial liabilities				
	Short term borrowings	20	13,871.47	16,682.35	23,911.98
	Trade payable:	21			
	(i) Total outstanding dues of micro enterprises and small enterprises		-	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		3,490.94	4,099.68	5,157.10
	Other financial liabilities	22	11,718.63	9,042.45	3,776.50
	(b) Other current liabilities	23	706.12	600.10	874.98
	(c) Short term provisions	24	26.64	62.14	62.22
	Total current liabilities		**29,813.80**	**30,486.72**	**33,782.78**
	TOTAL EQUITY AND LIABILITIES		**61,267.42**	**61,382.66**	**61,806.53**

The accompanying notes form an integral part of the financial statements 1-47

As per our report of even date attached

for S S KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm's registration number : 022150N

For and on behalf of the Board of Directors

Harish Gupta
Partner
Membership No. : 098336

Sachit Jain
(Vice- Chairman & Managing Director)
DIN No. : 00746409

Suchita Jain
(Director)
DIN No. : 00746471

Subhasis Dey
(President & CE)

Place: Gurugram
April 28, 2017

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No. : A34338

Statement of Profit and Loss for the year ended March 31, 2017

(All amounts in ₹ Lakhs)

	Particulars	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
	Revenue from operations	25	75,651.54	72,932.88
	Less: Discount		338.64	381.47
	Net sales		75,312.90	72,551.41
	Other income	26	564.29	265.24
I.	**Total income**		**75,877.19**	**72,816.65**
II.	**Expenses :**			
	Cost of materials consumed	27	36,421.86	32,508.39
	Changes in inventories of finished goods, work-in- progress and stock-in-trade	28	(1,164.88)	2,990.96
	Excise duty consumed on sales		7,932.08	7,277.29
	Employee benefit expense	29	3,979.68	3,368.67
	Finance cost	30	2,827.97	2,301.62
	Depreciation and amortization expense	3	1,806.70	1,703.11
	Other expenses	31	22,160.36	22,244.96
	Total expenses		**73,963.77**	**72,395.00**
III.	**Profit before tax (I-II)**		**1,913.42**	**421.65**
IV.	**Tax expense:**			
	Current tax (MAT)		400.26	-
	MAT credit entitlement		(393.99)	
	Income tax relating to earlier year		(6.53)	-
	Deferred tax		-	-
	Total of tax expenses		(0.26)	-
V.	**Profit for the period (III-IV)**		**1,913.68**	**421.65**
VI.	**Other Comprehensive Income**			
A	***Items that will not be reclassified to profit or loss***			
	Remeasurement of the net defined benefit liability / asset		(22.67)	(16.53)
	Income tax relating to items that will not be reclassified to profit or loss		-	-
B	***Items that will be reclassified to profit or loss***			
	Income tax relating to items that will be reclassified to profit or loss		-	-
	Total Other Comprehensive Income (Net)		**(22.67)**	**(16.53)**
VII.	**Total comprehensive income for the period (V+VI)**		**1,891.01**	**405.12**
	Earnings per share (₹)			
	Basic - Par value of ₹10 per share		10.31	2.27
	Diluted - Par value of ₹10 per share		10.31	2.27

The accompanying notes form an integral part of the financial statements 1-47

As per our report of even date attached

for S S KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm's registration number : 022150N

Harish Gupta
Partner
Membership No. : 098336

Place: Gurugram
April 28, 2017

For and on behalf of the Board of Directors

Sachit Jain
(Vice- Chairman & Managing Director)
DIN No. : 00746409

Suchita Jain
(Director)
DIN No. : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No. : A34338

Statement of Cash Flow for the year ended March 31, 2017

(All amounts in ₹ Lakhs)

	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
A	**Cash flow from operating activities**		
	Profit before tax	1,913.43	421.65
	Adjustments for:		
	Other comprehensive income	(22.67)	(16.53)
	Depreciation	1,806.70	1,703.11
	Provision for fall in value of investment	61.79	24.37
	Loss on sale of investments	65.51	0.03
	Net Loss on sale of property, plant and equipment	77.55	111.80
	Balances written off	34.10	26.79
	Bad debts	51.15	0.02
	Provision for doubtful debts	100.00	40.00
	Interest expenses	2,827.97	2,301.62
	Interest income	(111.13)	(91.42)
	Dividend income from current investments	(0.38)	(6.28)
	Profit on sale of current investments	(218.07)	(36.23)
	Interest income from current investments	(60.54)	(19.34)
	Provision no longer required written back	(0.61)	(3.15)
	Sundry balances written back	(153.07)	(35.64)
	Operating profit before working capital change		
	Adjustments for:		
	(Increase)/ decrease in inventories	(1,092.70)	2,598.59
	(Increase)/ decrease in trade receivables	368.63	(1,558.74)
	(Increase)/ decrease in short-term loans	(15.92)	(4.18)
	(Increase)/ decrease in other financial current assets	27.69	(0.64)
	(Increase)/ decrease in other current assets	690.97	(888.87)
	(Increase)/ decrease in non current financial asset - long-term loans	(54.55)	(34.76)
	(Increase)/ decrease in other financial non current assets	-	0.07
	(Increase)/ decrease in other non-current assets	143.42	(351.47)
	(Decrease)/ increase in long term provisions	17.43	8.45
	(Decrease)/ increase in other non current liabilities	5.82	(5.10)
	(Decrease)/increase in trade payables	(455.06)	(1,018.64)
	(Decrease)/ increase in other financial current liabilities	703.26	1,745.96
	(Decrease)/ increase in other current liabilities	106.03	(274.89)
	(Decrease)/ increase in short term provisions	(35.50)	(0.08)
	Cash (used in)/from operations	**6,781.25**	**4,636.49**
	Direct taxes	22.29	1.57
	Net cash flow (used in)/from operating activities	**6,803.54**	**4,638.06**

	Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
B	**Cash flow from investing activities**		
	Purchase of tangible fixed assets	(3,261.49)	(2,017.62)
	Purchase of intangible fixed assets	(10.46)	(36.38)
	Proceeds from sale of fixed assets	90.73	45.81
	Dividend income	0.38	6.28
	Sale/(purchase) of long term investments (Net)	8.58	1,610.98
	Sale/(purchase) of current investments (Net)	1,494.41	(1,276.91)
	Interest received	112.43	91.50
	Net cash flow from/ (used in) investing activities	**(1,565.42)**	**(1,576.34)**
C	**Cash flow from financing activities**		
	Proceeds from long term borrowings (Net)	660.36	5,937.88
	Proceed from short term borrowings (Net)	(2,810.87)	(7,229.64)
	Interest paid	(2,872.03)	(2,255.75)
	Net cash Flow from/ (used in) financing activities	**(5,022.54)**	**(3,547.51)**
	Net increase /(decrease) in cash and cash equivalent (A+B+C)	215.58	(485.79)
	Cash and cash equivalent at the beginning of the year	379.06	864.85
	Cash and cash equivalent at the end of the year	**594.64**	**379.06**
	Cash and cash equivalents		
	Current accounts	589.84	370.17
	Cash on hand	4.70	6.37
	Bank deposits	0.10	2.52
	Cash and cash equivalent at the end of the year	**594.64**	**379.06**

As per our report of even date attached
for S S KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm's registration number : 022150N
Harish Gupta
Partner
Membership No. : 098336

Place: Gurugram
April 28, 2017

For and on behalf of the Board of Directors

Sachit Jain
(Vice- Chairman & Managing Director)
DIN No. : 00746409

Suchita Jain
(Director)
DIN No. : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No. : A34338

Statement of Changes in Equity

a. Equity Share Capital

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Balance at the beginning of the reported period	1,855.54	1,855.54	1,855.54
Changes in the equity share capital during the year	-	-	-
Balance at the closing of the reported period	**1,855.54**	**1,855.54**	**1,855.54**

b. Other Equity

(All amounts in ₹ Lakhs)

Particulars	Reserves & Surplus		Other comprehensive income	Total
	General Reserve	Retained Earnings	Other items of other comprehensive income	
Balance as at April 1, 2015	**13,890.62**	**1,765.80**	**-**	**15,656.42**
Profit for the year	-	421.65	-	421.65
Other comprehensive income for the year	-	-	(16.53)	(16.53)
Total comprehensive income for the year	-	421.65	(16.53)	405.12
Balance as at March 31, 2016	**13,890.62**	**2,187.45**	**(16.53)**	**16,061.54**
Profit for the year	-	1,913.68	-	1,913.68
Other comprehensive income for the year	-	-	(22.67)	(22.67)
Total comprehensive income for the year	-	1,913.68	(22.67)	1,891.01
Balance as at March 31, 2017	**13,890.62**	**4,101.13**	**(39.20)**	**17,952.55**

The accompanying notes form an integral part of the financial statements 1-47

As per our report of even date attached

for S S KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm's registration number : 022150N
Harish Gupta
Partner
Membership No. : 098336

Place: Gurugram
April 28, 2017

For and on behalf of the Board of Directors

Sachit Jain
(Vice- Chairman & Managing Director)
DIN No. : 00746409

Suchita Jain
(Director)
DIN No. : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No. : A34338

Notes to Financial Statements for the year ended March 31, 2017

1. CORPORATE INFORMATION

Vardhman Special Steels Limited (the Company) is a public company incorporated under the provisions of the Companies Act, 1956 on 14th May, 2010. The Company is engaged in manufacturing of Billets, Steel bars & Rods and Bright bars of various categories of special and alloy steels.

These financial statements were approved and adopted by Board of Directors of the Company in its meeting held on April 28, 2017.

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(i) Statement of Compliance

The Financial Statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and relevant provisions of the Companies Act, 2013.

(ii) Basis of Preparation

These financial statements have been prepared in accordance with Ind-AS 101, "First Time Adoption of Ind-AS", as these are the Company's first Ind-AS compliant Financial Statements for the year ended March 31, 2017.

The Financial Statements correspond to the classification provisions contained in Ind-AS 1 (Presentation of Financial Statements). The transition to Ind-AS has been carried out from the Accounting Principles generally accepted in India (Indian GAAP), which is considered as the "Previous GAAP", for purposes of Ind-AS 1.

The preparation of these Financial Statements resulted in changes to the Company's Accounting Policies as compared to the most recent Annual Financial Statements prepared under Previous GAAP, wherever necessary. All Accounting Policies and applicable Ind-AS have been applied consistently and retrospectively to all periods, including the previous financial year presented and the Ind-AS opening balance sheet as at April 1, 2015 (Transition Date). The resulting difference between the carrying amounts under Ind-AS and Previous GAAP as on the Transition Date has been recognised directly in Equity.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The financial statements are presented in INR and all values are rounded to the nearest INR Lakhs, except when otherwise indicated.

(iii) Use of Estimates

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

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

(iv) Classification of Assets and Liabilities as Current and Non-Current

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

Notes to Financial Statements for the year ended March 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED MARCH 31, 2017.

(I) REVENUE RECOGNITION

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

Sale of goods

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

Export Incentives

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

Interest Income

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

Dividend Income

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

Insurance and Other Claims

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

(II) INVENTORY VALUATION

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

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

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

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

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

(III) CASH AND CASH EQUIVALENTS

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

Notes to Financial Statements for the year ended March 31, 2017

(IV) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

Depreciation is provided on Straight Line Method on the basis of useful lives of such assets in accordance with and in the manner specified under Schedule II of the Companies Act, 2013 except the assets costing ₹5,000/- or below on which depreciation is charged @ 100% per annum on proportionate basis.

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

Intangible Assets

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

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

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

(V) LEASES

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

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

Notes to Financial Statements for the year ended March 31, 2017

(VI) IMPAIRMENT

a) Financial assets

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

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

b) Non-financial assets

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

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

(VII) FINANCIAL INSTRUMENTS

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

Initial recognition and measurement

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

Subsequent measurement

Non-derivative financial instruments

(i) Financial assets carried at amortised cost

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

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

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

Notes to Financial Statements for the year ended March 31, 2017

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

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

(iv) Financial liabilities

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

Derivative financial instruments

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

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

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

Equity Share Capital

(i) Equity shares

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

De-recognition of financial instruments

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

Fair value measurement of financial instruments

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

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

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

(VIII) EMPLOYEES BENEFITS

Short term employee benefits:

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

Post-employment benefits

Defined contribution plans:

Provident fund

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

Superannuation

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

Defined benefit plans

Gratuity

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

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

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

Compensated absences

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

(IX) BORROWING COSTS

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

(X) EARNING PER SHARE

Basic earning per equity share are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period. Diluted earning per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earning per equity share and also the weighted average number of equity shares that could have

Notes to Financial Statements for the year ended March 31, 2017

been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value (i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

(XI) INCOME TAXES

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

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

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

(XII) GOVERNMENT GRANTS

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

(XIII) FOREIGN CURRENCY TRANSACTIONS

Functional and presentation currency

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

Transaction and balances

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

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

Notes to Financial Statements for the year ended March 31, 2017

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

(XIV) DIVIDENDS

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

(XV) PROVISIONS AND CONTINGENT LIABILITIES/ ASSETS

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

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

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

(XVI) STATEMENT OF CASH FLOWS

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

a) CONTINGENCIES

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

b) ALLOWANCE FOR UNCOLLECTED ACCOUNTS RECEIVABLE AND ADVANCES

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

c) DEFINED BENEFIT PLANS

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

Notes to Financial Statements for the year ended March 31, 2017

d) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

RECENT ACCOUNTING PRONOUNCEMENTS

a) Standards Issued but not yet effective

Amendments to Ind-AS 7, 'Statement of cash flows' as per notification issued by the Ministry of Corporate Affairs in March, 2017 in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of Cash Flows' is applicable to the Company from April 1, 2017.

b) Amendment to Ind-AS 7

The amendment to Ind-AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is evaluating the requirements of the amendment.

Notes to Financial Statements for the year ended March 31, 2017

3 Property, plant & equipment

(All amounts in ₹ Lakhs)

Particulars	Land-Freehold	Buildings	Plant & Equipment	Furniture & Fixtures	Vehicles	Office Equipments	Total
Gross carrying value:-							
As at April 01, 2015	**844.94**	**4,152.34**	**24,021.38**	**134.05**	**280.34**	**213.59**	**29,646.64**
Additions	-	818.81	2,973.94	4.33	24.09	65.44	3,886.61
Disposals	-	-	(404.06)	(8.04)	-	(10.72)	(422.82)
Acquisitions through business combinations	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
As at March 31, 2016	**844.94**	**4,971.15**	**26,591.26**	**130.34**	**304.43**	**268.31**	**33,110.43**
Additions	-	161.45	2,942.11	6.40	214.73	36.32	3,361.01
Disposals	-	-	(141.05)	-	(168.78)	-	(309.83)
Other adjustments	-	2.95	61.20	(44.84)	(53.95)	29.29	(5.35)
As at March 31, 2017	**844.94**	**5,135.55**	**29,453.52**	**91.90**	**296.43**	**333.92**	**36,156.26**
Depreciation:-							
As at April 01, 2015	**-**	**1,127.18**	**5,222.30**	**63.74**	**103.52**	**132.16**	**6,648.90**
Charge for the year	-	135.89	1,483.35	10.55	36.13	36.01	1,701.93
Disposals	-	-	(248.04)	(7.91)	-	(9.26)	(265.21)
Others	-	-	-	-	-	-	-
As at March 31, 2016	**-**	**1,263.07**	**6,457.61**	**66.38**	**139.65**	**158.91**	**8,085.62**
Charge for the year	-	167.23	1,557.77	6.61	29.85	36.93	1,798.39
Disposals	-	-	(38.56)	-	(102.98)	-	(141.54)
Others	-	2.82	26.25	(22.26)	(24.74)	13.85	(4.09)
As at March 31, 2017	**-**	**1,433.11**	**8,003.07**	**50.73**	**41.78**	**209.69**	**9,738.38**
Net carrying value:-							
As at April 1, 2015	**844.94**	**3,025.16**	**18,799.08**	**70.31**	**176.82**	**81.43**	**22,997.74**
As at March 31, 2016	**844.94**	**3,708.08**	**20,133.65**	**63.97**	**164.78**	**109.40**	**25,024.80**
As at March 31, 2017	**844.94**	**3,702.43**	**21,450.45**	**41.17**	**254.65**	**124.23**	**26,417.88**

3.1 Other intangible asset

Particulars	Computer Software
Gross carrying value:-	
As at April 01, 2015	**-**
Additions	36.38
Disposals	-
Acquisitions through business combinations	-
Other adjustments	-
As at March 31, 2016	**36.38**
Additions	10.46

Notes to Financial Statements for the year ended March 31, 2017

Particulars	Computer Software
Disposals	-
Other adjustments	5.35
As at March 31, 2017	**52.19**
Depreciation:-	
As at April 01, 2015	**-**
Charge for the year	1.18
Disposals	-
Others	-
As at March 31, 2016	**1.18**
Charge for the year	8.32
Disposals	-
Others	4.08
As at March 31, 2017	**13.58**
Net carrying value:-	
As at April 1, 2015	**-**
As at March 31, 2016	**35.20**
As at March 31, 2017	**38.62**

3.2 Capital work in progress

Particulars	Amount of Capital Work in Progress
As at April 01, 2015	**2,079.82**
Additions	2,054.01
Amount transferred from CWIP	(3,922.99)
Other Adjustments	-
As at March 31, 2016	**210.84**
Additions	3,272.53
Amount transferred from CWIP	(3,372.05)
As at March 31, 2017	**111.32**

4 Investments (non - current financial asset)

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets measured at fair value through profit and loss			
Investments in debentures/ bond			
Debt funds/ fixed maturity plans (Quoted)			
Birla sunlife fixed term plan -series	-	-	1,213.68
(CY: Nil; March 31, 2016: Nil; April 1, 2015: 1,00,00,000 of ₹10/- each)			
Others (unquoted) Alternate Investment Fund			
IIFL real estate fund (domestic) series-I	67.87	141.97	539.30
Total	**67.87**	**141.97**	**1,752.98**
Aggregate amount of quoted Investments	-	-	143.68
Aggregate amount of unquoted Investments	67.87	141.97	539.30

Notes to Financial Statements for the year ended March 31, 2017

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

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets at amortized cost			
Loans to employees	46.42	25.97	18.00
Total	**46.42**	**25.97**	**18.00**

6 Other financial assets (non-current)

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets at amortized cost			
Other recoverable	-	-	0.07
Total		**-**	**0.07**

7 Other non current assets

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Capital advances	48.63	199.95	73.92
Advances other than capital advances:			
-Security deposits	885.36	885.34	749.39
Others			
-Prepaid expenses	3.20	7.57	7.83
-Prepaid (Deferred) expenses for employee benefits	17.39	5.55	3.82
-Other recoverable	122.84	122.44	34.41
Total	**1,077.42**	**1,220.85**	**869.37**

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

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Raw material	1,133.86	880.77	1,956.14
Raw material in transit	951.86	1,538.08	389.91
Stores and spares	1,980.82	1,896.49	1,926.51
Stores and spares in transit	42.88	244.12	174.30
Finished goods	7,673.67	6,130.92	8,842.12
Total	**11,783.09**	**10,690.38**	**13,288.98**

Notes to Financial Statements for the year ended March 31, 2017

9 Current investments

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets measured at fair value through profit and loss			
Investments in debt funds			
Debt funds/ Fixed maturity plans (Quoted)			
Birla sunlife fixed term plan -series *	-	1,308.11	-
(CY: Nil, March 31, 2016: 1,00,00,000, April 1, 2015: Nil) of Rs. 10/- each			
Baroda pioneer liquid fund plan	30.01	-	-
(CY: 2997.71 Units, March 31, 2016: Nil, April 1, 2015: Nil)			
Equity instruments (Quoted)			
GNA Axles ltd.	0.52	-	-
(CY: 235 Shares, March 31, 2016: Nil, April 1, 2015: Nil)			
Total	**30.53**	**1,308.11**	**-**

* Lien marked in favour of Deutsche Bank AG against the overdraft facility sanctioned by it.

10 Trade receivables

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Unsecured, considered good	18,897.16	19,416.94	17,898.22
Unsecured, considered doubtful	100.00	100.00	60.00
	18,997.16	**19,516.94**	**17,958.22**
Less: Provision for doubtful debts	100.00	100.00	60.00
Total	**18,897.16**	**19,416.94**	**17,898.22**

11 Cash and cash equivalents

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Cash and cash equivalents			
Balance with banks in			
Current accounts	589.84	370.17	857.12
Cash on hand	4.70	6.37	2.21
Total	**594.54**	**376.54**	**859.33**

12 Bank balances other than cash and cash equivalents

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Other bank balance			
Bank deposits *	0.10	2.52	5.52
Total	**0.10**	**2.52**	**5.52**

* Lien marked on fixed deposit of ₹10,000 in favour of Sale Tax Department of Himachal Pradesh.

Notes to Financial Statements for the year ended March 31, 2017

13 Loans (current)

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets at amortized cost			
Other loans			
Loans to employees	69.92	54.00	49.82
Total	**69.92**	**54.00**	**49.82**

14 Other financial assets (current)

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets at amortized cost			
Interest accrued on fixed deposits	-	1.30	1.38
Others	80.88	105.79	105.78
Advances to employees	0.83	3.61	2.98
Total	**81.71**	**110.70**	**110.14**

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

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Other advances			
Advances to suppliers & contractors	368.58	1,432.38	610.28
Others			
Prepaid expenses	83.72	53.11	82.73
Other current assets	54.88	80.62	110.78
Prepaid (deferred) expenses for employee benefits	2.27	2.69	1.62
MAT Credit entitlement	393.99	-	-
Balance with government authorities	1,071.04	1,096.65	971.17
Total	**1,974.48**	**2,665.45**	**1,776.58**

16 Share capital

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorised						
Equity shares of ₹10 each	6,00,00,000	6,000.00	3,50,00,000	3,500.00	3,50,00,000	3,500.00
	6,00,00,000	6,000.00	3,50,00,000	3,500.00	3,50,00,000	3,500.00
Issued, subscribed and paid up						
Equity shares of ₹10 each fully paid up						
At the beginning of the year	1,85,55,376	1,855.54	1,85,55,376	1,855.54	1,85,55,376	1,855.54
Add: Issued during the year	-		-		-	
At the end of the year	**1,85,55,376**	**1,855.54**	**1,85,55,376**	**1,855.54**	**1,85,55,376**	**1,855.54**

Notes to Financial Statements for the year ended March 31, 2017

Equity Shares:

The equity shareholders have:-

- The right to receive dividend out of balance of net profits remaining after payment of dividend to the preference shareholders. The dividend proposed by Board of Directors is subject to approval of shareholders in the ensuing general meeting.
- The Company has only one class of Equity Shares having face value of ₹10/- each and each shareholder is entitled to one vote per share.
- In the event of winding up, 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.

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

16 (b) Equity Shares calls unpaid by directors and officers of the Company is **NIL**

16 (c) Shares held by holding company or its ultimate holding company or subsidiaries or associates of the holding company or the ultimate holding company in aggregate is **NIL**

16 (d) Details of shareholders holding more than 5% shares of the Company:

Particulars	As at March 31, 2017		As at March 31, 2016	
	Number of shares	% holding in the class	Number of shares	% holding in the class
Equity shares of ₹10/-each fully paid up held by				
- Vardhman Textiles Limited	58,25,000	31.39	58,25,000	31.39
- Vardhman Holdings Limited	30,80,517	16.60	30,80,517	16.60
- Adishwar Enterprises LLP (Formerly Adinath Investment and Trading Company)	25,22,655	13.60	25,22,655	13.60
- Devakar Investment and Trading Company (P) Limited	13,29,012	7.16	11,08,175	5.97
Total	**1,27,57,184**	**68.75**	**1,25,36,347**	**67.56**

17 Non current financial liabilities: long-term borrowings

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Secured			
Term loans (refer note 17.1)			
From banks	11,685.50	6,766.66	718.05
External commercial borrowings- Axis Bank	6,044.95	10,303.43	10,414.17
	17,730.45	17,070.09	11,132.22
Less: Current maturities of long term borrowings	6,184.95	4,168.00	693.86
Total	**11,545.50**	**12,902.09**	**10,438.36**

Notes to Financial Statements for the year ended March 31, 2017

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

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	Particulars of security / guarantees / default	Terms of Repayment
SBI - Term Loan ₹7.20 Crs			**PRIMARY SECURITY:** 1st Pari Pasu charge on Land & Building and hypothecation charge on P & M of the Company (Both present & future). **COLLATERAL SECURITY:** 2nd pari passu charge on entire current assets of the Company.	1. 2016-17- 4 no's of quarterly instalments of ₹10,00,000/- each 2. 2017-18- 4 no's of quarterly instalments of ₹15,00,000/- each 3. 2018-19- 4 no's of quarterly instalments of ₹20,00,000/- each 4. 2019-20- 4 no's of quarterly instalments of ₹25,00,000/- each 5. 2020-21- 4 no's of quarterly instalmenst of ₹1,10,00,000/- each
Balance Outstanding	678.74	718.38		
Current Maturity	60.00	40.00		
Non-Current Maturity	618.74	678.38		
SBI - Term Loan ₹28.00 Crs (Reduced to ₹16.00 Crs)			**PRIMARY SECURITY:** 1st Pari Pasu charge on Land & Building and hypothecation charge on P & M of the Company (Both present & future). **COLLATERAL SECURITY:** 2nd pari passu charge on entire current assets of the Company.	1. 2017-18- 4 no's of quarterly instalments of ₹20,00,000/- each 2. 2018-19- 4 no's of quarterly instalments of ₹20,00,000/- each 3. 2019-20- 4 no's of quarterly instalments of ₹40,00,000/- each 4. 2020-21- 4 no's of quarterly instalments of ₹60,00,000/- each 5. 2021-22- 4 no's of quarterly instalments of ₹60,00,000/- each 6. 2022-23- 4 no's of quarterly instalments of ₹60,00,000/- each 7. 2023-24- 4 no's of quarterly instalments of ₹60,00,000/- each 8. 2024-25- 4 no's of quarterly instalments of ₹80,00,000/- each
Balance Outstanding	1,590.81	1,590.10		
Current Maturity	80.00	-		
Non-Current Maturity	1,510.81	1,590.10		
SBI - Term Loan ₹65.00 Crs			**PRIMARY SECURITY:** 1st pari pasu charge on Land & Building and hypothecation charge on P & M of the Company (Both present & future). **COLLATERAL SECURITY:** 2nd pari Passu charge on entire current assets of the Company.	1. 2018-19- 4 no's of quarterly instalments of ₹ 1,00,00,000/- each 2. 2019-20- 4 no's of quarterly instalments of ₹ 1,00,00,000/- each 3. 2020-21- 4 no's of quarterly instalments of ₹ 2,00,00,000/- each 4. 2021-22- 4 no's of quarterly instalments of ₹ 2,00,00,000/- each 5. 2022-23- 4 no's of quarterly instalments of ₹ 3,00,00,000/- each 6. 2023-24- 4 no's of quarterly instalments of ₹ 3,50,00,000/- each 7. 2024-25- 4 no's of quarterly instalments of ₹3,75,00,000/- each
Balance Outstanding	6,434.98	1,477.02		
Current Maturity	-	-		
Non-Current Maturity	6,434.98	1,477.02		

Notes to Financial Statements for the year ended March 31, 2017

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	Particulars of security / guarantees / default	Terms of Repayment
YES Bank - Term Loan ₹75.00 Crs			**PRIMARY SECURITY:** 1st pari pasu charge on entire movable fixed assets of the borrower (Both present & future) including Land & Building situated at Focal Point Ludhiana & Pioneer Industrial Park Pathredi. **COLLATERAL SECURITY:** 2nd pari Passu charge on entire current assets of the Company (Both present & future).	1. 2018-19- 3 no's of quarterly instalments of ₹ 1,12,50,000/- each; 2. 2019-20- 1 no of quarterly instalment of ₹1,12,50,000/- each & 3 no's of quarterly instalments of ₹1,64,30,000/- each 3. 2020-21- 1 no of quarterly instalment of ₹1,64,30,000/- each & 3 no's of quarterly instalments of ₹2,16,10,000/- each 4. 2021-22- 1 no of quarterly instalment of ₹2,16,10,000/- each & 3 no's of quarterly instalments of ₹2,67,90,000/- each 5. 2022-23-1 no of quarterly instalment of ₹2,67,90,000/- each & 3 no's of quarterly instalments of ₹3,19,60,000/- each 6. 2023-24- 1 no of quarterly instalment of ₹3,19,60,000/- each & 3 no's of quarterly instalments of ₹ 3,71,40,000/- each 7. 2024-25- 1 no of quarterly instalment of ₹3,71,40,000/- each & 3 no's of quarterly instalments of ₹4,23,20,000/- each 8. 2025-26- 1 no of quarterly instalment of ₹4,23,20,000/-
Balance Outstanding	2,980.97	2,981.16		
Current Maturity	-	-		
Non-Current Maturity	2,980.97	2,981.16		
Axis Bank - ECB Loan $ 16.66 Million			**PRIMARY SECURITY:** 1st charge by way of EM on Land & Building and hypothecation of plant & machinery of Company's Ludhiana Unit (Both present & future). **COLLATERAL SECURITY:** 2nd charge on entire current assets of the Company by way of hypothecation both present & future.	1. 2015-16- 1 no of quarterly instalment of $1,110,000 on 15th March 2016 2. 2016-17- 1 no of quarterly instalment of $1,110,000 on 15th June 2016, 2 no's of quarterly instalments of $1,560,000 on 15th September & 15th December 2016 & 1 no. of quarterly instalment of $2,000,000 on 15th March 2017 3. 2017-18- 1 no of quarterly instalment of $2,000,000 on 15th June 2017 & 3 no's of quarterly instalments of $2,440,000 on 15th September 2017, 15th December 2017 & 15th March 2018, respectively.
Balance Outstanding	6,044.95	10,303.43		
Current Maturity	6,044.95	4,128.00		
Non-Current Maturity	–	6,175.43		
Balance Outstanding	**17,730.45**	**17,070.09**		
Current Maturity	**6,184.95**	**4,168.00**		
Non-Current Maturity	**11,545.50**	**12,902.09**		

Notes to Financial Statements for the year ended March 31, 2017

18 Non current: long-term provisions

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Leave encashment (unfunded)	80.31	62.88	54.43
Total	**80.31**	**62.88**	**54.43**

19 Other non current liabilities

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Superannuation payable	4.57	8.34	6.71
Securities received	15.15	5.55	12.29
Total	**19.72**	**13.89**	**19.00**

20 Short-term borrowings

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Loan repayable on demand			
Secured:			
From banks*	11,662.40	13,856.37	21,357.41
Unsecured			
From related parties (refer note no:38)	1,500.00	1,500.00	2,554.57
Buyer credit	709.07	1,325.98	-
Total	**13,871.47**	**16,682.35**	**23,911.98**

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

21 Trade Payables

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade Payables			
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises.	3,490.94	4,099.68	5,157.10
Total	**3,490.94**	**4,099.68**	**5,157.10**

* Includes dues to Related Party Nil in CY; ₹88.99 Lakhs (March 31, 2016) and ₹7.07 Lakhs (April 1 , 2015) refer note 38)

22 Other financial current liabilities

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial liabilities at amortized cost			
Current maturity of long term debt	6,184.95	4,168.00	693.86
Interest accrued but not due on borrowings from banks	49.79	93.84	47.98
Others			
-Capital creditors	27.69	157.55	449.01
-Dues to employees	376.39	323.16	183.97

Notes to Financial Statements for the year ended March 31, 2017

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
-Expense payable	4,302.39	4,078.07	2,353.39
-Security deposits	6.81	40.48	28.61
Financial liabilities measured at fair value through profit and loss			
Derivative financial instruments	770.61	181.35	19.68
Total	**11,718.63**	**9,042.45**	**3,776.50**

23 Other current liabilities

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Advances from customers	45.29	101.64	113.50
Statutory dues	659.57	495.52	761.48
Other liabilities	1.26	2.94	-
Total	**706.12**	**600.10**	**874.98**

24 Short-term provisions

(All amounts in ₹ Lakhs)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Provision for employee benefits :			
Gratuity (funded) (refer note no. 37)	1.48	40.58	43.61
Leave encashment (unfunded)	25.16	21.56	18.61
Total	**26.64**	**62.14**	**62.22**

25 Revenue from operations

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Sale of products		
Own manufactured :		
Steel Bars	75,093.77	72,539.91
By Product and other miscellaneous sales	419.85	239.98
Export Incentives	137.92	152.99
Revenue from operations	**75,651.54**	**72,932.88**

26 Other income

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest income	111.13	91.42
Dividend income from current investments	0.38	6.28
Profit on sale of current investments	218.07	36.23
Interest income from current investments	60.54	19.34
Provision no longer required written back	0.61	3.15
Sundry balances written back	153.07	35.64
Miscellaneous income	20.49	73.18
Total	**564.29**	**265.24**

Notes to Financial Statements for the year ended March 31, 2017

27 Cost of raw materials consumed

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Raw material scrap & ferro alloys	36,421.86	32,508.39
Total	**36,421.86**	**32,508.39**

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

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Opening stock		
Finished goods	6,130.92	8,842.12
	6,130.92	**8,842.12**
Closing stock		
Finished goods	7,673.67	6,130.92
	7,673.67	**6,130.92**
Excise duty variation on closing stock	377.87	279.76
Net (Increase) / Decrease	**(1,164.88)**	**2,990.96**

29 Employee benefit expense

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries, wages and bonus	3,556.05	3,047.28
Contribution to provident and other fund	247.94	213.29
Provision for employee benefit (Refer note no 37)	100.02	81.57
Staff welfare expense	75.67	26.53
Total	**3,979.68**	**3,368.67**

30 Finance cost

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on		
Term loan	1,532.41	855.08
Others	1,209.28	1,324.53
Other borrowing cost		
Bank & financial charges	86.28	122.01
Total	**2,827.97**	**2,301.62**

31 Other expenses

(All amounts in ₹ Lakhs)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Consumption of stores and spare parts	4,814.53	5,475.16
Power and fuel	10,948.43	10,755.53
Packing material	131.90	138.93
Processing charges	385.53	292.47
Rent	87.13	78.21

Notes to Financial Statements for the year ended March 31, 2017

Particulars		For the year ended March 31, 2017	For the year ended March 31, 2016
Repairs & maintenance (Building)		190.42	239.21
Repairs & maintenance (Machinery)		1,476.07	1,326.90
Insurance		53.79	58.24
Rates and taxes		38.21	51.70
Payment to auditors (refer note no. 41)		9.22	4.81
Loss on fair value of investments		61.79	24.37
Loss on sale of investments		65.51	0.03
Net loss on account of foreign exchange fluctuations		616.85	1,016.40
Net Loss on sale of property, plant and equipment		77.55	111.80
Balances written off		34.10	26.79
Bad debts	151.15		
Less: Withdrawal from provision for doubtful debts	100.00	51.15	0.02
Legal & professional expenses		150.88	74.95
Directors sitting fees		5.65	5.36
Director Commission		10.10	-
Provision for doubtful debts		100.00	40.00
Provision against slow moving stock		72.92	-
Freight & cartage on sale		2,074.41	1,947.87
Commission		19.82	6.14
Miscellaneous expenses		684.40	570.07
TOTAL		**22,160.36**	**22,244.96**

32 Earning per share (EPS)

		Year ended March 31, 2017	Year ended March 31, 2016
a)	Net profit attributable to equity shareholders (₹ in lakhs)	1,913.68	421.65
b)	Weighted average number of equity shares outstanding	1,85,55,376	1,85,55,376
c)	Nominal Value of Equity Shares (₹ per share)	10/-	10/-
d)	Earning Per Equity Share (₹)		
	Basic	10.31	2.27
	Diluted	10.31	2.27

33 Contingent liabilities & commitments (To the extent not provided for)

(All amounts in ₹ Lakhs)

		As at March 31, 2017	As at March 31, 2016
a)	**Claim against the Company not acknowledged as debts**		
	Excise duty/ Custom duty/Service tax in respect of matters in disputes	88.95	89.76
	Sales tax/ VAT/ liability .in respect of matters in disputes	3.92	5.96
	Income tax liability that may arise in respect of matters in disputes	267.50	602.49

Notes to Financial Statements for the year ended March 31, 2017

		As at March 31, 2017	As at March 31, 2016
	Other matters*	370.71	370.71
b)	**Bank Guarantees and letters of credit outstanding**	**5,461.23**	**5,498.36**
c)	**Commitments:**		
	Contracts remaining to be executed on capital account	635.49	2,209.93
	Export commitments against import of capital goods under EPCG scheme (Duty saved amount)	1,552.49	1,549.68

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

34 Leases

The Company has leased facilities under cancellable operating leases arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognized for the year ended March 31, 2017 amounts to ₹87.13 Lakhs (PY ₹78.21 Lakhs).

35 Segment information

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

(All amounts in ₹ Lakhs)

a) Particulars	Year ended March 31, 2017		Year ended March 31, 2016	
	Domestic	Foreign	Domestic	Foreign
Revenues from sale of products to external customers	71,140.49	3,953.28	68,289.24	4,250.67
Non - Current assets :				
Property, Plant and Equipment	26,417.88	-	25,024.80	-
Capital work in progress	111.32	-	210.84	-
Intangible Assets	38.62	-	35.20	-
Other non current assets	1,077.42	-	1,220.85	-

b)	Major Customers
16-17	Revenue from a major customer represented 12.47% of the total sales of the Company.
15-16	Revenues from 2 major customers represented 10.63% and 10.49% (21.12% in aggregate) of the total sales of the Company.

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

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

	Particulars	As at March 31, 2017	As at March 31, 2016
a)	Principal amount and Interest due thereon remaining unpaid to any supplier as on March 31	-	-
b)	Interest paid by the Company in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day during the accounting year	-	-

Notes to Financial Statements for the year ended March 31, 2017

	Particulars	As at March 31, 2017	As at March 31, 2016
c)	the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	-	-
d)	the amount of interest accrued and remaining unpaid	-	-
e)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of this Act.	–	–

37 Employee benefits

a) Defined contribution plans:-

During the year, the Company has recognized an expense of ₹173.01 Lakhs (Previous year 149.38 Lakhs) in respect of Contribution to Provident Fund and ₹4.57 Lakhs (Previous Year ₹8.34 Lakhs) in respect of Contribution to Superannuation Scheme.

b) Defined benefit plans - as per actuarial valuation (All amounts in ₹ Lakhs)

	Particulars	As at March 31, 2017 Gratuity (Funded)	As at March 31, 2016 Gratuity (Funded)
I	**Change in present value of obligation during the year**		
	Present value of obligation at the beginning of the year	487.72	416.11
	Included in profit and loss:		
	- Current service cost	52.77	46.73
	- Interest cost	39.02	32.40
	- Past service cost	-	-
	Included in OCI:		
	Actuarial losses/(gains)	31.37	14.71
	Others		
	Benefits paid	(77.21)	(22.23)
	Present value of obligation as at year-end	**533.67**	**487.72**
II	**Change in Fair Value of Plan Assets during the year**		
	Plan assets at the beginning of the year	447.14	372.50
	Included in profit and loss:		
	Expected return on plan assets	35.77	32.85
	Included in OCI:		
	Actuarial Gain/(Loss) on plan assets	8.70	(1.82)
	Others:		
	Employer's contribution	40.58	43.61
	Benefits paid	-	-
	Plan assets at the end of the year	**532.19**	**447.14**
	The plan assets are managed by the Gratuity Trust formed by the Company.		

Notes to Financial Statements for the year ended March 31, 2017

	Particulars	As at March 31, 2017 Gratuity (Funded)	As at March 31, 2016 Gratuity (Funded)
III	**Reconciliation of Present value of Defined Benefit Obligation and Fair Value of Plan Assets**		
1	Present value of obligation as at year-end	533.67	487.72
2	Fair value of plan assets at year -end	532.19	447.14
3	Funded status {Surplus/(Deficit)}	(1.48)	(40.58)
	Net Asset/(Liability)	**(1.48)**	**(40.58)**
IV	**Expenses recognised in the Statement of Profit and Loss**		
1	Current service cost	52.77	46.73
2	Interest cost	39.02	32.40
3	Past service cost	-	-
4	Expected return on plan assets	(35.77)	(32.85)
	Total expense	**56.02**	**46.28**
V	**Expenses recognised in the Statement of Other Comprehensive Income**		
1	Net actuarial (Gain)/Loss	22.67	16.53
	Total Expense	**22.67**	**16.53**
VI	**Constitution of Plan Assets**		
1	Equity instruments	10.79%	-
2	Debt instruments	62.40%	60.14%
3	Bank balances	7.71%	31.52%
4	Others	19.10%	8.34%
VII	**Bifurcation of PBO at the end of the year**		
1	Current liability	142.28	123.41
2	Non-current liability	391.39	364.31
	TOTAL	**533.67**	**487.72**
VIII	**Actuarial Assumptions**		
1	Discount rate	7.54%	8.00%
2	Expected rate of return on plan assets	7.04%	8.35%
3	Mortality table	IALM (2006-08)	IALM (2006-08)
4	Salary escalation	6.00%	6.00%
IX	**The expected expense for Defined Benefit Plan for the next financial year will be ₹81.48 Lakhs**		

X Sensitivity Analysis

Particulars	Year ended March 31, 2017		Year ended March 31, 2016	
	Increase	Decrease	Increase	Decrease
Gratuity				
Discount rate (.50 % movement)	(15.43)	16.55	(13.94)	14.90
Future salary growth (.50 % movement)	16.72	(15.72)	15.10	(14.24)

Notes to Financial Statements for the year ended March 31, 2017

XI Maturity profile of Defined Benefit Obligation

Particulars	Year ended March 31, 2017 Gratuity (Funded)	Year ended March 31, 2016 Gratuity (Funded)
April 2016 - March 2017	-	123.41
April 2017 - March 2018	142.28	26.90
April 2018 - March 2019	18.86	40.15
April 2019 - March 2020	19.09	22.19
April 2020 - March 2021	18.52	32.82
April 2021 - March 2022	23.65	26.98
April 2022 onwards	311.27	215.27
Total	**533.67**	**487.72**

38 Related party disclosures

a) Related party relationships

i. Associate of	Vardhman Textiles Limited	
ii. Key Management Personnel (KMP)	**NAME**	**DESIGNATION**
	Mr. Sachit Jain	Vice Chairman & Managing Director
	Mr. Naresh Bansal	Chief Executive
	(Resigned effective 13.07.2016)	
	Mr. Subhasis Dey (w.e.f. 10.06.2016)	President & Chief Executive
	Mr. Sanjeev Singla	Chief Financial Officer
	Ms. Sonam Taneja	Company Secretary
	Non- Executive Directors	
	Mr. Sanjeev Pahwa	
	Mr. Prafull Anubhai	
	Mr. Rajinder Kumar Jain	
	Mr. Sanjoy Bhattacharyya	
	Mr. Jayant Davar	
	Mr. Rajeev Gupta	
	Mr. Bal Krishan Choudhary	
	Mrs. Suchita Jain	
iii. Enterprise over which KMP's have significant influence	Vardhman Holdings Limited	
	Vardhman Acrylics Limited	
	Vardhman Nisshinbo Garments Company Limited	
	Vardhman Yarns and Threads Limited (up to 31.08.2016)	
	VTL Investments Limited	
	VMT Spinning Company Limited	

Notes to Financial Statements for the year ended March 31, 2017

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

(All amounts in ₹ Lakhs)

Particulars		Related party involved	2016-17	2015-16
(i)	Purchase/Processing of goods	VMT Spinning Company Ltd.	0.56	4.83
		Vardhman Yarns and Threads Ltd.	2.99	10.07
		Vardhman Textiles Ltd.	34.07	55.36
		Vardhman Nisshinbo Garments Company Ltd.	0.63	-
			38.25	**70.26**
(ii)	Purchase of FOCUS/DEPB licenses	Vardhman Textiles Ltd.	-	368.5
			-	**368.5**
(iii)	Sale of FOCUS/DEPB licenses	VMT Spinning Company Ltd.	6.55	-
			6.55	**-**
(iv)	Sale of car	Vardhman Textiles Ltd.	48.54	-
			48.54	**-**
(v)	Logo Charges (Inc. Service Tax)	Vardhman Holdings Ltd.	14.38	14.31
			14.38	**14.31**
(vi)	Interest received	VMT Spinning Company Ltd.	-	0.03
		Vardhman Textiles Ltd.	0.02	-
			0.02	**0.03**
(vii)	Common Corporate Charges (Inc. Service Tax)	Vardhman Textiles Ltd.	108.38	98.16
			108.38	**98.16**
(viii)	Interest Exp / Payable	Vardhman Textiles Ltd.	117.28	71.50
		VMT Spinning Company Ltd.	0.30	-
			117.58	**71.50**
(ix)	Loan taken :	Vardhman Textiles Ltd.		
	Loan taken including opening balance		1,500.00	7,254.57
	Less: Loan Repayment		-	5,754.57
	Closing Balance of Loan		**1,500.00**	**1,500.00**
(x)	Remuneration:	Key Managerial Personnel (KMP)		
	Short-term employee benefits *		227.82	158.18
	Termination benefits		13.82	-
			241.64	**158.18**

*Including sitting fees, commission and value of perquisites

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

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 March 31, 2017

39 Deferred tax:

(All amounts in ₹ Lakhs)

	As at March 31, 2017	As at March 31, 2016
Deferred tax liabilities (a)	**(2,323.62)**	**(2,709.22)**
Accelerated depreciation		
Deferred tax assets		
Deferred tax asset arising on account of expenses allowable for tax purposes when paid u/s 43B	471.87	421.99
Deferred tax asset arising on account of provision for doubtful debt	34.61	34.61
Fair valuation loss on investments	21.39	-
MTM forex fluctuation on forward contracts	137.07	-
Unabsorbed losses and depreciation	3,218.09	3,569.03
Total	**3,883.03**	**4,025.63**
Deferred tax assets (b)	**2,323.62**	**2,709.22**
Net deferred tax assets/(liability) [(a)-(b)]	**Nil**	**Nil**

40 Impairment review

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

- Operating margins (Earning before interest and taxes)
- Discount rate
- Growth rate
- Capital expenditures

41 Other disclosures required by statute

(All amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
a) Auditors Remuneration (excluding service tax)		
1. Statutory auditors		
i. Audit fee	2.75	2.75
ii. Tax audit fee	0.75	0.75
iii. Other certification charges	5.00	-
iii. Reimbursement of expenses	0.36	0.96
Total	**8.86**	**4.46**
2. Cost auditors		
Audit fee	0.36	0.35
Total	**0.36**	**0.35**

Notes to Financial Statements for the year ended March 31, 2017

42 Disclosure of Specified Bank note

During the year, the Company had specified bank notes or other denomination notes as defined in the MCA notification G.S.R 308(E) dated March 30, 2017, on the details of specified bank notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016, the denomination wise SBNs and other notes as per the notification is given below:-

(All amounts in ₹ Lakhs)

	SBN's*	Other denomination notes	Total
Closing cash in hand as on 08.11.2016 **	3.10	0.02	3.12
Add: Permitted receipts	-	9.08	9.08
Less: Permitted payments	-	7.09	7.09
Less: Amount deposited in Banks	3.10	-	3.10
Closing cash in hand as on 30.12.2016	**-**	**2.01**	**2.01**

** including imprest with employees

* For the purpose of this disclosure, the term 'Specified Bank Note' (SBN) shall have the same meaning as provided in the notification number S.O. 3407 dated November 8, 2016 issued by the Department of Economic Affairs, Ministry of Finance, Government of India.

43 Financial instruments

Financial Assets (All amounts in ₹ Lakhs)

S. No	Particulars	Fair value hierarchy	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
1	**Financial assets designated at fair value through profit and loss**							
a)	Long term investments	Level-1	-	-	-	-	1,213.68	1,213.68
b)	Long term investments	Level-2	67.87	67.87	141.97	141.97	539.30	539.30
c)	Current investments	Level-1	30.53	30.53	1,308.11	1,308.11	-	-
2	**Financial assets designated at amortised cost**							
a)	Long term loans and advances		46.42	46.42	25.97	25.97	18.00	18.00
b)	Other financial non current assets		-	-	-	-	0.07	0.07
c)	Trade receivables		18,897.16	18,897.16	19,416.94	19,416.94	17,898.22	17,898.22
d)	Cash and bank balances		594.64	594.64	379.06	379.06	864.85	864.85
e)	Short term loans		69.92	69.92	54.00	54.00	49.82	49.82
f)	Other financial current assets		81.71	81.71	110.70	110.70	110.14	110.14
					-	-	-	-
	Total		**19,788.25**	**19,788.25**	**21,436.75**	**21,436.75**	**20,694.08**	**20,694.08**

Notes to Financial Statements for the year ended March 31, 2017

Financial Liabilities

(All amounts in ₹ Lakhs)

S. No	Particulars	Fair value hierarchy	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
1	**Financial liability designated at fair value through profit and loss**							
a)	Derivatives - not designated as hedging instruments	Level-2	770.62	770.62	181.35	181.35	19.68	19.68
2	**Financial liability designated at amortised cost**							
a)	Long term borrowings (including current maturity)		17,730.45	17,730.45	17,070.09	17,070.09	11,132.22	11,132.22
b)	Short term borrowings		13,871.47	13,871.47	16,682.35	16,682.35	23,911.98	23,911.98
c)	Trade payables		3,490.94	3,490.94	4,099.68	4,099.68	5,157.10	5,157.10
d)	Other financial current liabilities (excluding Derivatives and current maturity)		4,763.07	4,763.07	4,693.10	4,693.10	3,062.96	3,062.96
	Total		**40,626.55**	**40,626.55**	**42,726.57**	**42,726.57**	**43,283.94**	**43,283.94**

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

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

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

B Company has opted to fair value its long term and current investments through profit & loss

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

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

Fair value hierarchy

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

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

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

44 Derivative financial instruments

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

Notes to Financial Statements for the year ended March 31, 2017

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

Particulars	As of March 31, 2017		As of March 31, 2016	
	FC In lakhs	₹ In lakhs	FC In lakhs	₹ In lakhs
Assets				
Forward contracts				
In U.S. dollars	37.74	2,469.81	54.28	3,595.93
In Euros	6.72	468.71	-	-
Liabilities				
Forward contracts				
In U.S. dollars	257.46	17,037.73	225.91	14,966.57
In Euros	0.95	66.39	0.12	9.20
	302.87	**20,042.64**	**280.31**	**18,571.70**

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

(All amounts in ₹ Lakhs)

Particulars	As of March 31, 2017	As of March 31, 2016
Not later than one month	2,374.47	2,363.74
Later than one month but not later than three months	4,784.53	2,367.16
Later than three months but not later than one year	12,883.64	7,663.36
Later than one year	-	6,177.44
	20,042.64	**18,571.70**

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

45 Financial risk management objectives and policies

45.1 Financial risk factors

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

i. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency rate risk, interest rate risk and other price risks, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments and derivative financial instruments. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is based on the financial assets and financial liabilities held as at March 31, 2017 and March 31, 2016.

ii. Credit Risk

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

Notes to Financial Statements for the year ended March 31, 2017

iii. Liquidity Risk

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

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

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

MARKET RISK

a) Foreign Currency Risk and Sensitivity

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

The following table analyses foreign currency risk from financial instruments as of March 31, 2017: (FC in Lakhs)

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

The following table analyses foreign currency risk from financial instruments as of March 31, 2016: (FC in Lakhs)

Particulars	USD	Euro	CHF	SEK
Trade receivables	21.96	0.36	-	-
Trade payables	41.67	0.57	-	17.89
Long term loans - External commercial borrowings	155.50	-	-	-
Short term loans	-	-	-	-
Net assets / (liabilities)	**(175.21)**	**(0.21)**	**-**	**(17.89)**

The following table analyses foreign currency risk from financial instruments as of April 1, 2015: (FC in Lakhs)

Particulars	USD	Euro	CHF	SEK
Trade receivables	11.00	1.42	-	-
Trade payables	70.17	0.26	0.02	53.43
Long term loans - External commercial borrowings	166.6	-	-	-
Short term loans	-	-	-	-
Net assets / (liabilities)	**(225.77)**	**1.16**	**(0.02)**	**(53.43)**

Notes to Financial Statements for the year ended March 31, 2017

For the year ended March 31, 2017 and March 31, 2016, Company has hedged its entire foreign currency exposure, therefore any depreciation / appreciation in the exchange rate between the Indian Rupee and other currencies, would not have any impact on the Company's operating margins.

Summary of Exchange difference accounted in Statement of profit and loss: (All amounts in ₹ Lakhs)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Currency fluctuations		
Net foreign exchange (gain)/ losses shown as operating expenses	27.59	873.22
Net foreign exchange (gain)/ losses shown as finance cost	-	-
Net foreign exchange (gain)/ losses shown as other income	-	-
Derivatives		
Derivatives (gain) / losses shown as operating expenses	589.26	143.18
Total	**616.85**	**1,016.40**

CREDIT RISK

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

(in %)

Particulars	Year ended March 31		April, 1
	2017	2016	2015
Revenue from top customer	12.47	10.63	11.51
Revenue from top five customers	32.86	36.92	33.64

Ageing analysis of trade receivables

(All amounts in ₹ Lakhs)

As at March 31, 2017					As at March 31, 2016				
Not Due and Not Impaired	Upto Six Months	Six to Twelve Months	Above 12 Months	Total	Not Due and Not Impaired	Upto Six Months	Six to Twelve Months	Above 12 Months	Total
13,653.60	4,309.71	461.58	472.27	18,897.16	11,523.58	7,195.22	540.52	157.62	19,416.94

CASH AND CASH EQUIVALENTS

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

Liquidity risk

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

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

(All amount in ₹ Lakhs)

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

Notes to Financial Statements for the year ended March 31, 2017

The table below provides details regarding the contractual maturities of significant financial liabilities as of March 31, 2016:

(All amounts in ₹ Lakhs)

Particulars	Upto 1 year	1-2 years	2-4 years	4-9 years	Total
Long term borrowings including current maturity	4,168.00	6,315.43	1,762.90	4,877.10	17,123.43
Trade payables	4,099.68	-	-	-	4,099.68
Other financial liabilities (excluding derivatives)	4,693.10	-	-	-	4,693.10

45.2 Competition and price risk

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

45.3 Capital risk management

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

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

(All amounts in ₹ Lakhs)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Borrowings	31,601.92	33,752.44	35,044.20
Trade payables	3,490.94	4,099.68	5,157.10
Other payables	5,595.86	5,432.11	4,073.59
Less: cash and cash equivalents	594.64	379.06	864.85
Net debt	**40,094.08**	**42,905.17**	**43,410.04**
Equity	19,808.09	17,917.08	17,511.96
Capital and net debt	**59,902.17**	**60,822.25**	**60,922.00**
Gearing Ratio	66.93%	70.54%	71.26%

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.

45.4 Further issue of share capital

In order to strengthen the capital structure of the Company, the Committee of Directors (Right Issue) of the Company, in its meeting held on March 28, 2017 have approved final letter of offer for Right Issue. The Company would be raising equity of ₹6,785 lakhs. The necessary announcements have been made on the Stock exchanges and details of the issue can be accessed from websites of the stock exchanges.

46 First time adoption of Ind-AS

These financial statements, for the year ended March 31, 2017, are the first the Company has prepared in accordance with Ind-AS. For periods up to and including the year ended March 31, 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Notes to Financial Statements for the year ended March 31, 2017

Accordingly, the Company has prepared financial statements which comply with Ind-AS applicable for period ending on March 31, 2017, together with the comparative period data as at and for the year ended March 31, 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at April 1, 2015, the Company's date of transition to Ind-AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at April 1, 2015 and the financial statements as at and for the year ended March 31, 2016.

Exemptions applied :

Ind-AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind-AS. The Company has, accordingly, applied following exemptions:

a) The Company has elected to consider carrying amount of all items of Property, Plant and Equipments (PPE) and Intangible assets per Indian GAAP, as deemed cost at the date of transition.

b) The Company has availed the exemption of fair value measurement of financial assets or liabilities at initial recognition and accordingly will apply fair value measurement of financial assets or liabilities at initial recognition prospectively to transactions entered into on or after April 1, 2015.

c) The estimates at April 1, 2015 and at March 31, 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items under Indian GAAP did not require estimation:
   - Fair value of investments in unquoted equity instruments
   - Impairment of financial assets based on expected credit loss model
   - Discount rates

The estimates used by the Company to present these amounts in accordance with Ind-AS reflect conditions that existed as at April 1, 2015 and March 31, 2016.

Notes to the reconciliation of equity as at April 1, 2015 and March 31, 2016 and Total Comprehensive Income for the year ended March 31, 2016:-

1. Fair valuation of investments

Under Indian GAAP, investments in equity instruments, mutual funds and debt securities were classified as long term investments or current investments based on the intended holding period and realisability. Long term investments were carried at cost less provision for other than temporary diminution in the value of investments. Current investments were carried at lower of cost and fair value. Ind-AS requires such investments to be measured at fair value except investments in subsidiaries, associates and joint venture for which exemption has been availed. Accordingly, the Company has designated investments in equity instruments and mutual funds as FVTPL investments. The difference between the instrument's fair value and Indian GAAP carrying amount has been recognized in retained earnings.

2. Financial instruments measured at amortized cost

Under Indian GAAP, interest free loan to employees are recorded at their transaction value. Under Ind-AS, these loans are to be measured at amortized cost on the basis of effective interest rate method. Due to this, long term loans to employees and short term loans to employees has been decreased and difference between carrying amount and amortized cost has been recognized as 'Deferred employee cost' under the head 'Other non-current assets' / 'Other current assets'.

3. Derivative instruments

Derivative instruments at fair value through profit or loss reflect the positive change in fair value of those foreign exchange forward contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

4. Borrowings

Under Indian GAAP, transaction costs incurred in connection with borrowings are amortised upfront and charged to profit or loss for the period. Under Ind-AS, transaction costs are included in the initial recognition amount of financial liability and charged to profit or loss using the effective interest method. Therefore, borrowings as at April 1, 2015 and March 31, 2016 have been reduced with corresponding adjustment in retained earnings.

Notes to Financial Statements for the year ended March 31, 2017

5. Defined benefit obligation

Both under Indian GAAP and Ind-AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gain and loss, are charged to profit and loss. Under Ind-AS, such actuarial gain and loss is to be recognized separately through Other Comprehensive Income. Thus, employee cost has been reduced and actuarial gain/loss has been recognized in OCI net of taxes.

6. Sale of goods

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind-AS, sale of goods includes excise duty. Thus, sale of goods under Ind-AS has increased by the excise duty with a corresponding increase in other expenses.

7. Deferred tax

Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind-AS requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind-AS has resulted in recognition of deferred tax on temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

8. Statement of cash flows

The transition from Indian GAAP to Ind-AS has not had a material impact on statement of cash flows.

46.1 Reconciliation of Equity as previously reported under IGAAP to Ind-AS

(All amounts in ₹ Lakhs)

	Particulars	As at March 31, 2016			As at April 1,2015		
		IGAAP	Adjustments	Ind-AS	IGAAP	Adjustments	Ind-AS
I	**ASSETS**						
1	**Non-Current Assets**						
a	Property, Plant and Equipment	25,024.80	-	25,024.80	22,997.74	-	22,997.74
b	Capital work-in-progress	210.84	-	210.84	2,079.82	-	2,079.82
c	Intangible assets	35.20	-	35.20	-	-	-
d	Financial assets					-	
	Investments	129.69	12.28	141.97	1,408.22	344.76	1,752.98
	Loans	31.52	(5.55)	25.97	21.81	(3.82)	18.00
	Other financial assets	-	-	-	0.07	-	0.07
e	Other non-current assets	1,215.29	5.56	1,220.85	865.56	3.82	869.37
	TOTAL	26,647.34	12.29	26,659.63	27,373.22	344.76	27,717.98
2	**Current Assets**						
a	Inventories	10,690.38	-	10,690.38	13,288.98	-	13,288.98
b	Financial assets						
	Investments	1,000.00	308.11	1,308.11	-	-	-
	Trade receivables	19,416.94	-	19,416.94	17,898.22	-	17,898.22
	Cash and bank balances	379.06	-	379.06	864.85	-	864.85
	Loans	56.69	(2.69)	54.00	51.44	(1.62)	49.82
	Other financial assets	110.70	-	110.70	110.14	-	110.14
c	Current tax assets (Net)	98.39	-	98.39	99.96	-	99.96
d	Other current assets	2,662.76	2.69	2,665.45	1,774.96	1.62	1,776.58
	TOTAL	**34,414.92**	**308.11**	**34,723.03**	**34,088.55**	**(0.00)**	**34,088.55**
	Total Assets	**61,062.26**	**320.40**	**61,382.66**	**61,461.77**	**344.76**	**61,806.53**

Notes to Financial Statements for the year ended March 31, 2017

	Particulars	As at March 31, 2016			As at April 1,2015		
		IGAAP	Adjustments	Ind-AS	IGAAP	Adjustments	Ind-AS
II	**EQUITY AND LIABILITIES**						
1	**Equity**						
	Equity share capital	1,855.54	-	1,855.54	1,855.54	-	1,855.54
	Other equity	15,638.76	422.78	16,061.54	15,117.48	538.94	15,656.42
	TOTAL	**17,494.30**	**422.78**	**17,917.08**	**16,973.02**	**538.94**	**17,511.96**
2	**Liabilities**						
1	**Non-Current Liabilities**						
a	Financial Liabilities						
	Borrowings	12,955.43	(53.34)	12,902.09	10,440.32	(1.96)	10,438.36
	Other financial liabilities	-	-	-	-	-	-
b	Provisions	62.88	-	62.88	54.43	-	54.43
c	Deferred tax liabilities (Net)	-	-	-	-	-	-
d	Other non-current liabilities	13.89	-	13.89	19.00	-	19.00
	TOTAL	**13,032.20**	**(53.34)**	**12,978.86**	**10,513.75**	**(1.96)**	**10,511.79**
3	**Current Liabilities**						
a	Financial Liabilities						
	Borrowings	16,682.35	-	16,682.35	23,911.98	-	23,911.98
	Trade payables	4,099.68	-	4,099.68	5,157.10	-	5,157.10
	Other financial liabilities	9,051.02	(8.57)	9,042.45	3,940.11	(163.61)	3,776.50
b	Other current liabilities	640.57	(40.47)	600.10	903.59	(28.61)	874.98
c	Provisions	62.14	-	62.14	62.22	-	62.22
d	Current Tax Liabilities	-	-	-	-	-	-
	TOTAL	**30,535.76**	**(49.04)**	**30,486.72**	**33,975.00**	**(192.22)**	**33,782.78**
	Total Equity and Liabilities	**61,062.26**	**320.40**	**61,382.66**	**61,461.77**	**344.76**	**61,806.53**

Reconciliation of Statement of Profit & Loss as previously reported under IGAAP to Ind-AS for the year ended March 31, 2016

(All amounts in ₹ Lakhs)

	Particulars	IGAAP	Adjustments	Ind-AS
I	Revenue from operations	72,932.88	-	72,932.88
	Less: Discount	381.47	-	381.47
	Net sales	72,551.41	-	72,551.41
II	Other income	263.59	1.65	265.24
III	**Total Revenue (I+II)**	**72,815.00**	**1.65**	**72,816.65**
IV	**Expenses**			
	Cost of materials consumed	32,508.39	-	32,508.39
	Purchases of stock-in-trade	-	-	-
	Changes in inventories of finished goods, stock-in -trade and work-in-progress	2,990.96	-	2,990.96
	Excise duty consumed on sales	7,277.29	-	7,277.29
	Employee benefits expenses	3,383.58	(14.91)	3,368.67

Notes to Financial Statements for the year ended March 31, 2017

	Particulars	IGAAP	Adjustments	Ind-AS
	Finance costs	2,352.97	(51.35)	2,301.62
	Depreciation and amortization expense	1,703.11	-	1,703.11
	Other expenses	22,077.41	167.55	22,244.96
	Total expenses	**72,293.71**	**101.29**	**72,395.00**
V	**Profit/(loss) before exceptional items and tax (III-IV)**	**521.29**	**(99.63)**	**421.65**
VI	**Exceptional items**	**-**	**-**	**-**
VII	**Profit/(loss) before tax (V-VI)**	**521.29**	**(99.63)**	**421.65**
VIII	**Tax expense**			
	Current Tax	-	-	-
	Deferred tax	-	-	-
IX	**Profit/(loss) for the period**	**521.29**	**(99.63)**	**421.65**
X	**Other Comprehensive Income**	**-**		
	(i) Items that will not be reclassified to profit or loss	-	(16.53)	(16.53)
	Income tax relating to items that will not be reclassified to profit or loss	-	-	-
	(ii) Items that will be reclassified to profit or loss	-	-	-
	Income tax relating to items that will be reclassified to profit or loss	-	-	-
XI	**Total Comprehensive Income (IX+X)**	**521.29**	**(116.16)**	**405.12**

Reconciliation of total comprehensive income for the year ended 31st March, 2016 (All amounts in ₹ Lakhs)

Net Profit as per Indian GAAP	**521.29**
Add/ (less) : Adjustment on account of transition to Ind-AS:	
Impact of measuring derivative instruments at fair value	(143.18)
Impact of measuring investments at fair value	(24.37)
Impact of measuring borrowings at amortised cost	51.38
Impact of recognition of actuarial gains/(losses) in Other Comprehensive Income (OCI)	16.53
[A] Net Profit as per Ind-AS	**421.65**
[B] Add: Other Comprehensive Income	
Actuarial gains and losses	(16.53)
Total Comprehensive Income (A+B)	**405.12**

46.2 Reconciliation of Other Equity as at April 1, 2015

(All amounts in ₹ Lakhs)

Particulars	Retained Earnings	General Reserve	Total
As at April 1, 2015 (IGAAP) (A)	**1,226.86**	**13,890.62**	**15,117.48**
Adjustments:			
Impact of measuring derivative instruments at fair value	192.23	-	192.23
Impact of measuring investments at fair value	344.76	-	344.76
Impact of measuring borrowings at amortised cost	1.95	-	1.95
Total Ind-AS Adjustments (B)	**538.94**	**-**	**538.94**
As at April 1, 2015 (Ind-AS) [A+B]	**1,765.80**	**13,890.62**	**15,656.42**

Notes to Financial Statements for the year ended March 31, 2017

Reconciliation of Other Equity as at March 31, 2016

(All amounts in ₹ Lakhs)

Particulars	Retained Earnings	General Reserve	Total
As at March 31, 2016 (IGAAP) (A)	**1,748.14**	**13,890.62**	**15,638.76**
Adjustments :			
Impact of measuring derivative instruments at fair value	49.06	-	49.06
Impact of measuring investments at fair value	320.39	-	320.39
Impact of measuring borrowings at amortised cost	53.33	-	53.33
Total Ind-AS Adjustments (B)	**422.78**		**422.78**
As at March 31, 2016 (Ind-AS) [A+B]	**2,170.92**	**13,890.62**	**16,061.54**

47 Previous year figures have been regrouped/rearranged, wherever considered necessary to conform to current year's classification.

As per our report of even date attached

for S S KOTHARI MEHTA & COMPANY
Chartered Accountants
Firm's registration number : 022150N

Harish Gupta
Partner
Membership No. : 098336

Place: Gurugram
April 28, 2017

For and on behalf of the Board of Directors

Sachit Jain
(Vice- Chairman & Managing Director)
DIN No. : 00746409

Suchita Jain
(Director)
DIN No. : 00746471

Subhasis Dey
(President & CE)

Sanjeev Singla
(Chief Financial Officer)

Sonam Taneja
(Company Secretary)
Membership No. : A34338

NOTICE

NOTICE is hereby given that the **SEVENTH ANNUAL GENERAL MEETING** of members of Vardhman Special Steels Limited will be held on Friday, the 22nd day of September, 2017 at 11.00 a.m. at the Registered Office of the Company situated at Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

Item No. 1 – Adoption of financial statements

To receive, consider and adopt the audited financial statements of the Company for the financial year ended 31st March, 2017 together with Report of Board of Directors and Auditors thereon.

Item No. 2 – Re-appointment of Mr. B.K. Choudhary as a director liable to retire by rotation

To appoint a Director in place of Mr. B.K. Choudhary (DIN: 00307110), who retires by rotation in terms of Section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

Item No. 3 – Ratification of appointment of Statutory Auditor

To consider and approve the appointment of Statutory Auditors of the Company for the financial year 2017-18 and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:-

"**RESOLVED THAT** pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014, the appointment of M/s. S. S. Kothari Mehta & Co., (Firm Registration No. 022150N) Chartered Accountants, as the Statutory Auditors of the Company for a term of consecutive five years starting from conclusion of the Fourth Annual General Meeting till the conclusion of Ninth Annual General Meeting of the Company be and is hereby ratified at the Seventh Annual General Meeting of the Company at such remuneration as may be finalized by the Vice-Chairman & Managing Director in consultation with auditor plus applicable tax and reimbursement of travelling and out of pocket expenses incurred by them for the purpose of audit ."

SPECIAL BUSINESS:

Item No. 4 – Re-appointment of Mr. Prafull Anubhai, Independent Director

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force, Mr. Prafull Anubhai (DIN: 00040837), Independent Director, whose period of office is expiring at this Annual General Meeting and who has submitted a declaration confirming he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment for a second term in accordance with the provisions of the Companies Act, 2013, rules made thereunder and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to Section 160 of the Companies Act, 2013, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation for a term of five consecutive years starting from the date of 7th Annual General Meeting to the conclusion of 12th Annual General Meeting of the Company."

Item No. 5 – Re-appointment of Mr. Rajeev Gupta, Independent Director

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Rajeev

Gupta (DIN: 00241501), Independent Director, whose period of office is expiring at this Annual General Meeting and who has submitted a declaration confirming he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment for a second term in accordance with the provisions of the Companies Act, 2013, rules made thereunder and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to Section 160 of the Companies Act, 2013, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation for a term of five consecutive years starting from the date of 7th Annual General Meeting to the conclusion of 12th Annual General Meeting of the Company."

Item No. 6 – Re-appointment of Mr. Sanjeev Pahwa, Independent Director

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Sanjeev Pahwa (DIN: 00022674), Independent Director, whose period of office is expiring at this Annual General Meeting and who has submitted a declaration confirming he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment for a second term in accordance with the provisions of the Companies Act, 2013, rules made thereunder and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to Section 160 of the Companies Act, 2013, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation for a term of five consecutive years starting from the date of 7th Annual General Meeting to the conclusion of 12th Annual General Meeting of the Company."

Item No. 7 – Re-appointment of Mr. Jayant Davar, Independent Director

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

"**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions, if any, of the Companies Act, 2013, the Companies (Appointment and Qualification of Directors) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Jayant Davar (DIN: 00100801), Independent Director, whose period of office is expiring at this Annual General Meeting and who has submitted a declaration confirming he meets the criteria of independence under Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment for a second term in accordance with the provisions of the Companies Act, 2013, rules made thereunder and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director pursuant to Section 160 of the Companies Act, 2013, be and is hereby re-appointed as an Independent Director of the Company not liable to retire by rotation for a term of five consecutive years starting from the date of 7th Annual General Meeting to the conclusion of 12th Annual General Meeting of the Company."

Item No. 8 - Approval of remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director, from the financial year 2017-18 to 2019-20:

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

"**RESOLVED THAT** in furtherance of the resolution passed by Members in their Annual General Meeting held on 4th September, 2015 & 28th September, 2016 in respect of remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director and pursuant to the provisions of Sections 196, 197, 203, Schedule V of the Companies Act, 2013 read with Companies (Appointment & Remuneration of Managerial

Personnel) Rules, 2014, the approval of Members be and is hereby accorded to pay the following remuneration to Mr. Sachit Jain from 1st April, 2017 to 31st March, 2020:

S. No.	Remuneration	Details
I.	Salary	Salary will be in the scale of ₹8,00,000 - ₹1,00,000 - ₹10,00,000 per month.
II.	Commission	Commission equals to: – 1.5% of the Net Profit of the Company if return on average net worth for that year is up to 15%. – 3% of the Net Profit of the Company if return on average net worth for that year exceeds 15%.
III.	Perquisites	Perquisites in addition to salary and commission shall be restricted to an amount equal to 1 year's salary during each year as per details given below:-
a)	Housing	Free residential accommodation or House Rent Allowance equal to 40 per cent of the salary. Free furnishing is provided by the Company along with other amenities.
b)	Other Allowance	₹4,70,000 per month for F.Y. 2017-18 ₹5,30,000 per month for F.Y. 2018-19 ₹5,90,000 per month for F.Y. 2019-20
c)	Club Fees	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
d)	Personal Accident Insurance	Premium not to exceed ₹5,000/- per annum.
e)	Gratuity	Gratuity payable not exceeding half a month's salary for each completed year of service and this shall not be included in the computation of ceiling on perquisites. This will, however, be subject to the ceiling prescribed by the Central Government from time to time.
f)	Car & Telephone	Free use of Company's car for official work as well as for personal purposes and telephone at Company's cost.

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

'Average Net Worth' means average of the opening and closing Net Worth of the financial year.

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

Item No. 9 – Approval of commission payable to Mr. Prafull Anubhai, Chairman & Independent Director, for the financial year 2017-18

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

"**RESOLVED THAT** pursuant to provisions of Sections 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, approval of the members of the Company be and is hereby given for the payment of remuneration by way of commission @ 1% of the net profits of the Company subject to the maximum of **₹**10 lakhs per annum for a period of one year i.e. from 1st April, 2017 to 31st March, 2018 to Mr. Prafull Anubhai, Chairman & Independent Director of the Company, who is neither in whole time employment of the Company nor the Managing Director, in addition to the sitting fees being paid to him for attending the Board/ Committee meetings of the Company."

Item No. 10 – Ratification of Method of Valuation of Options granted under Vardhman Special Steels Limited Employee Stock Option Plan 2016 under SEBI (Share Based Employee Benefits) Regulations, 2014

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

"**RESOLVED THAT** in furtherance of resolution passed by Members in their Annual General Meeting held on 28th September, 2016 in relation to **Vardhman Special Steels Limited Employee Stock Option Plan 2016** and pursuant to section 62(1)(b) of the Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and all other applicable provisions of the Companies Act, 2013 including any statutory modification or re-enactment thereof, for the time being in force and subject to SEBI (Share Based Employee Benefits) Regulations, 2014 ("SEBI Guidelines"), the method of valuation of the Options granted under Vardhman Special Steels Limited Employee Stock Option Plan 2016 i.e. Fair Valuation Method be and is hereby ratified at Seventh Annual General Meeting of the Company."

Item No. 11 – Increase the sitting fees being paid to Non-Executive Directors of the Company

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

"**RESOLVED THAT** pursuant to the provisions of Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of members be and is hereby given for enhancement of the sitting fees payable to Non-Executive Directors of the Company from ₹15,000/- per Board Meeting and ₹10,000/- per Committee Meeting to ₹40,000/- per Board Meeting, ₹30,000 per Audit Committee Meeting and ₹20,000/- for other Committee Meetings."

Item No. 12 – Ratification of remuneration payable to Cost Auditors for the financial year ending 31st March, 2018:

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

"**RESOLVED THAT** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Ramanath Iyer & Company, Cost Auditors, New Delhi appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2018 be paid the remuneration of ₹39,760/- plus applicable tax.

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

By Order of the Board

Place: Gurugram **Sonam Taneja**

Dated: 28th April, 2017 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.

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 11th September, 2017 to 22nd September, 2017 (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 2016-17 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 2016-17 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 7th 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 19th September, 2017 (9:00 a.m.) and ends on 21st September, 2017 (5:00 p.m.). During this period, shareholder's of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 15th September, 2017, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after end of voting period on 21st September, 2017. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

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

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

(iv) Click on "Shareholders".

(v) Now Enter your User ID

   a. For CDSL: 16 digits beneficiary ID,

   b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

   c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(vi) Next enter the Image Verification as displayed and Click on Login.

(vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.

(viii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. Sequence number is printed on Attendance Slip provided with the Annual Report. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Bank Details or Date of Birth (DOB)	Enter the Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. • If both the details are not recorded with the depository or Company please enter the member id / folio number in the Bank details field as mentioned in instruction (v).

(ix) After entering these details appropriately, click on "SUBMIT" tab.

(x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is 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 170819047 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. 15th September, 2017 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.

Place: Gurugram — By order of the Board
Dated: 28th Apri, 2017

Sonam Taneja
Company Secretary

Annexure to the Notice

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

Item No. 4 to 7 of the Special Business

Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar were appointed as Independent Directors of the Company for a term of three consecutive years, pursuant to approval of the Members under the provisions of the Companies Act, 2013 through resolutions passed at the 4th Annual General Meeting held on 24th September, 2014. Now, the term of appointment of all these Independent Directors expires at 7th Annual General Meeting.

Considering the rich experience, knowledge, skills, valuable contribution to the Company and overall performance evaluation of these Independent Directors, the Board of Directors of the Company in its meeting held on 28th April, 2017 had approved and recommended the re-appointment of Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar as Independent Directors for a second term of 5 consecutive years to the conclusion of 12th Annual General Meeting to the Members of the Company for their approval.

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company, and shall be eligible for re-appointment on passing of a special resolution by the Company.

Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar individually has given a declaration to the Board that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013. In the opinion of the Board, they fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director.

The Company has received notice in writing from a member along with a requisite deposit proposing the candidature of Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar to be re-appointed as Independent Directors of the Company in accordance with the provisions of the Companies Act, 2013.

Brief Profile, Qualifications, Experience, Date of Appointment on Board, Shareholding in the Company along with Directorship, Membership / Chairmanship of Committees held in other Listed Companies of Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar are enclosed along with explanatory statement.

The Board of Directors recommends the Special Resolutions as set out at Item Nos. 4 to 7 for approval of the Members. Accordingly, your approval is solicited.

Memorandum of Interest:

Except Mr. Prafull Anubhai, Mr. Rajeev Gupta, Mr. Sanjeev Pahwa and Mr. Jayant Davar, being appointees, none of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise, in the resolutions set out at Item Nos. 4 to 7.

Item No. 8 of the Special Business

The Members of the Company, vide their resolution passed at the 5th Annual General Meeting (AGM) of the Company held on 4th September, 2015 had re-appointed Mr. Sachit Jain as Managing Director of the Company for a period of 5 years starting from 1st April, 2015 to 31st March, 2020. Due to expected inadequacy of profits in the financial year 2015-16 & 2016-17, the remuneration to be paid to Mr. Sachit Jain was fixed for these years as per the provisions of Section-II of Part-II of Schedule V of the Companies Act, 2013 i.e. remuneration payable to managerial personnel in case of inadequacy of profits. But due to efforts being put in by Mr. Sachit Jain and his team, the Company has seen a turnaround in its performance with a Net Profit of ₹18.91 crores during the financial year 2016-17.

Considering the performance of the Company in 2016-17 and future profitability, the Board of Directors in its meeting held on 28th April, 2017, has approved to increase the remuneration payable to Mr. Sachit Jain upto 10% of the Net Profits of the Company for his remaining term of three years.

Pursuant to provisions of Section 197(1) of Companies Act, 2013, the Board can pay remuneration to a Managing Director up to 5% of the Net Profit of the Company and any remuneration exceeding 5% but up to 10% of the Net Profit can be paid with the approval of the Members of the Company in General Meeting. Accordingly, your approval is solicited.

The Board of Directors recommends Special Resolution as set out at Item No. 8 for approval of the Members.

Memorandum of Interest:

Except Mr. Sachit Jain, appointee, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain, being appointee's relative, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 8.

Item No. 9 of the Special Business

In order to reward the contribution made by Mr. Prafull Anubhai, Chairman and Independent Director, towards the business of the Company, the Board of Directors in its meeting held on 30th July, 2016 had recommended to pay commission @ 1% of Net profits subject to maximum of ₹10 lakhs to him for the financial year 2016-17 only. This payment of Commission was approved by Members in the 6th Annual General Meeting.

Since, the Commission was fixed for financial year 2016-17 only, the Board of Directors in its meeting held on 28th April, 2017 had approved payment of commission @ 1% of Net profits subject to maximum of ₹10 lakhs to him for the financial year 2017-18 also.

The Board of Directors recommends Ordinary Resolution as set out at Item No. 9 for approval of the Members.

Memorandum of Interest:

Except Mr. Prafull Anubhai, none of the Directors/ Key Managerial Personnel (KMP) of the Company is interested in the resolution set out at Item No. 9.

Item No. 10 of the Special Business

Pursuant to the provisions of Section 62(1)(b) and other applicable provisions of Companies Act, 2013 and SEBI (Share Based Employee Benefits) Regulations, 2014, the Members in their 6th Annual General Meeting held on 28th September, 2016 had approved **Vardhman Special Steels Limited Employee Stock Option Plan, 2016**. However, method to be used by Company for Valuation of its Options under the Scheme was not disclosed in the explanatory statement to the notice of 6th Annual General Meeting. In this regard, the National Stock Exchange of India requires that the method of valuation of Options used by the Company for grant of Options i.e. **Fair Valuation Method** shall be ratified by the Members in the next Annual General Meeting.

Accordingly, your approval is solicited for ratification of method of Valuation of Options by passing Special Resolution as set out at Item No. 10 of the notice.

Memorandum of Interest:

Except Mr. Sanjeev Singla, CFO, none of the Directors/ Key Managerial Personnel (KMP) of the Company is interested in the resolution set out at Item No. 10.

Item No. 11 of the Special Business

Section 197 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Articles of Association of your Company, provides for payment of sitting fees to every director for attending a meeting of the Board or its Committee upto a maximum of ₹1,00,000/- for each meeting of the Board or its Committee.

The contribution, participation and valuable guidance of the Directors in the affairs of the Company have increased enormously over a period of time. To commensurate their increased contribution and guidance, the Board of Directors of the Company in its meeting held on 28th April, 2017 had enhanced the sitting fees from ₹15,000/- to ₹40,000/- for attending the Board meeting, from ₹10,000/- to ₹30,000 for attending Audit Committee meeting and from ₹10,000/- to ₹20,000 for attending other Committee meetings, subject to the consent of the Members in General Meeting. Accordingly, your approval is solicited.

Memorandum of Interest:

Except Mr. B.K. Choudhary, all other Directors of the Company are interested in the resolution set out at Item No. 11.

Item No. 12 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 28th April, 2017 had appointed M/s. Ramanath Iyer & Co., 808, Pearls Business Park, Netaji Subhash Place, New Delhi as Cost Auditors of the Company to conduct Cost Audit for the Financial Year ending 31st March, 2018.

Accordingly, the consent of the Members is solicited for passing an Ordinary Resolution as set out at Item No. 12 of the notice for ratification of payment of remuneration of ₹39,760/- to the Cost Auditors for the Financial Year ending 31st March, 2018. The Board recommends the Ordinary Resolution as set out at Item No. 12 of the Notice for approval by the shareholders.

Memorandum of Interest:

None of the Directors / Key Managerial Personnel (KMP) of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 12.

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. B.K. Choudhary	Mr. Prafull Anubhai	Mr. Rajeev Gupta	Mr. Sanjeev Pahwa	Mr. Jayant Davar
Date of Birth	27.06.1951	20.01.1938	19.03.1958	26.12.1966	18.10.1961
Date of Appointment	15.03.2011	15.03.2011	15.03.2011	15.03.2011	09.11.2013
Expertise in specific functional area	Experience of more than 43 years in Steel & Textiles Industry.	Business Consultant having experience of more than 43 years.	Experience of more than 34 years in manufacturing, investment banking and private equity.	Experience of more than 25 years in the field of bicycle/ automobiles tyres and tubes industry and bicycle components.	Experience of more than 29 years in auto industry.
Qualification	B.Sc., M.Com & MBA	B.Com, B.Sc. (Economics Honours), London University.	B. Tech, MBA	B. Tech	Mechanical Engineer
Directorships in Other Listed Companies as on 31st March, 2017	1. Vardhman Acrylics Limited	1. Vardhman Textiles Limited 2. Unichem Laboratories Limited 3. Gruh Finance Limited	1. T.V. Today Network Limited 2. Cosmo Films Limited 3. EIH Limited 4. VIP Industries Limited 5. United Spirits Limited	NIL	1. Jagran Prakashan Limited
Chairman/Member of Committees of Other Listed Companies as on 31st March, 2017	**Audit Committee:** NIL	**Audit Committee:** 1. Vardhman Textiles Limited 2. Unichem Laboratories Limited 3. Gruh Finance Limited	**Audit Committee:** 1. T.V. Today Network Limited 2. Cosmo Films Limited 3. EIH Limited 4. United Spirits Limited	NIL	NIL
	Stakeholders' Relationship Committee: Vardhman Acrylics Limited	**Stakeholders' Relationship Committee:** 1. Unichem Laboratories Limited 2. Gruh Finance Limited	**Stakeholders' Relationship Committee:** NIL		
No. of Shares held	NIL	NIL	NIL	NIL	NIL
Relationship with other Director(s)	Not related to any Director.	Not related to any Director.	Not related to any Director.	Not related to any Director.	Not related to any Director.

Notes

Corporate Information

BOARD OF DIRECTORS	PRESIDENT & CHIEF EXECUTIVE
1. Mr. Prafull Anubhai – Chairman	Mr. Subhasis Dey
2. Mr. B.K. Choudhary	**CHIEF FINANCIAL OFFICER**
3. Mr. Jayant Davar	Mr. Sanjeev Singla
4. Mr. Rajeev Gupta	**COMPANY SECRETARY**
5. Mr. Rajinder Kumar Jain	Ms. Sonam Taneja
6. Mr. Sanjeev Pahwa	**STATUTORY AUDITORS**
7. Mr. Sanjoy Bhattacharyya	M/s S.S. Kothari Mehta & Co.,
8. Mrs. Suchita Jain	Chartered Accountants, Panchkula.
9. Mr. Sachit Jain – Vice-Chairman & Managing Director	

WORKS	BANKERS
Vardhman Special Steels Limited Unit-I,	State Bank of India
C-58, Focal Point,	HDFC Bank Limited
Ludhiana.	Axis Bank Limited
	Yes Bank Limited

REGISTERED OFFICE	REGISTRAR & TRANSFER AGENT
Vardhman Premises, Chandigarh Road,	Alankit Assignments Limited
Ludhiana – 141010.	1E/13, Alankit Heights, Jhandewalan Extn.,
Phones: (0161)2228943-48	New Delhi – 110 055.
Fax: (0161) 2601048	Phone: (011) 41540060-63
E-mail: secretarial.lud@vardhman.com	Fax: (011) 41540064
Website: www.vardhmansteel.com	E-mail: rta@alankit.com

BRANCHES & WAREHOUSES
• SPL-1, Phase-I, Industrial Area, Bhiwadi, District Alwar – 301 019.
• Sai Road, Baddi – 173 205.
• 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.
• Khasra No. 1050, Near Cloud 9 Resort, Meerut Road, Ghaziabad.
• Village- Fauzi Matkota, Tehsil – Kichha, District – Udham Singh Nagar, Rudrapur – 263 153.
• DP No. 17, Sidco Womens Industrial Estate, Thirumullaivoyal, Chennai.
• C/o M/s Sudalloys Private Limited, B-26, MIDC Chakan, Pune – 410 501, Maharashtra.
• Gala #908A, Gat #71 B/s, Goodyear Tyre, Group Grampanchayat – Ghanegaon, Vitava Naryangaon (Khurad) – Aurangabad.

Vardhman

Delivering Excellence. Since 1965.

REGISTERED OFFICE

Vardhman Premises, Chandigarh Road,

Ludhiana-141010

Tel :0161-2228943-48

Fax: 0161-2601048

Website: www.vardhmansteel.com

E-mail: secretarial.lud@vardhman.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

7TH ANNUAL GENERAL MEETING

2017

I/We hereby record my/ our presence at the 7th 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 22nd day of September, 2017 at 11:00 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 2016-17 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 2016-17 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.

NOTE: Please read instructions given at Point No. 12 of the Notice of 7th Annual General Meeting annexed in the Annual Report for 2016-17 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 7th Annual General Meeting of the Company, to be held on Friday, the 22nd day of September, 2017 at 11:00 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:-

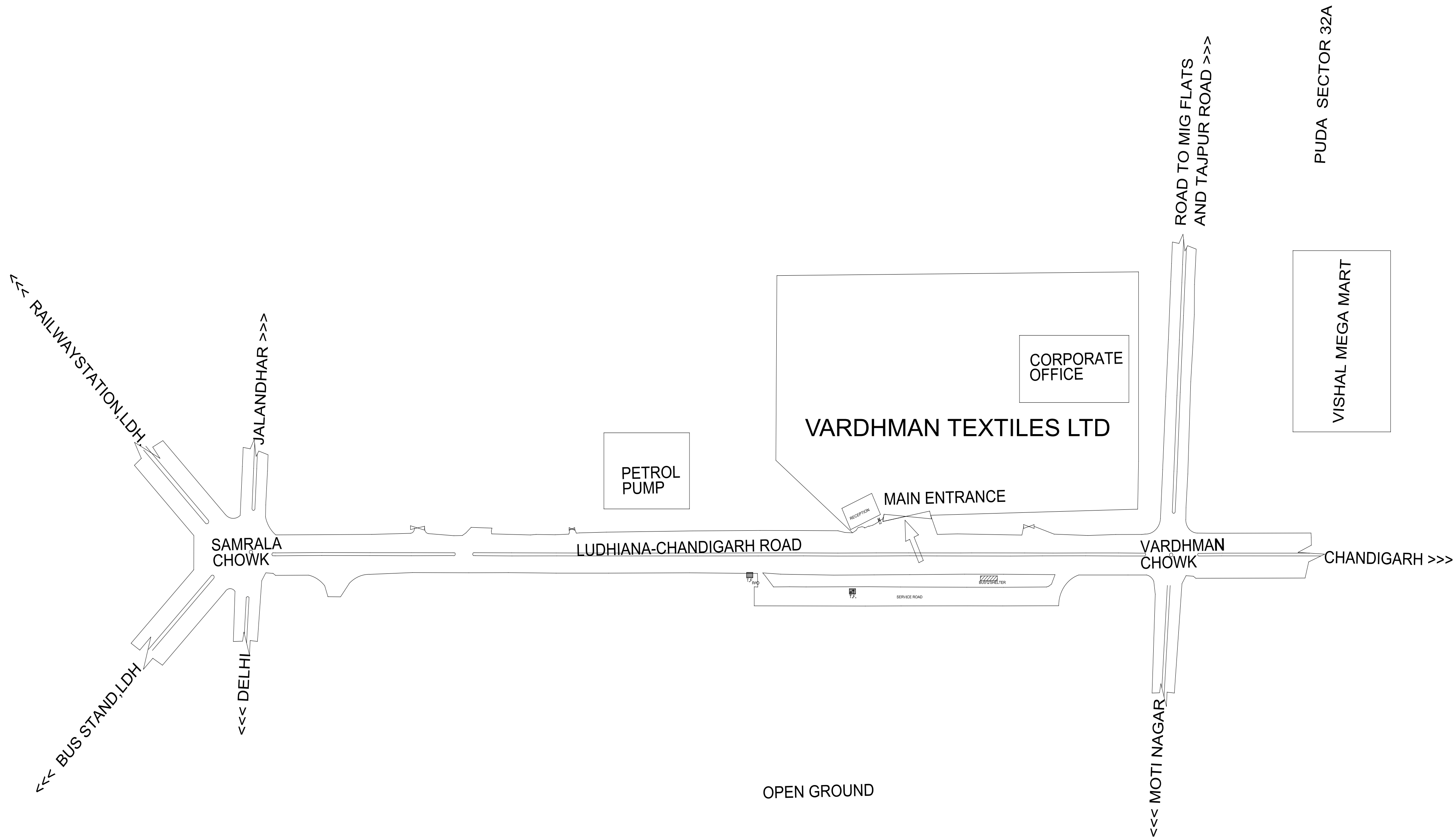
RESOLUTIONS:-	
Ordinary Business	
1.	Adoption of Financial Statements for the financial year ended 31st March, 2017.
2.	Re-appointment of Mr. B.K. Choudhary as a Director liable to retire by rotation.
3.	Ratification of appointment of Statutory Auditors of the Company for the financial year 2017-18 and to fix their remuneration.
Special Business	
4.	Re-appointment of Mr. Prafull Anubhai as an Independent Director of the Company.
5.	Re-appointment of Mr. Rajeev Gupta as an Independent Director of the Company.
6.	Re-appointment of Mr. Sanjeev Pahwa as an Independent Director of the Company.
7.	Re-appointment of Mr. Jayant Davar as an Independent Director of the Company.
8.	Approval of remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director, from the financial year 2017-18 to 2019-20.
9.	Approval of commission payable to Mr. Prafull Anubhai, Chairman & Independent Director, for the financial year 2017-18.
10.	Ratification of method of valuation of Options granted under Vardhman Special Steels Limited Employee Stock Option Plan 2016 under SEBI (Share Based Employee Benefits) Regulations, 2014.
11.	Increase the sitting fees being paid to Non-Executive Directors of the Company.
12.	Ratification of remuneration payable to Cost Auditors for the financial year ending 31st March, 2018.

Sign this .... day of .... 2017.

Signature of shareholder .... Signature of Proxy holder(s) ....

Affix Revenue Stamp not less than Rs. 0.15

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.


PUDA SECTOR 32A
VISHAL MEGA MART
ROAD TO MIG FLATS
AND TAJPUR ROAD >>>
CORPORATE
OFFICE
VARDHMAN TEXTILES LTD
PETROL
PUMP
MAIN ENTRANCE
RECEPTION
<<< RAILWAYSTATION,LDH.
JALANDHAR >>>
SAMRALA
CHOWK
LUDHIANA-CHANDIGARH ROAD
VARDHMAN
CHOWK
CHANDIGARH >>>
SERVICE ROAD
<<< BUS STAND,LDH
<<< DELHI
<<< MOTI NAGAR
OPEN GROUND