Vardhmān
Vardhmān
Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

CHANDIGARH ROAD
LUDHIANA-141010, PUNJAB
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E: secretarial.lud@vardhman.com

Ref. VSSL:SCY:SEP:2020-21 **Dated: 02-Sep-2020**

BSE Limited, 1st Floor, New Trading Ring, Rotunda Building, P.J Towers, Dalal Street, 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**

Dear Sir,

SUB: ANNUAL REPORT (F.Y. 2019-20) OF THE COMPANY, NOTICE CONVENING 10TH ANNUAL GENERAL MEETING, BOOK CLOSURE DATES & E-VOTING INFORMATION

Pursuant to applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that the 10th Annual General Meeting ('AGM') of the Members of the Company will be held on Friday, 25th September, 2020 at 10:30 a.m. through Video Conferencing ('VC')/Other Audio Visual Means ('OAVM'), in compliance with the relevant circulars issued by the Ministry of Corporate Affairs ('MCA') and Securities and Exchange Board of India ('SEBI').

The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 15th September, 2020 to Friday, 25th September, 2020 (both days inclusive) for the purpose of AGM.

Further, the Company has fixed Friday, 18th September, 2020 as the cut-off date to ascertain the eligibility of Members entitled to cast their vote electronically on all the resolutions to be passed at the AGM. The Company has engaged the services of Central Depository Services (India) Limited ('CDSL') to provide the e-Voting facility. The e-voting schedule is as under:

Commencement of e-Voting	September 22, 2020 (09:00 am onwards)
End of e-Voting	September 24, 2020 (upto 05:00 pm)

Vardhman Special Steels Limited Ludhiana

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Pursuant to Regulation 34(1) of the Listing Regulations, please find enclosed the Annual Report (F.Y. 2019-20) alongwith the Notice convening the 10^{th} AGM of the Company. The said documents are also available on the website of the Company at www.vardhmansteel.com.

Kindly note and display the notice on your notice board for the information of the members of your exchange and general public.

Thanking you,

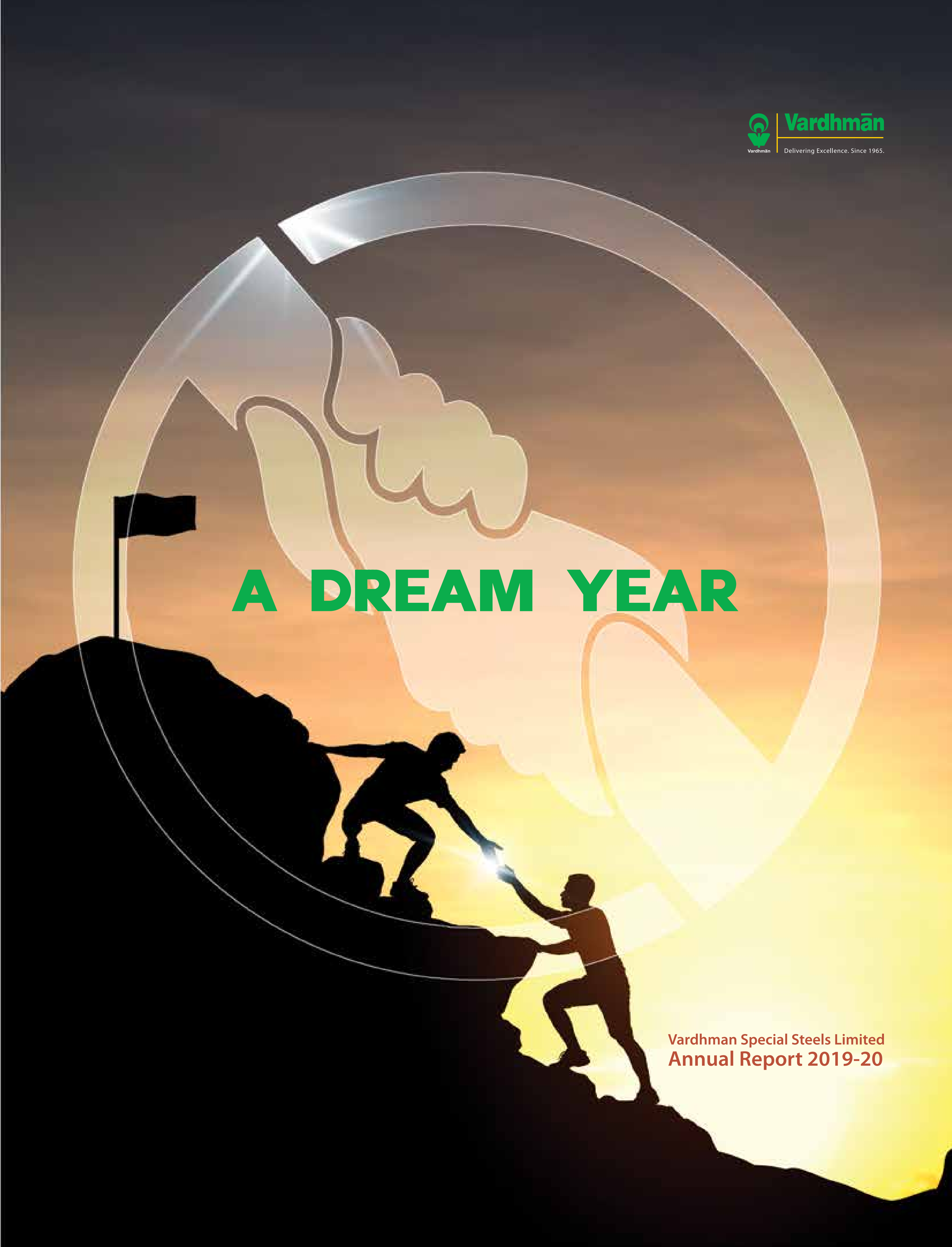
Yours faithfully,

For VARDHMAN SPECIAL STEELS LIMITED

Sonam

Vardhman Special Steels Limited
Ludhiana

(SONAM TANEJA)
Company Secretary



Vardhman

Delivering Excellence. Since 1965.

A DREAM YEAR

Vardhman Special Steels Limited

Annual Report 2019-20

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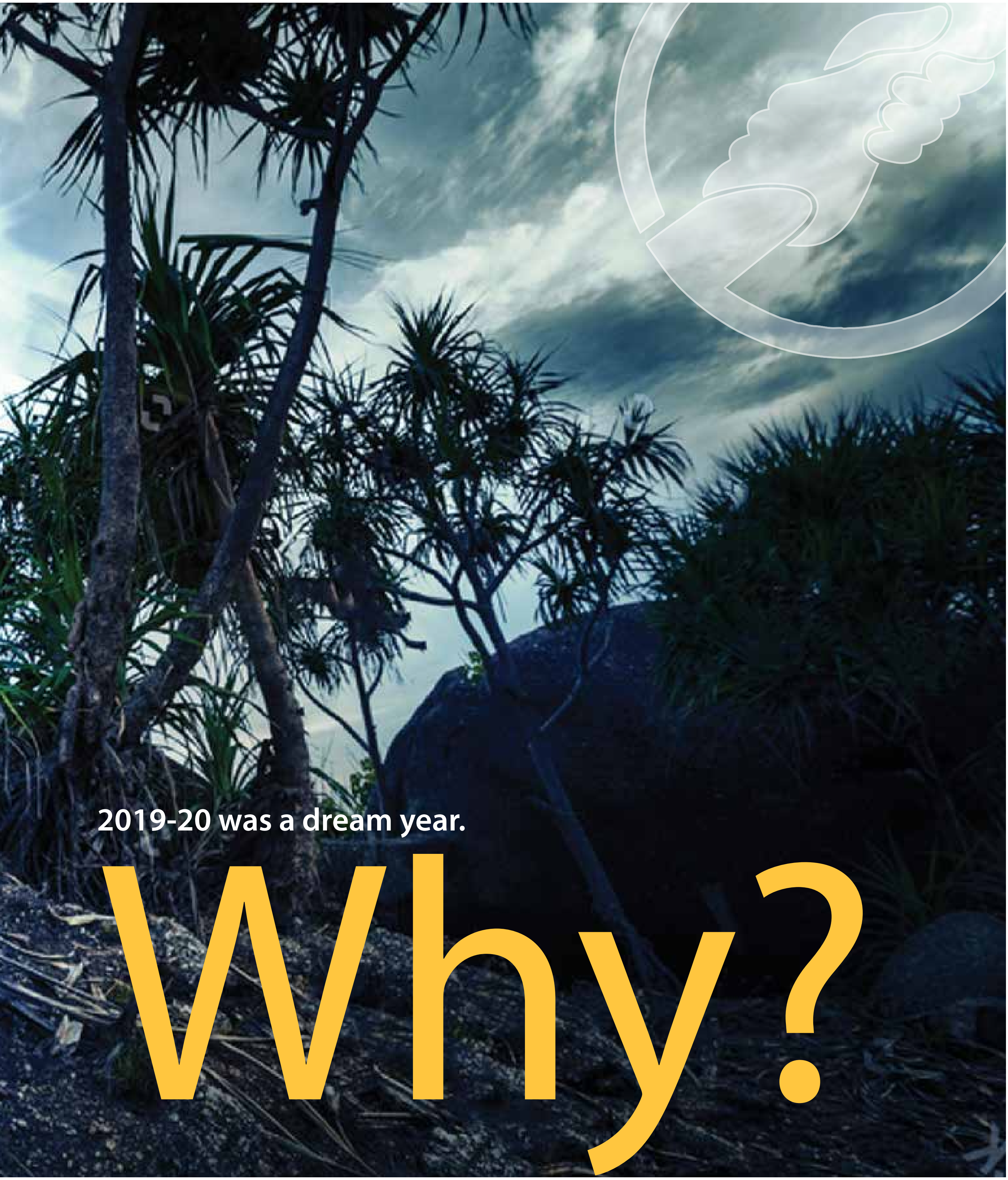

2019-20 was a dream year.
Why?

In this year, we earned the global recognition of being truly special.

We were recognised by none other than the undisputed global leader in special steels, Aichi Steel Corporation, the main material maker for the Toyota Group, that also supports the Japanese automobile industry with its high-quality, contemporary and relevant products.

With Aichi's commitment, we have started our journey towards becoming a global steel player.

A host of measures from the Japanese major makes us feel special in steels.

1) INVESTING TO REBUILD OUR CONFIDENCE

Aichi Steel has taken an 11.46% stake in Vardhman Special Steels Limited at an investment of ₹50 crore. It will be utilised for capital investment when required.

2) REALIGNING THE WAY TO HELP US IMPROVE

Aichi Steel is working to align and uplift our systems and processes to the 'Japanese Way' of working. Recognised as a global benchmark, this meticulous and disciplined way of working will have a considerable impact on the Company's product quality, operational safety and cost structure. A team of experts from Aichi Steel hand-held the Vardhman team as it took its initial steps in this exciting journey.

3) CHARTING THE BLUEPRINT FOR GROWTH

We have a steel melting capacity of 2 lakh tonnes per annum at Ludhiana. Once it works at 100% capacity and our processes and quality meet global standards, we would work towards expanding the capacity to 3 lakh tonnes, subject to securing environment and other clearances . A new plant is on the drawing board for the next phase.

With Aichi's partnership, we could be looking at interesting opportunities.

IN INDIA…

Aichi's partnership will help us develop special steel grades for automotive companies in India which will fill the gap of providing a substitute that is imported. Also, the increased collaboration between Toyota and Suzuki could help Vardhman grow volumes with Maruti in India. It will also give the Company a foothold into other Japanese companies operating in India.

… AND BEYOND

Aichi will open vistas beyond the Indian frontiers. Vardhman nurtures the ambition to export special grade steel to South East Asia.

This alliance promises to strengthen our growth momentum and make our success sustainable over the foreseeable future.

For a division, which remained ignored for many years, securing the spotlight on the global stage in less than a decade is no mean achievement.

From Vice Chairman's
desk 2020

Dear Valued Shareholders,

Here I am again sharing my thoughts with you as I look back on the previous year and look ahead at the current year. The past year has been one of the most significant years in the history of our Company. For starters we completed the upgradation of our furnace, which will eventually enable us to increase our melting capacity, but more importantly we could finally execute the investment in VSSL by Aichi Steel Corporation and start the process of working together from October of the last year. Overall, the demand was low last year and it was an extremely difficult year for the auto industry with an approximately 14.5% drop in demand and subsequent drop in sales for us. And lastly, the fourth quarter of the previous year brought in the COVID-19 pandemic which is in full flow and we are grappling with all its after-effects.

My first decade in Steel

January 2020 marked the completion of my 10 years in VSSL and as I said in my last year's letter to you, we now close phase one of the journey of VSSL. In this phase, though we have covered a lot of ground, there is still a lot left to achieve so I will call it the 'Preparation of the Foundation' phase. In this phase we invested in the rolling mill, put up a Non-destructive testing line, invested in R&D equipment, modernised electrical systems, invested in environment protection equipment, upgraded the furnace, began exports, increased the marketing thrust and simultaneously began a major cultural change in our Company. A very important part of this phase was to complete the strategic alliance with Aichi Steel Corporation wherein they became

As I shared that the finalisation of this strategic alliance was a dream come true. However, we all know that the finalisation of an agreement to work together is only the beginning. The real work happens in making this alliance work.

a shareholder of our Company, were given a Board seat and started a technical alliance with us. As I have been writing in my previous letters, I had been on this job since July 2011 and so its culmination is a very big task accomplished.

Converting the dream to reality

I have shared earlier that the finalisation of this strategic alliance was a dream come true. However, we all know that the finalisation of an agreement to work together is only the beginning. The real work happens in making this alliance work. To make any alliance work, the fundamental factors are trust and long term aligned objectives. Since it took me eight years of talking to them before we finalised the agreement, it has given us enough time to understand each other and build trust at the Top Management level. However, this is necessary but not sufficient. The key is when the operating people start building trust in each other. This process also takes time, but is well under way. Over the years of our relationship building and strengthening, their teams had visited us several times and seen the improvements we had made over time. Also, now we have

three members from Aichi who have been posted at VSSL and they are directly communicating with their counterpart section heads and department heads. The combined Aichi and VSSL team is working together to make special steels equivalent to Japanese quality but at competitive prices. This means that the teams are working on quality improvement, consistency of quality and reduction of cost to help serve both the Indian as well as the ASEAN markets. The Aichi team has already started marketing our steel to the Japanese OEMs with manufacturing plants in the ASEAN region. Overall, I must say the relationship with Aichi is progressing well.

Change in Culture

As all of us are aware that whenever there is a new relationship of any kind between two people, there is a lot of change and adjustment in behaviour which is required to make it work. This same phenomenon gets multiplied several times when the relationship is between organisations, as it now requires a change of culture and it becomes still more complex when the organisations are from different countries. Our people have started adopting the methods of Aichi and seeing the advantages of that. The main difference is in mindset and approach. The Aichi team is not only far more focussed on safety but they are also more systematic and data analysis oriented than our people. They have an ability to dive deep into our data and come out with insights that had eluded us. In problem solving also, they have a far greater ability to go to the root causes and then make changes. Their approach is to make one change at a time, establish results, make any modification and then implement whereas our approach is generally to implement several suggestions at a time as we are normally firefighting. This means that initially their approach seems to be slower but it produces better and more sustainable results. Overall, I also find their planning and detail orientation much better than ours. We also discovered in this journey that our younger people are very excited and are able to adopt these changes much faster, whereas the senior people are finding it tougher to adapt, but they are getting there as well. We are definitely developing a much stronger culture than before. However, it is a long haul to convert the entire organisation and this process will take time. At present what I can say is that we have begun well.

Making use of a Crisis

The whole world has been facing an unprecedented crisis in the wake of the Covid-19 Pandemic. The Hon'ble Prime Minister of India declared a lockdown from the 25th of March which was extended to the 2nd of May and we had to immediately shut the plant. As a result, sales and production dropped to zero and all of us were contained in our homes. This period was one of extreme uncertainty, fear and even panic. There was extreme anxiety in everyone's mind as there were negative news everywhere in the newspapers, television and social media. Companies were taking the decision whether to pay full salaries or not and people were being asked to go. In this situation we took a decision that we will neither have any layoffs nor any salary cuts and gave every employee

WE ARE LEARNING THE APPROACH TO MAKE VSSL SAFE IN THE WAY OF TOYOTA GROUP COMPANIES AND ARE LIKELY TO GET SOME VOLUMES FROM ASEAN PLANTS OF TOYOTA AND OTHER JAPANESE AUTO MAKERS IN THE COMING YEARS

the comfort of at least one year's protection. In addition, we started a massive program of employee engagement wherein we used various online platforms to connect to all the employees down the line. I personally spoke to about 80% of the employees in groups of 20-25. In addition to speaking to them, we gave assignments to people to come up with cost saving ideas under 3R scheme which means Reduce, Reuse and Recycle. We also asked all the employees to come up with problems in their areas and then formed cross-functional teams to discuss these problems and come up with solutions in the Vardhman Aichi Way (the planned systematic approach that we learned from Aichi). Further we conducted training for our people in the Japanese approach, in TPM, metallurgy and Japanese language-learning classes too. The end result of this was that when the plant reopened and the teams came back to work, they were highly motivated and much more engaged with the Company with a hunger to improve. We are finding that the suggestions that we have received will result in significant cost savings. I must say that we have emerged from the lockdown as a stronger organisation.

Looking Ahead

Last year was a very tough year on account of a large drop in auto volumes and hence, a large drop in our sales and profitability. We were expecting a much better year this year when we were preparing our annual budgets in February, however, because of the Covid-19 pandemic and subsequent nationwide lockdown and now localised lockdowns there has been a huge hit to the confidence and it is expected that the economy is likely to shrink by 5-10%. In this scenario our first quarter is likely to be quite a disaster with significantly lower sales and a large financial loss expected. However, there seems to be a swift recovery in auto sales and it looks like we would be doing much better than we had originally feared and we might make profits in each of the remaining three quarters. However, it is extremely difficult to make any predictions for this year at this time as all depends on when the pandemic comes to an end and if there is a 2nd wave or not. There is, however, a silver lining in the dark cloud for us as we learn more and more from our partners. We are learning the approach to make VSSL safe in the way of the Toyota group companies and are likely to get some volumes from ASEAN plants of Toyota and other Japanese auto makers in the coming years with the focus on quality and safety. The faster our quality stabilises, the faster we get on to the growth path. In addition we have now to prepare for increased volumes. We are hopeful of getting the Ministry of Environment Approval for expansion of our capacity within this financial year. This will mean that we will restart our investment plan in discussion with the Aichi team which is likely to be finalised in the next few months. We will be utilising the funds infused by Aichi, which are currently in a Fixed Deposit, internal accruals and if need be some incremental loans for this purpose. And lastly, we will be contributing to our Honourable Prime Minister's vision of Atmanirbhar Bharat wherein we will be working to substitute imported steel with our steel and also become part of the global supply chains of some of the Japanese auto companies.

Personal Milestone

On a personal note, in February my elder daughter Soumya got married and we welcome our son in law Rijul into our family. It is a great feeling for a father when he finds his daughter happily married. They have begun well and my best wishes to them.

In the end, I wish all of you and your families to remain healthy and safe. I am waiting for the Covid crisis to get over so that I can go on my next trek. Maybe November this year or next year, that remains to be seen.

Regards

Sachit Jain

Vice Chairman and
fellow share holder

Vardhman Special Steels Limited
Part of the $1.20 billion Vardhman Group
A leading manufacturer of special steels

TOTAL SALES (₹ CRORE)

846.20

SALES BY USER SEGMENT

95%	5%
Auto sector	Non-Auto sector

TOTAL NUMBER OF EMPLOYEES

953

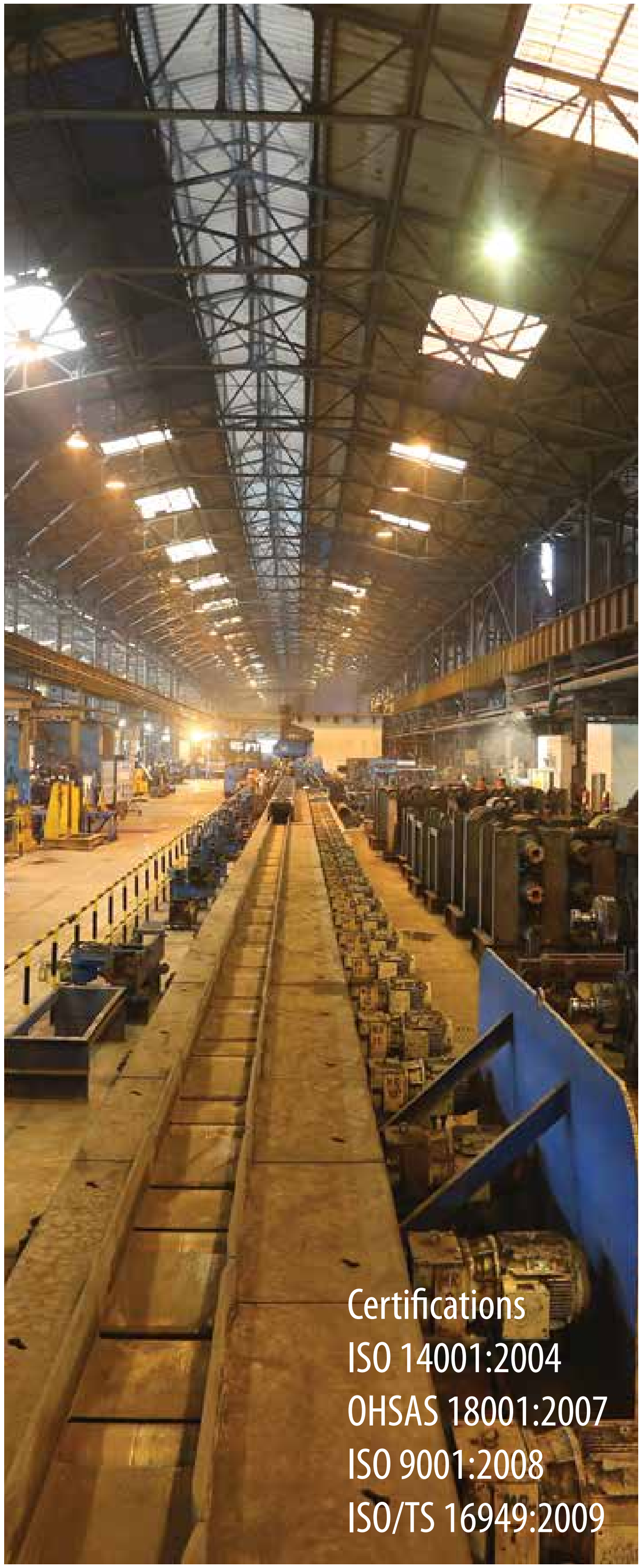
39%	61%
White-collar	Blue-collar

STRATEGIC GOAL

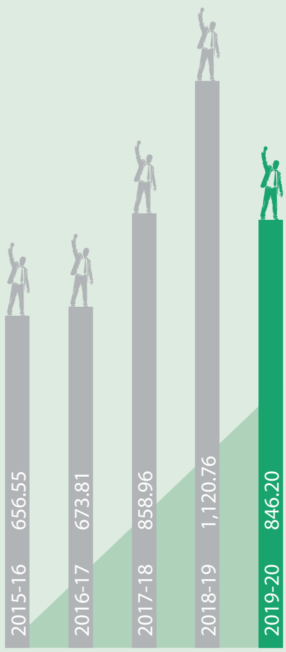
- Become the best at manufacturing processes and product quality
- Manufacture high quality special steel which is currently being imported

STRATEGIC FOCUS

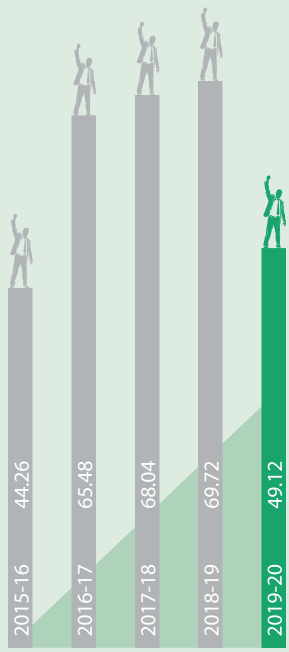
- Enhance operational efficiency and safety
- Uplift product quality to global benchmarks
- Optimise cost structure
- Enhance wallet share with Japanese OEs in India



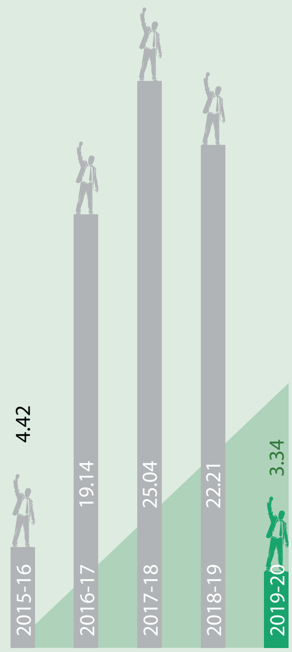
OUR PROGRESS THUS FAR



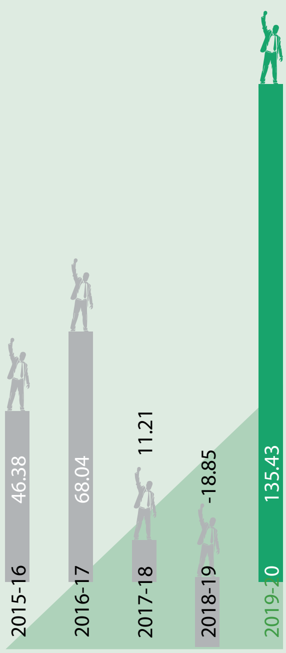
Revenue from operations (₹ crore)



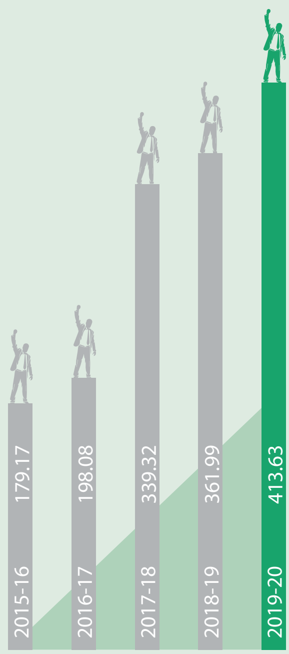
EBITDA (₹ crore)



Net Profit (₹ crore)



Net Cash flow from operations (₹ crore)



Networth (₹ crore)

Debt-equity (x)

MANAGEMENT DISCUSSION AND ANALYSIS

Economic overview

THE GLOBAL ECONOMY FALTERED…

Global growth decelerated markedly in 2019, with continued weakness in global trade and investment. This weakness was widespread, affecting both advanced economies—particularly the Euro Area—and emerging market and developing economies. In particular, global trade in goods was in contraction for a significant part of 2019, and manufacturing activity slowed markedly over the course of the year. Financial markets were fragile for most of 2019. Concerns about growth prospects triggered widespread monetary policy easing by major central banks last year, as well as flight to safety flows into advanced-economy bond markets. Against this international context, global growth weakened to an estimated 2.9% last year— the lowest rate of expansion since the global financial crisis.

2020, a nightmare: This has been a year of nightmare not only for businesses alone, but for the entire human race. The COVID-19 pandemic ravaged the world, spelling doom and drawing the civilisation to its knees. The world faces a grim reality – the exponential growth of contagion is multiplying the number of infected individuals every day. Even in the areas where there is remission, there is constant fear of a second wave.

The loss in businesses associated with this health emergency and containment measures possibly dwarf the losses that the two global financial crises had caused. Moreover, the shock isn't over yet. The pandemic has driven the world into a state of severe uncertainty of unknown duration.

Under such circumstances, economic policies play a very different role. With a blanket shutdown thrown globally to contain the spread of the disease, life has come to a sudden halt, bringing all economic activities to a standstill. This makes reviving activities more challenging.

Many countries face a multi-layered crisis, comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. As per leading economic experts the global economy will experience one of its worst recessions.

…AND THE INDIAN COUNTERPART FOLLOWED.

India's economic growth slumped to 3.1% in the March quarter, the slowest pace in 11 years. Data released by the statistics department showed gross domestic product (GDP) grew at 4.2% in the year ended 31 March, compared with 6.1% in the previous year, as private consumption slowed down and investment demand contracted even before the pandemic hit the economy. India's fiscal metrics worsened beyond government's estimates, with the fiscal deficit for FY20 widening to 4.6% of GDP against the finance ministry's estimate of 3.8% of GDP.

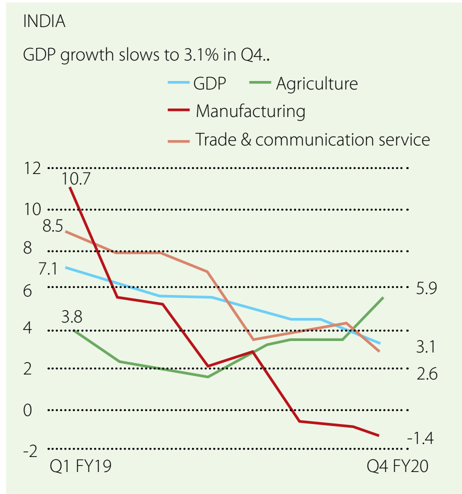
The slowdown was triggered by a mix of both internal as well as external factors such as a synchronised global slowdown, demonetisation, historically poor automobile sales, a flat growth in core sectors and a steady decline in investment into construction and infrastructure. A stalemate in real estate developments, record unemployment and rising costs – all these paint a gloomy picture of an economy in distress.

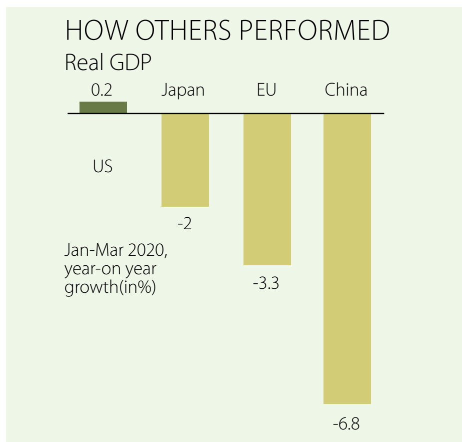
The situation worsened when most public sector banks began gasping for breaths under a huge burden of Non-Performing Assets (NPAs).

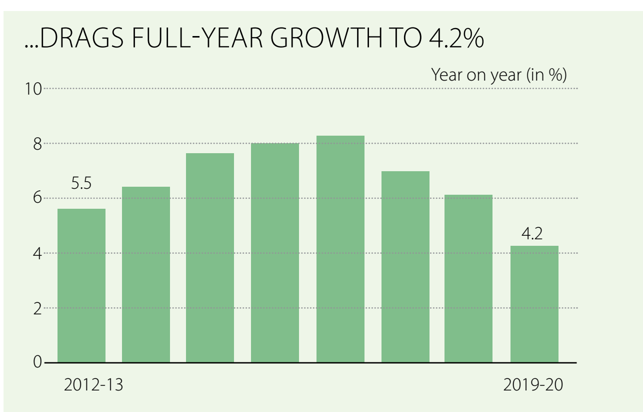
There was an obvious freeze in lending and consequently the banks started seeking deposits and making provisions for bad debt. The NBFC crisis weakened the financial health of the economy further with a massive liquidity crunch in the system.

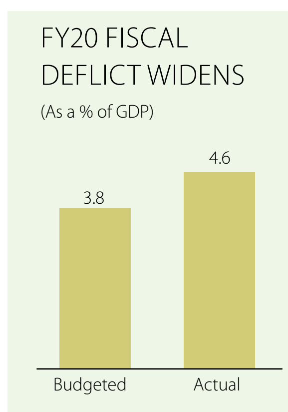
And then India became part of the global pandemic. The severe disruption of economic activities caused by COVID-19, both through demand and supply shocks, has overtaken the incipient recovery in the Indian economy leading to massive job losses.

In April 2020, India's manufacturing and services sectors recorded the sharpest contraction among the world's top 10 economies. Despite this economic disruption, economy experts continue to remain optimistic about India's resurgence. They believe that while the economic damage of the pandemic has so far been deep and far-reaching in India, there is hope that economic activity will spike once the lockdown is lifted in phases.









The Steel Sector

THE PROSPECTS OF THE HARD METAL SOFTENED GLOBALLY…

2019 was a difficult year for the steel industry.

In 2019, the global steel industry stagnated with the exception of China. China was the only country among the big steel producing countries to increase its share in global output moving from 52% to 54%.

Globally, the monthly output on an annualised basis had topped 1 billion tonnes over April-September, supporting expectations that production can exceed this psychological mark in the future.

In Europe, the negative trend in steel demand in 2019 hurt domestic steel producers. Also, the new EU import quota regulations have created a rush for quota consumption by the overseas suppliers, including finished steel products stock building, disrupting the stagnating EU steel market. World steel data shows, that, as a result, crude steel production in Europe has declined by 5% YoY to 152.2 million tonnes in 2019.

…INDIA WAS NOT EXCEPTION TO THE GLOBAL TREND.

For Indian steel producers, 2019 was an unremarkable year.

Like its global counterparts, the Indian steel industry witnessed a steep price fall not seen in the past three years. For example, prices of hot-rolled steel coil fell for 21 straight weeks; it was only toward the end of 2019 did some steel companies raise the price of steel products.

Production-wise, Indian steel makers continued to face the challenge of imported steel flooding the market. This, and the lack of pickup of steel, led to some companies reducing their steel output.

Typically, 60-62% of steel end-use mix is accounted for by construction while 8-10% of demand comes from automobile segments.

Outlook

That COVID-19 has disrupted operations globally is well-known. Moreover, the new normal that will emerge is likely to witness a realignment of power centres in different domains. The corona virus crisis has impacted almost all supply chains dependent on China, which includes the steel sector.

Given the closure of operations in most industries, the nation's steel demand in 2020-21 is slated to fall by about 15%. This will lead to oversupply, suppressed prices and rising inventories once the lockdown is lifted, as per an India Ratings report. These inventories will mainly comprise intermediate or semi-steel items used by downstream players whose units are currently closed because of the lockdown. As a result, a vicious cycle will be created – where prices will remain depressed until there is a major uptick in demand or a sizeable inventory volume is offloaded.

THE SECONDARY STEEL SECTOR

It's the world of special steel, where every single application has a different steel variant.

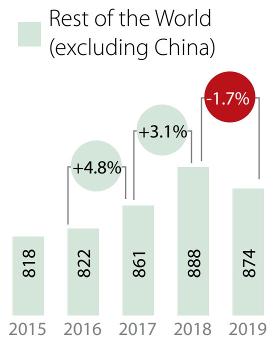
There are as many as 3,500 different grades of steel and each grade offers environmental, chemical and physical properties unique to that grade of steel. Steel has undergone significant evolution through time and around 75% of all types of modern-day steel were developed in the past 20 years.

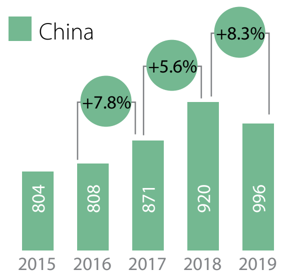
These broadly fall into 4 types – carbon steel, tool steel, stainless steel and alloy steel. Carbon steels form the majority of steels produced in the world today. Tool steels are used to make machine parts, dies and tools. Stainless steels are used to make common household items. Alloy steels are made of iron, carbon and other elements such as vanadium, silicon, nickel, manganese, copper.

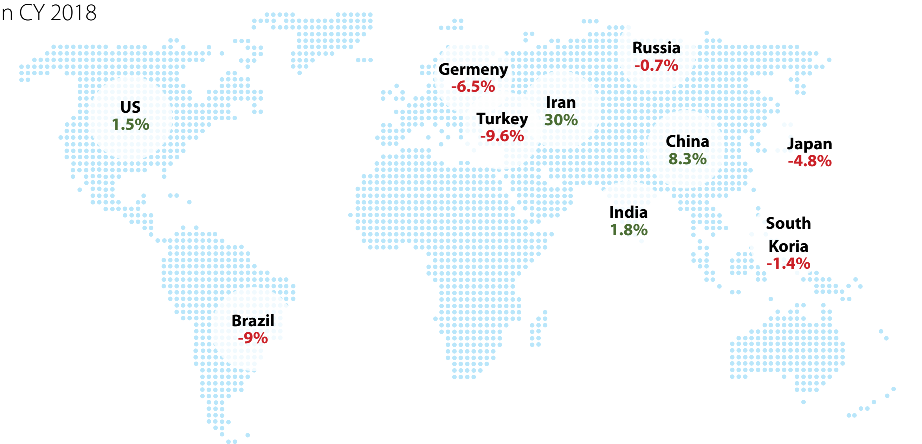
Steel customisation is done by the secondary steel units, each of which specialise in few grades that cater to specific sectoral requirements. Since the quantity used for each application is small, secondary units are primarily small capacity units using cutting-edge technology to make special steels for niche applications.

WORLD CRUDE STEEL (INCLUDING CHINA) :- JAN - DEC (2019 VS 2018)

World Crude Steel Output Increased 3.4% in CY-19 after increasing by 6.3% in CY 2017 & 4.4% in CY 2018







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

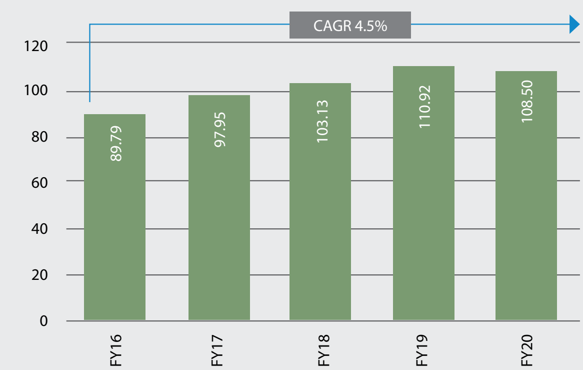
To support the secondary steel segment, the Government has announced important initiatives:

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

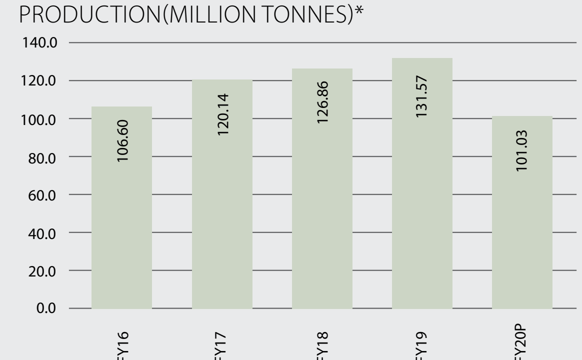
These policies promise to strengthen institutional support (energy efficiency and R&D support) and protect domestic producers from below-cost import from foreign countries through anti-dumping measures.

Fiscal 2019-20 was challenging for the secondary steel segment too. The dampened industrial ecosystem, subdued construction activity, fragile customer confidence leading to a significant deceleration of the automotive sector resulted in a considerable drop in demand for special and alloy steel. To cope with this scenario Secondary steel producers, which account for almost 60% of India's steel industry, and mid and small-scale plants cut back on output. This has impacted their performance and their stability.

TOTAL CRUDE STEEL PRODUCTION(MILLION TONNES)



TOTAL FINISHED STEEL PRODUCTION(MILLION TONNES)*



The automobile industry

The 3 million-plus-units domestic auto industry has seen volume plunging close to 16% as of March-end 2020, with some of the segments performing even worse.

Despite the nearly two-year crisis, the past two Union Budgets have given little respite to the sector that is very critical to generate employment. Instead, lakhs of jobs have already been lost in the industry, including its allied segments, since the past 18 months or so. The Budget 2020-21 also turned out to be disappointing for the auto industry as most of the expectations of automotive manufacturers and related companies remained unmet.

Experts suggested that given the lingering growth pangs of the overall economy and other macroeconomic headwinds, the revival of the automotive sector was some time away.

Amid the weak consumer sentiment and an uncertain regulatory environment, limited credit availability and increased cost of ownership after BS–VI implementation from April 2020, the automotive sector was expected to witness a flat-to-low single-digit volume growth in 2020-21.

Just then Covid-19 transcended to the Indian shores. The lockdowns put in place (since March 25, 2020) in India to combat this global pandemic made matters worse for the already beleaguered automotive sector. Manufacturing and assembling activity of the entire automotive sector came to a grinding halt. Moreover, salary cuts and significant job losses across India, has instilled fear in the minds of the consuming Indians. This has not only negated the positivity brought about by the changes in the tax slabs (in Budget 2020-21), but has evaporated demand considerably and could lead to a drop in volumes in 2020-21.

According to a report 'Automotive sector: Impact of COVID-19 and navigating the turbulence' by PwC, in a realistic scenario, recovery of the automotive sector is expected only by the fourth quarter of 2020-21.

Passenger vehicles

Fiscal 2019-20 was one that India's carmakers will find hard to forget. Sales of passenger vehicles, comprising cars, utility vehicles and vans, witnessed a 14.9% de-growth vis-à-vis FY19's sales. As per figures released by industry body Society of Indian Automobile Manufacturers (SIAM), cumulative PV sales in FY20 stood at 3,450,886 units.

2-wheelers segment

Though the industry saw 18% de-growth in domestic sales due to overall economic slowdown from the beginning of the fiscal as well as the nationwide lockdown at its fag end, exports brought some cheer to the industry with 7.3% growth in the fiscal as most of the players had tweaked their strategy early during the year with a major focus on export

markets. Growth in exports during the fiscal under review helped the industry from reporting the worst-ever de-growth over the past few years.

As per SIAM data, total two-wheeler sales for the financial year ended March 31, 2020, declined 14% to 2,09,37,992 units (2,44,60,688 units in fiscal 2019). Of the total volume, domestic sales were at 1,74,17,616 as compared to 2,11,79,847 units in the previous fiscal, a de-growth of 18%. However, exports during the fiscal under review grew 7.3% to 35,20,376 units, against 32,80,841 units in the last fiscal. Recovery in markets such as Africa, Latin America, Central America, African region and Southeast Asia region have helped Indian two-wheeler companies to expand their presence further with increased exports.

GLOBAL SHOCKWAVES

The shockwaves from Covid-19 disease around the world have turned 2020 into a year of gloom and uncertainty in just a little over three months. As almost every single country in the world grapples to bring down the human cost of the disease, the world has already also begun assessing the economic ramifications that may be a throwback to the years of the Great Depression in the 1930s. While the reverberations are almost certainly expected to be felt across sectors, the automotive industry around the world is potentially poised to bear a significant brunt of it.

Fiscal 2019-20 was one of the most important milestones in the Company's journey.

Why would you call Fiscal 2019-20 an important milestone for the Company?

It was an important year from an operations view point as we laid the foundation for our operational transformation to emerge as India's leading special steel manufacturer. The most significant achievement for the year was that we replaced our conventional Electric Arc Furnace (EAF) with a contemporary variant. This was significant as it made our steel making increasingly safe and reliable in addition to improving product quality and optimizing the cost structure. We believe that this change will be the bedrock for our growth over the coming years. What was immensely satisfying was that the erection and commissioning was seamless and completed with short delay. What was even more important is that during the operations shut-down spanning more than two months, we met all customer commitments. While production volumes were below the previous year, our sales volumes were largely in line with our estimates for the year.

What were some of the other important shop floor investments?

We strengthened the structure of our casting unit and added an in-house developed deburring equipment which helped in automating some manual work.

What was the other milestone that made the year memorable?

Our strategic alliance with Aichi Steel Corporation, Japan, according to us, is not just a highlight of the year, but holds promise to emerge as the inflection point in our business journey. A team comprising of three experts from Japan are on the Vardhman shop floor advising and assisting on multiple operational aspects which a special focus on safety, quality and systems. They are further assisted by a large team of experts sitting in Japan and helping us remotely. While we understand that this is only the start of a long journey, the excitement among the team is palpable. This initiative of learning and growing is expected to continue over the medium term until Vardhman matches global benchmarks in product quality, business efficiency and operational safety.

These apart, what were some of the other highlights for Fiscal 2019-20?

We had some important wins in the domestic market place. Our products received the stamp of approval from leading two-wheeler OEMs in India. This opens an interesting opportunity window for the Company for the coming years. Also, we received an overall steel mill approval from a large car manufacturing company which makes us eligible to participate in all RFQs (Request for Quote) from the Company. What was extremely heartening was that in their analysis, we were rated as the best mill in India from a 5S and systems standpoint. We have started development work for some of the RFQs which should translate into healthy business flow over the coming years. We were also able to make a breakthrough into the Indian Railways with our spring steel being accepted by their authorities. Although the volumes are not significant currently, it stands out as an important diversification strategy.

Going forward, what challenges do you envisage?

The global pandemic and the resultant lockdowns have nullified every envisaged business scenario.

Things are extremely uncertain as the environment we are operating in is changing every week. Our strategy is simple – not to predict, but to build resilience within the organisation to be able to respond to every scenario. With the automotive sector bracing for one of its most challenging periods ahead, we understand that demand would be significantly low. As such, we would sharpen our focus on identifying and capitalising on every business opportunity. For we are ceased of the reality that only when we survive this year, can we thrive in the next.

What will be some of the focus areas for the current year?

We are adopting a two-pronged strategy.

One, we would be working closer with our joint-venture partners to improve upon our systems and processes, creating and institutionalising SOPs for every process, identify and plug efficiency gaps – it's primarily about building a more agile and efficient organisation.

Two, we will work extensively with some of our key OEM customers to develop products as per their RFQs and create a diversified product basket that can address their critical needs. Also, we will work aggressively to capitalise on the approvals received in the previous year. Service efficiency will be our topmost priority.

These strategies, we are confident, will set the platform for a resurgence when the tide in the markets in which we operate, turns favourable.

A REVIEW OF
OUR FINANCIAL
PERFORMANCE

We have laid a solid foundation for your Company from where profitable growth will be sustainable. When the tide turns favourable, there is no doubt that we would be among the first on the rebound.

Were you happy with the performance of the Company?

Our fortunes are closely dovetailed to the performance of the automotive sector. The gloom prevailing in that user sector cast a shadow on our performance too. Our quarterly sales declined sequentially largely mirroring the 'slowbalisation' of the overall economy and the continued deceleration of the automotive sector, in particular, the passenger car and two-wheeler segments. Depressed steel prices impacted business profitability – EBITDA and Net Profit declined by 29.55% and 84.95% respectively.

What were some of the high points of fiscal 2019-20?

One heartening feature of 2019-20 was that we liquidated our inventory created to tide over the shutdown period. We prudently utilised the resultant cash flow to deleverage the organisation - we reduced our working capital and term loans. Despite the trying times, we prepaid term loans cumulating ₹22.97 crore.

As a result, our overall debt-equity ratio improved from 0.92x as on March 31, 2019 to 0.63x on March 31, 2020. The reduction in debt levels did not result in lowering of the interest burden for 2019-20 owing to the funds tied up in high inventories during the first half of the year.

The positive impact of this repayment should reflect in lowering the interest burden during the current year.

The other highlight was the ₹60 crore capex in setting up the new EAF furnace which was mainly funded through internal accruals. This investment has significantly strengthened our operational capability without burdening our financial statements. While the execution, commissioning and stability was seamless, the disappointment was that we could not operate it at its optimum levels owing to subdued demand.

Can you throw some light on your strategic alliance with Aichi Steel Corporation?

Our alliance with Aichi Steel Corporation, the main material maker for Toyota Group, was the most important event for the year. They had invested ₹50 crore in the Company for an equity stake of 11.46%. These funds are currently parked in risk-free instruments and will be utilised only for capital expenditure over the coming years. More than the financial investment, this alliance has a deeper strategic implication. And here is why:

- A team from our alliance partner has been working alongside our team to improve our shop floor operations which, over time, will have a significant bearing on our cost structures.
- Going forward, this alliance could help us in approaching Japanese companies operating in India
- Also, this partnership could help us widen our product basket with special varieties that are used in niche applications.
- As quality levels improve and we become more competitive, we hope the export markets of South East Asia will open up to us.

Moreover, as the alliance matures, we will explore greater synergies for accelerating business growth and growing profitability.

How would you look at the current fiscal?

It's a period of great challenges and even greater learning. We are faced with challenges that will test the survival of the Company and the individual alike. This pandemic, as I see it, is a restart button which has nullified all plans, budgets and estimates. Moreover, the highly dynamic present makes the future extremely uncertain. This uncertainty makes business planning over a half yearly or annual period almost impossible. However, it is reasonable to expect that this year will be one of the most challenging years the Company has seen where we will incur significant losses in the first quarter with a possible recovery in subsequent quarters. Hence, we expect that demand should improve from the second quarter, however it remains to be seen how long this will sustain.

Having said this, the reality is that we have to move on. So, we have drawn the contours of broad and flexible quarterly plans which are broken down into months and week. In effect, we are living each day as it comes. That is our new learning.

Do you expect demand to come back anytime soon?

Demand from the automotive sector could trickle in sometime in the 2nd half of the fiscal. This timeline is based on the premise that the average Indian's immediate focus would be on healing the wounds inflicted by this pandemic. Having said that, I would like to add that there is a possibility that demand for two-wheelers could emerge faster. Urbanities using shared and public transport may want to switch to a two-wheeler for health compulsions.

What is the one message you wish to leave with shareholders?

We have laid a solid foundation for your Company from where profitable growth will be sustainable. The present period is only a passing phase. We are using this well to enhance our knowledge capital, build capabilities, sharpen our skills and enhance efficiencies for being ready for the future. When the tide turns favourable, there is no doubt that we would be among the first on the rebound.

22.97
Term loans (₹ crore) prepaid during the year

	FY20	FY19	% CHANGE	REASON OF CHANGE
Stability Ratios				In FY20, we successfully completed the upgradation of our Electric arc furnace and other related equipment. The inventory build-up to meet customer commitments during the shutdown period had been since liquidated; the realisation has been used for repaying debt and trade creditors. The same is reflecting in and improved debt-equity ratio and inventory turnover ratio.
Debt equity Ratio	0.63	0.92	(31.89)	
Debt Service Coverage Ratio	1.31	2.19	(39.99)	
Interest Coverage Ratio	1.91	2.95	(35.25)	
Liquidity Ratios				
Current Ratio	1.47	1.40	5.00	
Debtor Turnover Ratio (days)	66	52	27.24	
Inventory Turnover Ratio (days)	65	102	(35.82)	The decline in profitability ratios and increase in receivable turnover ratio is primarily due to the subdued demand in the auto sector impacting our sales, margins and increase in credit period to customers.
Profitability Ratios				
Operating Profit Margin	1.71	4.08	(58.09)	
Net Profit Margin	0.39	1.98	(80.30)	

Internal control and audit

The Company has a sound system of internal controls in place to ensure the achievement of goals, evaluation of risks, and reliable financial and operational reporting. This efficient internal control procedure is driven by a robust system of checks and balances that ensures the safeguarding of assets, compliance with all regulatory norms, and procedural and systemic improvements periodically.

The Company uses an ERP (Enterprise Resource Planning) package supported by in-built controls. This guarantees timely financial reporting. The audit system periodically reviews the control mechanism and legal, regulatory, and environmental compliances. The internal audit team also checks the effectiveness of internal controls and initiates necessary changes arising out of inadequacies, if any. All financial and audit controls are further reviewed by the Audit Committee of the Board of Directors.

Human resource

Vardhman firmly believes that its intellectual capital plays a fundamental role in sustaining profitable business growth. In keeping with this conviction, the Company continues to invest in dedicated programs for its people to nurture skill and build capabilities that will help them in addressing current and future business needs.

With an average age of 37 years, the 953 strong team (March 31, 2020) represents an invigorating combination of energy and experience which reflects itself in an important matrix - productivity per person increased from 146 MT/ person in 2015-16 to 164 MT/ person in 2019-20

During the year, the Company continued to enhance the intellectual capital of its team through its comprehensive learning & development calendar, which provided technical and behavioural skills to the team members. This also helped in building the leadership pipeline.

Further, the Company intensified its engagement initiatives (leveraging multiple tools) to enable the team to make a more meaningful contribution to operational improvement. In addition, the management team members periodically interacted with the team to update them on the Company's performance and prospects going forward, especially in relation to outline the rationale of the alliance and the possibilities arising therefrom.

DURING THE LOCKDOWN, THE COMPANY HAS PAID FULL SALARIES TO ALL ITS TEAM MEMBERS – SHOWCASING ITS PEOPLE-CENTRIC ETHOS.

Managing the ups-and-downs

At Vardhman, our risk strategy is determined by a risk appetite defined for a series of risk criteria. The criteria are based on sectoral circumstances, terrain realities, liquidity available and our earnings target within accepted volatility limits. These criteria provide a reference for our operating division.

The Company's risk management framework encompasses strategy and operations and seeks to proactively identify, address and mitigate existing and emerging risks with a goal of making the business model emerge stronger and ensuring that profitable business growth becomes sustainable.

1) Cost inefficiency could be detrimental to profitable business growth.

Relevance: A lower than optimum utilisation of operational assets (especially the new furnace) will inflate costs – adversely impacting the Company's competitive edge.

Mitigation: Vardhman is cognizant of this reality. It is utilising this depressed period to build capabilities which will assist in emerging stronger on the rebound.

- It is identifying and implementing improvement measures across the organisation.
- It is seeking out for every growth opportunity to ensure that its assets continue to be utilised
- It is developing products for marquee brands in the automotive space for securing their approvals
- It is increasing its basket of value-added products to build customer stickiness
- It is reducing its debt burden to optimise the interest cost

2) People attrition could result in a knowledge drain and hamper performance.

Relevance: Intervention of the strategic partner in upgrading prevalent systems and processes could be looked upon adversely by a section of the team.

Mitigation: The management at Vardhman had envisaged the probability long before it forged the alliance with the global giant. To mitigate this eventuality, the senior management and the leadership team has been speaking extensively with the Vardhman team at multiple forums on the rationale of this alliance and what it could do for the Company and the individual. This has made a significant difference in generating positivity and excitement among the team. Moreover, the patient and passionate approach adopted by the alliance partner has instilled confidence in the team. They have realised the gap between where they are, where they need to be and how to get there. Moreover, the serious involvement of the entire leadership team towards building a global organisation is inspiring every member to make a meaningful contribution in this journey.

3) There could be need for capital investment.

Relevance: Vardhman may need to make significant capital investments to enhance operational capabilities and capacities to align with the roadmap charted out by its joint venture partner.

Mitigation: Vardhman is significantly well placed in this regard from two standpoints.

One, the Company has completed an important capex – installation of a sophisticated and fully automated EAF – which was financed through internal accruals. Any further capex will be jointly decided between Aichi and Vardhman and hence will be vetted by a world leader which will provide a credible watermark on the relevance and accuracy of the investment – building confidence in the Company strategies going forward. Also, the funds for such capex are already with Vardhman in the form of the a fixed deposit. Moreover, under the prevailing scenario, the Company will focus on utilising this unit to its optimum capability and strengthen its man-machine capability and efficiency.

Two, in a tough year (fiscal 2019-20), the Company has reduced its debt burden which is expected to have a positive impact on the financials of the current year. Moreover, with minimal capex planned for the current year, the Company has the opportunity to prudently utilise its cash flow in deleveraging initiatives and create a liquidity buffer which can be utilised when required. Therefore, the company is well poised to implement any capital investment plan for upgradation or expansion that is suggested by our partner.

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INVESTMENT BY OUR PARTNER (₹ CRORE) HAS BEEN PARKED IN RISK-FREE INSTRUMENTS TO BE USED FOR CAPITAL EXPENDITURE IN THE COMING YEARS

Corporate Information

BOARD OF DIRECTORS

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

CHIEF FINANCIAL OFFICER

Mr. Sanjeev Singla

COMPANY SECRETARY

Ms. Sonam Taneja

STATUTORY AUDITORS

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

WORKS

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

BANKERS

State Bank of India
HDFC Bank Limited
Axis Bank Limited
Yes Bank Limited
ICICI Bank Limited

REGISTERED OFFICE

Vardhman Premises, Chandigarh Road,
Ludhiana – 141010.
Phones: (0161)2228943-48
Fax: (0161) 2601048, 2220766
E-mail: secretarial.lud@vardhman.com
Website: www.vardhmansteel.com

REGISTRAR & TRANSFER AGENT

Alankit Assignments Limited
205-208, Anarkali Complex, Jhandewalan Extn.,
New Delhi – 110 055.
Phone: (011) 41540060-63
Fax: (011) 41540064
E-mail: rta@alankit.com

BRANCHES & WAREHOUSES

- Plot Nos. 400-401, Block-C, Pioneer Industrial Park, Pathredi, Gurugram – 123 413.
- Survey No. 10/1, Bommasandra Village, Attibale Hubli, Anekal Taluka, Bangalore – 560 099.
- Village- Fauzi Matkota, Tehsil – Kichha, District – Udham Singh Nagar, Rudrapur – 263 153.
- DP No. 17, Sidco Womens Industrial Estate, Thirumullaivoyal, Chennai.
- C/O MPI Export Pvt Ltd, B-26, MIDC Chakan, Pune – 410 501.
- Gala #908A, Gat #71 B/s, Goodyear Tyre, Group Grampanchayat – Ghanegaon, Vitava Naryangaon (Khurad) – Aurangabad-410504

Directors' Report

Dear Members,

The Directors of your Company have pleasure in presenting their 10th Annual Report of the business and operations of the Company along with the Audited Financial Statements for the year ended 31st March, 2020.

1. FINANCIAL RESULTS:

The financial performance of your Company for the year ended 31st March, 2020 is as under:- (₹ in lakhs)

Particulars	**2019-20**	**2018-19**
Revenue from operations (Net)	84,620.03	1,12,075.94
Other Income	939.82	187.37
Profit before Depreciation, Interest & Tax (PBDIT)	4,912.05	6,971.61
Interest and Financial expenses	2,571.61	2,365.92
Profit before Depreciation and Tax (PBDT)	2,340.44	4,605.69
Depreciation	2,572.08	2,391.77
Profit/(Loss) before Tax (PBT)	**(231.64)**	**2,213.92**
Provision for Tax - Current Tax	6.45	510.68
- Tax adjustment relating to prior years	-	(76.88)
- Deferred Tax	(572.08)	(440.48)
Profit after tax (PAT)	**333.99**	**2,220.60**
Other Comprehensive Income/(Expense)	(84.12)	(18.59)
Total Comprehensive Income	**249.87**	**2,202.01**
Earnings per share (₹)		
- Basic	0.89	6.22
- Diluted	0.89	6.19

2. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

PRODUCTION & SALES REVIEW:

During the year under review, the production of Billet decreased from 1,88,499 MT to 1,18,591 MT, showing a decrease of 37.09% over the previous year. The Rolled production decreased from 1,59,583 MT to 1,31,576 MT, showing a decrease of 17.55% over the previous year.

Your Company has registered Revenue from Operations of ₹84,620.03 lakhs as compared to ₹1,12,075.94 lakhs in the previous year. The exports of the Company decreased from ₹5,822.94 lakhs to ₹2,498.90 lakhs showing a decrease of 57.09%.

PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹4,912.05 lakhs as against ₹6,971.61 lakhs in the previous year. After providing for depreciation of ₹2,572.08 lakhs (Previous Year ₹2,391.77 lakhs), interest of ₹2,571.61 lakhs (Previous Year ₹2,365.92 lakhs), the total comprehensive income worked out to ₹249.87 lakhs as compared to ₹2,202.01 lakhs in the previous year.

RESOURCES UTILISATION:

a) **Fixed Assets:**

The net block as at 31st March, 2020 was ₹30,856.54 lakhs as compared to ₹27,982.86 lakhs in the previous year.

b) **Current Assets:**

The current assets as on 31st March, 2020 were ₹36,086.79 lakhs as against ₹54,582.23 lakhs in the previous year. Inventory level was at ₹15,177.78 lakhs as compared to the previous year level of ₹31,322.20 lakhs.

FINANCIAL CONDITIONS & LIQUIDITY:

The Company enjoys a rating of "AA/Negative" 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	2019-20	2018-19
Cash and Cash equivalents:		
Beginning of the year	28.43	748.50
End of the year	230.31	28.43
Net cash provided (used) by:		
Operating Activities	13,542.86	(1,884.68)
Investing Activities	(8,816.50)	(7,012.21)
Financing Activities	(4,524.48)	8,176.82

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:

The Board of Directors of your Company has not recommended any dividend for the financial year 2019-20.

5. CONSOLIDATED FINANCIAL STATEMENT:

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

6. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES:

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

7. DIRECTORS:

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

Appointments during the year: Mr. Raghav Chandra was appointed as an Independent Director of the Company w.e.f.

4th May, 2019 and Mr. Takashi Ishigami was appointed as a Non-Executive Director of the Company w.e.f. 4th November, 2019.

Declaration by Independent Directors:

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.

Your Board confirms that in its opinion the Independent Directors possess the requisite integrity, experience, expertise, proficiency and qualifications. All the Independent Directors on the Board of the Company are registered with the Indian Institute of Corporate Affairs, Manesar, Gurgaon (IICA) as notified by the Central Government under Section 150(1) of the Companies Act, 2013 and shall undergo online proficiency self-assessment test, if applicable, within the time prescribed by the IICA.

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

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

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

Familiarization programmes for Board Members:

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

The Familiarization Programme for Board members may be accessed on the Company's website at the link: https://www.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 financial year 2019-20 was held on 7th February, 2020 to evaluate the performance of Non-Independent Directors, Chairperson of the Company and the Board as a whole.

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

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

8. KEY MANAGERIAL PERSONNEL (KMP):

In compliance with the provisions of Section 203 of the Companies Act, 2013, following are the KMPs of the Company as on 31st March, 2020:

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 Five (5) times and the intervening gap between any two meetings was within the period prescribed under Companies Act, 2013. The details of Board Meetings are set out in Corporate Governance Report which forms part of this Annual Report.

10. AUDITORS AND AUDITORS' REPORT:

Statutory Auditors:

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

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2020.

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 4th May, 2019 for the financial year 2019-20.

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, 2020. The Auditors' Report is self-explanatory and requires no comments. The Report forms part of this report as **Annexure II**.

Cost Auditor:

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

The Board of Directors has appointed M/s Ramanath Iyer & Company, Cost Accountants, New Delhi, as the Cost Auditors of the Company to conduct Cost Audit of the Accounts for the financial year ended 2020-21. 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 2020-21 is placed for ratification by the Members.

11. AUDIT COMMITTEE & VIGIL MECHANISM:

Composition of Audit Committee:

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

Vigil Mechanism:

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

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

The Policy on Vigil Mechanism and Whistle Blower Policy as approved by the Board may be accessed on the Company's website at the link:
https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Vigil%20Mechanism%20final.pdf

12. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. Corporate Governance is about maximizing shareholder value legally, ethically and sustainably. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Practising Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clauses of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed to the report on Corporate Governance.

13. CORPORATE SOCIAL RESPONSIBILITY (CSR):

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

CSR Policy: The Corporate Social Responsibility Policy of the Company indicating the activities to be undertaken by the Company, as approved by the Board, may be accessed on the Company's website at the link:
https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Corporate%20Social%20Responsibility%20Policy.pdf

During the year, the Company has spent ₹50.68 lakhs on CSR activities.

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

14. RISK MANAGEMENT:

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

The Risk Management Policy may be accessed on the Company's website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/RISK_MANAGEMENT_POLICY%20final.pdf

15. BUSINESS RESPONSIBILITY REPORT (BRR):

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandate the inclusion of the BRR as part of the Annual Report for top 1000 listed entities based on market capitalization. In compliance with the Listing Regulations, we have integrated BRR disclosure into our Annual Report.

16. INTERNAL FINANCIAL CONTROLS:

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

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

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

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

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

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

Your Directors draw attention of the Members to Note 43 to the financial statement which sets out related party disclosures.

18. 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 6, 12 and 20 to the financial statement).

19. 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 forms part of this report as **Annexure IV**.

20. ANNUAL RETURN:

Pursuant to the provisions of Section 134(3)(a) of Companies Act, 2013, the web address of the extract of Annual Return of the Company is https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/MGT-9_2019-20.pdf

21. HUMAN RESOURCES / INDUSTRIAL RELATIONS:

Human resource is considered as the most valuable of all resources available to the Company. The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. The Management has been continuously endeavoring to build high performance culture on one hand and amiable work environment on the other hand. During the year, the Company employed around 953 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.

22. 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 forms part of this report.

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

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

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

23. 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 and the date of this report.

24. DIRECTORS RESPONSIBILITY STATEMENT:

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

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

b. appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2020 and of the profit of the Company for the year ended on 31st March, 2020;

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

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

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

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

25. GENERAL DISCLOSURES:

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

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

b. Issue of equity shares with differential rights as to dividend, voting or otherwise.

c. Significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

d. Change in nature of Business of Company.

e. Transfer of Unclaimed dividend to Investor Education and Protection fund.

f. No fraud has been reported by the Auditors to the Audit Committee or the Board.

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

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

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

The Company has granted options to its employees under Vardhman Special Steels Limited Employee Stock Options Plan, 2016 (hereinafter referred as ESOP Plan). As per the terms of the plan, the Company can grant a maximum of 3,71,108 options to eligible employees from time to time. One option entitles the holder to apply for one equity share of the Company in terms of ESOP Plan. Accordingly, during the financial year, a total of 6,250 options were exercised by the eligible employees. The paid-up equity share capital of the Company after this allotment stood increased to ₹35,76,48,730.

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

The details as required to be disclosed are put on the Company's website and may be accessed at https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/ESOP%20Disclosure%20-%202019-20.pdf

27. PREFERENTIAL ALLOTMENT:

The Members of the Company in their Extra-Ordinary General Meeting held on 24th October, 2019 had given their approval for issuance of equity shares to Aichi Steel Corporation (ASC) by way of a preferential allotment on private placement basis.

Accordingly, the Board of Directors in its meeting held on 4th November, 2019 had issued and allotted 46,29,629 equity shares @ ₹108/- per equity share to ASC. The paid-up capital of the Company after the preferential allotment stood increased from ₹35,76,48,730 to ₹40,39,45,020. The funds raised from the allotment have not been utilised till date.

28. ACKNOWLEDGEMENT:

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

They also take this opportunity to express their deep appreciation for the devoted and sincere services rendered by the employees at all levels of the operations of the Company during the year.

FOR AND ON BEHALF OF THE BOARD

Place : Ludhiana
Dated : 15th June, 2020

(RAJEEV GUPTA)
Chairman

INDEX OF ANNEXURES

(FORMING PART OF BOARD REPORT)

Annexure No.	Particulars
I	Nomination & Remuneration Policy.
II	Secretarial Audit Report in form no. MR-3 for FY 2019-20.
III	CSR Activities – Annual Report FY 2019-20.
IV	Conservation of energy, technology absorption, foreign exchange earnings and outgo.
V	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 recommendation of Nomination and Remuneration Committee, the Board of Directors of VSSL in its meeting held on 2nd May, 2015 made certain amendments in the existing policy and thereafter replaced the existing policy with the amended policy.

The amended policy is as under:-

2. ROLE OF THE COMMITTEE:

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

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

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

   i. That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.

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

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

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

e) To devise a policy on Board diversity.

3. MEMBERSHIP:

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

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

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

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

4. CHAIRMAN:

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

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

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

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

5. FREQUENCY OF MEETINGS:

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

6. COMMITTEE MEMBERS' INTERESTS:

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

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

7. SECRETARY:

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

8. VOTING:

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

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

9. MINUTES OF COMMITTEE MEETING:

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

10. EFFECTIVE DATE & AMENDMENTS:

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

ANNEXURE- II

FORM MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

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

To
The Members,
Vardhman Special Steels Limited,
Vardhman Premises Chandigarh Road,
Ludhiana, PB 141010.

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 our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2020 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, 2020 and made available to us, according to the provisions of:

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

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

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

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

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

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

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(d) The Securities and Exchange Board of India (Share-Based Employee Benefits) Regulations, 2014;

(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, 2018; (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.

We report that, during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines and Standards 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.

The prevailing circumstances in the country on account of Lockdown and COVID-19 have impacted to some extent, verification of documents and records of the Company.

FOR HARSH GOYAL & ASSOCIATES
Company Secretaries
Sd/-
(Harsh Kumar Goyal)
Prop.
FCS 3314
C P No.:2802
UDIN: F003314B000338319

Place : Ludhiana
Date : 15th June, 2020

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

Place: Ludhiana
Date: 15th June, 2020

ANNEXURE- III

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2019-20:

Sr. No.	Particulars	Details
1.	Brief outline of CSR policy	The thrust area for CSR includes promotion of education, environment protection and energy conservation, development of human capital, rural development, women empowerment and any other project/ programme pertaining to activities listed in Rules.
2.	Composition of CSR Committee	The CSR Committee of the Company consists of: i) Sanjeev Pahwa – Chairman ii) Sachit Jain – Member iii) Suchita Jain – Member
3.	Average net profit / (loss) of the Company for last three financial years	₹2,184.29 lakhs
4.	Prescribed CSR Expenditure	₹43.69 lakhs
5.	**Details of CSR spent during the year**	
	Total amount spent for the financial year	₹50.68 lakhs*
	Amount unspent, if any	₹0.16 lakhs for the year 2019-20
	Manner in which the amount spent during the financial year	Annexure-A
6.	In case the Company has failed to spend two percent, reason thereof.	The Company has spent ₹50.68* lakhs in the Financial year 2019-20 on activities as provided in Annexure A. The prescribed unspent amount will be spent on CSR projects in the coming financial year.
7.	A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company.	Annexure-B

*includes an amount of ₹7.15 lakhs spent against CSR projects for FY 2018-19.

'ANNEXURE A'

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs 1. Local area or other 2. Specify the state and district where project or program was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs subheads	Cumulative Expenditure upto the reporting period (₹ in lakhs)	Amount spent: Direct or through implementing agency
				Direct Expenditure on Projects/Programs (including overheads) (₹ in lakhs)			
1.	Paid to Director of Industries & Commerce for contribution to Punjab State Cancer and Drug Addiction Treatment Fund	Promoting/Preventive Health care	Ludhiana	13.33	13.33	13.33	Direct
2.	Financial support for treatment of a child suffering from Cancer	Promoting/Preventive Health care	Ludhiana	1.00	1.00	1.00	Direct
3.	Financial support for providing artificial limbs to handicaps through NGO.	Promoting/Preventive Health care	Ludhiana	1.00	1.00	1.00	Direct
4.	Donation to the North India Cerebral Palsy Association for providing support to Children with special needs through NGO.	Promoting/Preventive Health care	Ludhiana	0.50	0.50	0.50	Direct
5.	Donation to the North India Cerebral Palsy Association for providing support to Children with special needs through NGO.*	Promoting/Preventive Health care	Ludhiana	0.70	0.70	0.70	Direct
6.	Supported for Flood Relief Operations*	Contribution to Prime Minister Relief Fund or any other Fund set by Central Govt.	Ludhiana	0.36	0.36	0.36	Direct
7.	Development of meeting room and public sitting in District Industry Centre and Ludhiana*	Infrastructure for Senior Citizens and General Public	Ludhiana	0.60	0.60	0.60	Direct
8.	Paid to Director of Industries & Commerce for contribution to Historical Monuments and Culture Heritage Maintenance	Protection of National Heritage including restoration of building and sites of historical importance	Ludhiana	13.33	13.33	13.33	Direct
9.	Financial support for higher education*	Promoting Education	Ludhiana	1.00	1.00	1.00	Direct

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs 1. Local area or other 2. Specify the state and district where project or program was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs subheads	Cumulative Expenditure upto the reporting period (₹ in lakhs)	Amount spent: Direct or through implementing agency
				Direct Expenditure on Projects/Programs (including overheads) (₹ in lakhs)			
10.	School Development Projects under the banner of Vardhman School Development program where in VSSL provided books, school dresses and shoes to children of a school being run in Village Dugri through NGO	Promoting Education	Ludhiana	2.18	2.18	2.18	Direct
11.	Provided school bags to students of Govt. School, Jamalpur	Promoting Education	Ludhiana	5.49	5.49	5.49	Direct
12.	Donation to Vardhman Foundation	Promoting Education	Ludhiana	0.10	0.10	0.10	Direct
13.	Exposure visit to students of colleges under Project EKLAVYA. Plant visit of 70 Students for career exposure opportunities*	Promoting Education and providing training	Ludhiana	0.21	0.21	0.21	Direct
14.	Development of Senior Citizens rooms/ toilets/ drinking water & park facility in Village Dugri, under Police Commissionerate Ludhiana*	Under Swachh Bharat Mission, providing clean drinking water and shelter for senior citizens.	Ludhiana	0.93	0.93	0.93	Direct
15.	Plantation of variety of plants and cemented sitting benches at REWS Society, CRPF Colony, Krishna Mandir Welfare Society Parks	Environment Sustainability	Ludhiana	0.75	0.75	0.75	Direct
16.	Installation of Submersible bore well and clean drinking water facility at Police Commissionerate Crime Branch Ludhiana and Shani Mandir Tajpur Road, Ludhiana	Environment Sustainability	Ludhiana	0.48	0.48	0.48	Direct
17.	Adoption, maintenance of park situated at CRPF colony, Dugri, Ludhiana with green plantation	Environment Sustainability	Ludhiana	0.94	0.94	0.94	Direct
18.	Adoption, maintenance of park situated at Phase III, Focal Point, Ludhiana with green plantation*	Environment Sustainability	Ludhiana	0.10	0.10	0.10	Direct
19.	Plantation of variety of plants at Police Station, Jamalpur, Ludhiana	Environment Sustainability	Ludhiana	0.40	0.40	0.40	Direct

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects or programs 1. Local area or other 2. Specify the state and district where project or program was undertaken	Amount outlay (Budget) project or program wise	Amount spent on the projects or programs subheads	Cumulative Expenditure upto the reporting period (₹ in lakhs)	Amount spent: Direct or through implementing agency
				Direct Expenditure on Projects/Programs (including overheads) (₹ in lakhs)			
20.	Plantation of variety of plants and cemented sitting benches at Mini Secretariat and Police Lines Jamalpur, Ludhiana for better environment and improving air quality	Environment Sustainability	Ludhiana	0.73	0.73	0.73	Direct
21.	Donation to Mountaineer as Support to climb mount Denali in ALASKA*	Promoting Sports	Gurugram	3.00	3.00	3.00	Direct
22.	Development/Support to various self-help groups run by Women/War Widows under district administration /pilot Projects. Vssl provided free sewing machines through District Administration	Women Empowerment and Livelihood	Chandigarh & Ludhiana	1.91	1.91	1.91	Direct
23.	Provided 130 training kits to Government run skill development center in DC office Ludhiana for distribution amongst widows and girls from BPL families	Women Empowerment and Livelihood	Ludhiana	0.35	0.35	0.35	Direct
24.	Donation to Dance Academy for hunt of new talent	Enhancing vocation skills especially among children	Ludhiana	0.15	0.15	0.15	Direct
25.	Donation to Primavera India Trust for Sponsorship of Culture & Heritage Festival*	Promoting Art & Culture	Bengaluru	0.25	0.25	0.25	Direct
26.	Donation to New Shiv Sakti Sewa Mandir Langar Committee.	Eradicating hunger	Ludhiana	0.05	0.05	0.05	Direct
27.	Financial support for higher education	Promoting education	Ludhiana	0.83	0.83	0.83	Direct
28.	Adoption, maintenance of park situated at Phase III, Focal Point, Ludhiana with green plantation	Environment Sustainability	Ludhiana	0.01	0.01	0.01	Direct
	TOTAL			**50.68**	**50.68**	**50.68**	

*These amounts have been spent against projects for FY 2018-19.

'ANNEXURE B'

RESPONSIBILITY STATEMENT:

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

SIGNED BY:-

Date:13.06.2020	**(Sachit Jain)**	**(Sanjeev Pahwa)**
Place: Ludhiana	Vice-Chairman & Managing Director	Chairman of CSR Committee

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ANNEXURE- IV

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

CONSERVATION OF ENERGY:

Steps Taken For Conservation Of Energy:

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

Conservation measures taken, proposed measures being implemented for reduction of consumption of energy and consequent impact thereof on the cost of production of goods in Vardhman Special Steels Limited for the year 2019-20 are as mentioned below:

Sr. No.	Energy Conservation	Cost Savings Per Annum (₹ in lakhs)
1	FES pneumatic dust conveying system replaced with motorized RAV system	25.00
2	LED lights installation in place of conventional lights in SMS & BBS Shed	7.00
3	Water pipe line design change at VD resulting elimination of VD Hot well pump	8.00

Steps Taken For Utilising Alternate Sources Of Energy

In FY 2019-20, we have replaced our conventional Electric Arc Furnace (EAF) with a contemporary variant, giving us the flexibility to put Oxy-Fuel burners as an additional source of energy reducing our dependence on electricity.

Capital Investment On Energy Conservation Equipments

The Company has incurred ₹35.50 lakhs on different energies and utilities saving projects.

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) Improved charge mix to optimize the energy consumption.
   b) Improvement in steel making practices to increase length of sequence to improve the yield and productivity.
   c) Improvement in slag making practices to improve the steel quality.
   d) Steel with stringent cleanliness level of oxide inclusion 0.5/0.5 along with lower level of gases i.e. oxygen level of 10 PPM developed for special application.
   e) Case carburizing steel grade developed for gear application.

f) Developed steel for rack bar/pinion for steering application.

g) Heat treated steel developed for non automotive Japanese customer.

h) Steel grade developed for Fiat Bogie application for 'Railway Application'.

i) Development of steel for gear and transmission.

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

a) New business started with Japanese customer.

b) Entered in German market for critical applications.

c) New business for automotive product segments in Japan, Vietnam and Germany.

d) Yield improvement due to increase in sequence length.

3. Future Course of action:

Management is fully committed to further strengthen the Research & Development activities by adding more equipment's to strengthen its product testing and development activities.

4. Expenditure on R & D: (₹ in lakhs)

Particulars	**(2019-20)**	**(2018-19)**
Capital	86.15	150.33
Recurring	781.66	653.31
Total	**867.81**	**803.64**
Total R & D expenditure as a Percentage of Turnover	**1.03%**	**0.72%**

B) Technology Absorption, Adaptation And Innovation:

1. Efforts made:

a) XRF installed for Ferro- Alloy and flux testing along with 100 % heats Slag analysis.

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

c) Planning to install new technologies namely-

-Scanning Electron Microscopy with EDS.

-Optical Metallurgical Microscope with automatic image analysis,

-MQA for Steel Quality Improvement.

2. Particulars of technology imported in last three years.

Details of Technology imported	**Year of Import**	**Whether the technology been fully absorbed**
Advance spectrometer with more number of channels	2017-18	Yes
Ultrasonic immersion test to judge cleanliness of the steel	2017-18	Yes
XRF for raw material and slag analysis	2018-19	Yes

FOREIGN EXCHANGE EARNINGS AND OUTGO:

During the financial year 2019-20, the Company exported 3,929.21 MT of rolled products having value of ₹2,498.90 lakhs.

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

Particulars	**2019-20**	**2018-19**
a) Earnings (FOB value of Exports)	2,241.13	5,657.02
b) Outgo (CIF value of Imports and Expenditure in Foreign Currency)	8,273.87	20,333.13

ANNEXURE- V

Particulars of employees and related disclosures:

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

1. The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year 2019-20 and ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 are as under:

S. NO.	NAME OF DIRECTOR/ KMP AND DESIGNATION	REMUNERATION FOR DIRECTORS/ KMP FOR FINANCIAL YEAR 2019-20 (Amount in ₹)	% INCREASE IN REMUNERATION IN THE FINANCIAL YEAR 2019-20	RATIO OF REMUNERATION OF EACH DIRECTOR/ KMP TO MEDIAN REMUNERATION OF EMPLOYEES
1	Sachit Jain Vice- Chairman & Managing Director	2,54,45,543	-1.60	63.90
2	Suchita Jain Non-Executive Director	-	-	-
3	B. K. Choudhary Non-Executive Director	-	-	-
4	Rajinder Kumar Jain Non-Executive Director	3,20,000	14.29	0.80
5	Mr. Takashi Ishigami Non-Executive Director	-	-	-
6	Rakesh Jain Independent Director	3,40,000	41.67	0.85
7	Rajeev Gupta Independent Director	2,80,000	16.67	0.70
8	Raghav Chandra* Independent Director	2,20,000	-	0.55
9	Sanjeev Pahwa Independent Director	3,40,000	-5.56	0.85
10	Sanjoy Bhattacharyya Independent Director	2,20,000	22.22	0.55
11	Shubhra Bhattacharya** Independent Director	1,80,000	-	0.45
12	Sanjeev Singla Chief Financial Officer	32,70,476	1.78	8.20
13	Sonam Taneja Company Secretary	6,61,363	18.83	1.70

*Mr. Raghav Chandra was appointed as an Independent Director of the Company w.e.f. 4th May, 2020.

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

2. The median remuneration of employees of the Company during the financial year was ₹3,98,136.
3. In the financial year, there was an increase of 4.56% in the median remuneration of employees.
4. There were 953 permanent employees on the rolls of Company as on 31st March, 2020.
5. Average percentage decrease in the salaries of employees other than the managerial personnel in the last financial year 2019-20 was 12.75% whereas the decrease in the managerial remuneration for the same financial year was 0.85%.
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

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

Sr. No.	Name of employee	Designation/Nature of duties	Remuneration (in ₹ lakh)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last employment
1	Mr. Sachit Jain	Vice-Chairman & Managing Director	254.46	B. Tech, MBA	53	30	14.05.2010	Joint Managing Director (Vardhman Textiles Limited)

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

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

S.No., Name, Age, Designation, Gross Remuneration (in ₹ lakhs per annum), Nature of Employment, Qualifications, Experience (in years), Date of Joining, Previous Employment and No. of Equity Shares held by the employee as on 31.03.2020

1, Sachit Jain, 53, Vice-Chairman & Managing Director, 254.46, Regular, B. Tech & MBA, 30, 14.05.2010, Vardhman Textiles Limited, 49,37,232. 2, Amit Chopra, 45, Vice-President, 58.85, Regular, MBA & BE, 21.11, 15.05.2009, Jindal Stainless Limited, 7,250. 3, Mukesh Gupta, 45, Sr. Vice- President, 55.37, Regular, BE (MET), 19.08, 12.08.2016, Mahindra Sanyo Special Steels Private Limited, 14,871. 4. Deepinder Singh Kalra, 50, General Manager, 46.19, Regular, BE (Chemicals) & MBA (Finance), 24.16, 19.08.2016 (Ceased to be employee of the Company w.e.f. 30.01.2020), Welspun India Limited, 11,108. 5, M.K. Srivastava, 56, Sr. Vice-President, 43.20, Regular, M.Com, LLB, PGDIRPM, DLL & DBS, 37.02, 06.04.1999, Kumar Group of Industries, 11,916. 6, Aseem Srivastav, 52, Chief Operating Officer, 43.19, Regular, Bachelor of Engineering & PGDMM, 24.10, 20.05.2019 (Ceased to be employee of the Company w.e.f. 01.04.2020), Kirloskar Group, 1,235. 7, Davinder Singh, 46, Vice-President, 35.96, Regular, M.Sc. & MDBA, 24.11, 04.05.2015, Modern Steels Limited, 11,250. 8, Jagdish Chand, 50, Vice-President, 32.27, Regular, DIP (Elect), 30.08, 10.03.1992, Shreyans Spinning Mills, 4,081. 9, Sanjeev Singla, 44, Vice-President, 32.70, Regular, B.Com & CS (Inter), 25, 25.03.2014, Vardhman Polytex Limited, 14,675. 10, Devinder Singh, Assistant Vice-President, 61, 31.42, Regular, DIP (Instrumentation), AMIE (Section A) & BA, 42.2, 15.06.1994, Munjal Gases.

Note: Except Mr. Sachit Jain, none of the above employees is related to any Director of the Company.

Corporate Governance Report

This report on Corporate Governance forms part of the Annual Report. Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensure that a Company meets its obligations to optimize shareholders' value and fulfill its responsibilities to the community, customers, employees, Government and other segments of society. Your Company is committed on adopting the best practices of Corporate Governance as manifested in the Company's functioning to achieve the business excellence by enhancing long-term shareholders' value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities is hallmark of the best practices followed by the Company. This report on Corporate Governance, besides being in compliance of the mandatory SEBI (Listing Obligations & 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, 2020:

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

Category	Name of Directors
Promoter Directors	# Sachit Jain - Vice-Chairman & Managing Director # Suchita Jain - Non- Executive Non- Independent Director
Independent Directors	Rajeev Gupta Rakesh Jain Sanjeev Pahwa Sanjoy Bhattacharyya Shubhra Bhattacharya Raghav Chandra
Non- Executive Non- Independent Director	B.K. Choudhary #Rajinder Kumar Jain Takashi Ishigami

Relationship Inter-se:

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

ii. Board Meetings:

During the financial year 2019-20, the Board met 5 times on the following dates:

- 4th May, 2019
- 10th August, 2019
- 26th September, 2019
- 4th November, 2019
- 7th February, 2020

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 Directorships/Chairmanships in Indian Public Limited Companies and names of other Listed Entities where the person is director and category of directorship therein are as follows:-

Name of Director	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	Names of other Listed Entities where the person is Director	Category of Directorship in other listed entities	No. of Committee memberships in other Companies	Total No. of Board Chairmanships in other Companies	Total No. of Committee Chairmanships in other companies
Sachit Jain	5	Yes	8	Vardhman Holdings Limited	Non- Executive Director	2	-	-
				Vardhman Textiles Limited	Non- Executive Director			
				Vardhman Acrylics Limited	Non- Executive Director			
Rajinder Kumar Jain	5	No	-	-	-	-	-	-
Suchita Jain	4	Yes	7	Vardhman Holdings Limited	Non- Executive Director	4	-	1
				Vardhman Textiles Limited	Executive Director			

Name of Director	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	Names of other Listed Entities where the person is Director	Category of Directorship in other listed entities	No. of Committee memberships in other Companies	Total No. of Board Chairmanships in other Companies	Total No. of Committee Chairmanships in other companies
B.K. Choudhary	5	No	2	Vardhman Acrylics Limited	Executive Director	1	-	-
Sanjeev Pahwa	4	No	4	-	-	1	-	-
Rajeev Gupta	5	No	5	United Spirits Limited	Non- Executive Director	5	-	-
				Rane Holdings Limited	Non- Executive Director			
				EIH Limited	Non- Executive Director			
				Cosmo Films Limited	Non- Executive Director			
				T.V. Today Network Limited	Non- Executive Director			
Sanjoy Bhattacharyya	3	No	-	-	-	-	-	-
Shubhra Bhattacharya	4	No	-	-	-	-	-	-
Rakesh Jain	5	No	-	-	-	-	-	-
Raghav Chandra	5	No	2	Welspun Enterprises Limited	Non-Executive Director	2	-	-
Takashi Ishigami*	2	N.A.	-	-	-	-	-	-

* Takashi Ishigami was appointed as a Director of Company w.e.f. 4th November, 2019.

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

3. BOARD COMMITTEES:

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

NAME OF COMMITTEE	COMPOSITION	TERMS OF REFERENCE
Audit Committee	Rakesh Jain (Chairman) Sanjoy Bhattacharyya Sanjeev Pahwa Rajinder Kumar Jain	The role of the Audit Committee is as per Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Nomination and Remuneration Committee	Sanjoy Bhattacharyya (Chairman) B. K. Choudhary Rajeev Gupta	• 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 provisions of Schedule VII of the Companies Act, 2013 read with CSR Rules, 2014. The CSR policy may be accessed on the Company's website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Corporate%20Social%20Responsibility%20Policy.pdf • Recommends expenditure to be incurred for CSR activities/project and ensures effective monitoring of CSR policy of the Company from time to time. • The Annual Report on CSR activities undertaken by the Company forms part of the Board Report as **Annexure-III**.
Stakeholders' Relationship Committee	Sanjeev Pahwa (Chairman) Suchita Jain B. K. Choudhary	• The Committee reviews and ensures redressal of investor grievances. • The Committee noted that during the year the Company received 1 complaint from Investors and the same had been duly resolved.

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**	**2**	**3**	**1**
Sachit Jain	N.A.	2	N.A	N.A.
Suchita Jain	N.A.	2	N.A.	1
Rajeev Gupta	N.A.	N.A.	3	N.A.
Sanjeev Pahwa	4	2	N.A.	1
Rajinder Kumar Jain	4	N.A.	N.A.	N.A.
B.K. Choudhary	N.A.	N.A.	3	0
Sanjoy Bhattacharyya	2	N.A.	1	N.A.
Rakesh jain	4	N.A.	N.A.	N.A.
Raghav Chandra	N.A.	N.A.	N.A.	N.A.
Shubhra Bhattacharya	N.A.	N.A.	N.A.	N.A.
Takashi Ishigami	N.A.	N.A.	N.A.	N.A.

N.A. - Not a member of the Committee

*SEBI vide its circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/48 dated March 26, 2020 had provided relaxation to the Companies and extended the due date for conducting Stakeholders Relationship Committee (SRC) Meeting from 31st March, 2020 to 30th June, 2020. Accordingly, SRC Meeting of the Company for the financial year 2019-20 was held on 5th June, 2020.

iii. Meeting of Independent Directors:

The meeting of Independent Directors of the Company for the financial year 2019-20 was held on 7th February, 2020, to evaluate the performance of Non-Independent Directors of the Company, Chairman of the Company and the Board as a whole.

Performance Evaluation

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

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

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

Familiarisation Programme for Independent Directors

The details of the Familiarisation Programme conducted for the Independent Directors of the Company are available on the Company's website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/familarisation%20program.pdf

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

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

The table below summarizes the key attributes and skills matrix considered necessary for effective functioning of the Company and are currently available with Board.

Name of Director	Area of Expertise
Rajeev Gupta	Strategic Planning Financial Expertise
Sachit Jain	Strategic Planning Leadership Operational Experience Industry Experience Financial Expertise Administrative Experience
Rajinder Kumar Jain	Leadership Operational Experience Industry Experience Financial Expertise
Sanjeev Pahwa	Strategic Planning Leadership Operational Experience Industry Experience Administrative Experience
B. K. Choudhary	Strategic Planning Leadership Operational Experience Industry Experience Financial Expertise Administrative Experience
Suchita Jain	Strategic Planning Leadership Operational Experience Industry Experience Financial Expertise Administrative Experience

Name of Director	Area of Expertise
Sanjoy Bhattacharyya	Strategic Planning Financial Expertise
Rakesh Jain	Strategic Planning Leadership Operational Experience Industry Experience Financial Expertise Administrative Experience
Shubhra Bhattacharya	Strategic Planning Leadership Administrative Experience
Raghav Chandra	Strategic Planning Leadership Financial Expertise Administrative Experience
Takashi Ishigami	Strategic Planning Leadership Operational Experience Industry Experience

4. DIRECTORS' REMUNERATION:

i) Vice-Chairman & Managing Director:

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

A detail of remuneration paid to the Vice-Chairman & Managing Director during the year 2019-20 is as given below:

(₹ in lakhs)

Name	Sachit Jain
Designation	Vice- Chairman & Managing Director
Salary	125.50
Perquisites & Allowances	115.90
Retirement Benefit	13.06
Commission	-
Performance Linked Incentive and criteria thereof	-
Stock Option details	-

The tenure of office of Mr. Sachit Jain is 5 (five) years from the date of his appointment and can be terminated by either party by giving 3 months' notice in writing. There is no separate provision for payment of severance fees.

ii) Non-Executive Directors:

Non-Executive Directors have not been paid any remuneration except sitting fees for attending Board and Committee Meetings. The

Non-Executive Directors were paid sitting fees @ ₹40,000 per Board Meeting, ₹30,000 per Audit Committee Meeting and ₹20,000 per meeting for other Committee Meetings during the Financial Year 2019-20, the details of which are given hereunder: -

S.NO.	NAME OF DIRECTOR	SITTING FEE (₹)
1.	Rakesh Jain	3,40,000
2.	Rajinder Kumar Jain	3,20,000
3.	Rajeev Gupta	2,80,000
4.	Sanjeev Pahwa	3,40,000
5.	Sanjoy Bhattacharyya	2,20,000
6.	Shubhra Bhattacharya	1,80,000
7.	Raghav Chandra	2,20,000

5. SHAREHOLDING DETAIL OF DIRECTORS AS ON 31ST MARCH, 2020:

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

S.NO.	NAME OF DIRECTOR	NUMBER OF SHARES HELD
1.	Suchita Jain	90,267
2.	Sachit Jain	49,37,232
3.	Rajinder Kumar Jain	52,197
4.	Sanjoy Bhattacharyya	10

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

6. GENERAL BODY MEETINGS:

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

Meeting	Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
9th Annual General Meeting for the Financial Year ended 31st March, 2019.	Friday, 20th September, 2019 at 10:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	2
8th Annual General Meeting for the Financial Year ended 31st March, 2018.	Thursday, 27th September, 2018 at 9.00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	2
7th Annual General Meeting for the Financial Year ended 31st March, 2017.	Friday, 22nd September, 2017 at 11:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	7

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

Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
Thursday, 24th October, 2019 at 10:00 a.m.	Regd. Office, Chandigarh Road, Ludhiana- 141010.	1

iii. Postal Ballot:

During the year, the members approved following two matters by passing Special resolution through Postal Ballot:

a) To re-appoint Mr. Sachit Jain as Vice-Chairman and Managing Director of the Company.

b) To approve the remuneration payable to Mr. Sachit Jain, Vice-Chairman & Managing Director of the Company, for the financial year 2019-20.

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	% of votes against
	1	2	3 = (2/1)*100	4	5	6=(4/2)*100	7=(5/2)*100
Special Resolution 1							
Promoter & Promoter Group	2,38,21,481	2,38,21,481	100.00	2,38,21,481	0	100	0
Public	1,65,73,021	18,45,032	11.13	18,43,640	1,392	99.92	0.08
Total	**4,03,94,502**	**2,56,66,513**	**63.54**	**2,56,65,121**	**1,392**	**99.99**	**0.01**
Special Resolution 2							
Promoter & Promoter Group	2,38,21,481	2,38,21,481	100.00	2,38,21,481	0	100	0
Public	1,65,73,021	18,45,032	11.13	18,43,446	1,586	99.91	0.09
Total	**4,03,94,502**	**2,56,66,513**	**63.54**	**2,56,64,927**	**1,586**	**99.99**	**0.01**

There is no immediate proposal for passing any resolution through postal ballot in financial year 2020-21.

7. DISCLOSURES:

i. There was no materially significant related party transaction that may have any potential conflict with interest of the Company at large. The Policy on dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/RELATED_PARTY_TRANSACTION%20Final.pdf

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

iii. The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a Vigil Mechanism and Whistle Blower Policy under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. The policy on "Vigil Mechanism and Whistle Blower" may be accessed on the Company's website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Vigil%20Mechanism%20final.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 complaint was filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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

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

ix. The Company has no material subsidiary. The policy for determining 'Material' Subsidiary is available at Company's Website at the link: https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Policy%20for%20determining%20Material%20Subsidiaryl.pdf

x. As on March 31, 2020, there was no outstanding GDRs/ADRs/Warrants or any convertible instruments.

xi. During the year 2019-20, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The Company enters into forward contracts and options contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in the Note No. 46 to the Financial Statements.

xii. During the year, the Company has raised ₹49.99 crore through preferential allotment of equity shares. The Company had issued and allotted 46,29,629 equity shares @ ₹108/- per share to Aichi Steel Corporation, Japan by way of a preferential allotment on private placement basis. The paid-up capital of the Company after the preferential allotment stood increased from ₹35,76,48,730 to ₹40,39,45,020. The funds raised from the above said allotment have not been utilized till date.

xiii. A certificate from a Company Secretary in Practice that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority forms part of this Report.

xiv. There is no such instance where the Board has not accepted any recommendation of any Committee of the Board which is mandatorily required.

xv. Total fees for all services paid by the Company to the statutory auditor and all entities in the network firm/ company of which statutory auditor is part is ₹18 lakhs.

8. MEANS OF COMMUNICATION:

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, publication to institutional investors, press releases in leading newspapers, conducting investor calls/analyst meet 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) 10th Annual General Meeting:

Date : 25th September, 2020
Time : 10:30 a.m.
Venue : Through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM")

ii) Financial Calendar 2020-21 (Tentative)

First Quarter Result : August, 2020
Second Quarter Results : November, 2020
Third Quarter Results : February, 2021
Annual Results : May, 2021

iii) Dates of Book Closure : 15th September, 2020 to 25th September, 2020 (both days inclusive)

iv) Dividend payment date : The Board of Directors has not recommended Dividend for Financial Year 2019-20.

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

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

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

vi) Stock Code:

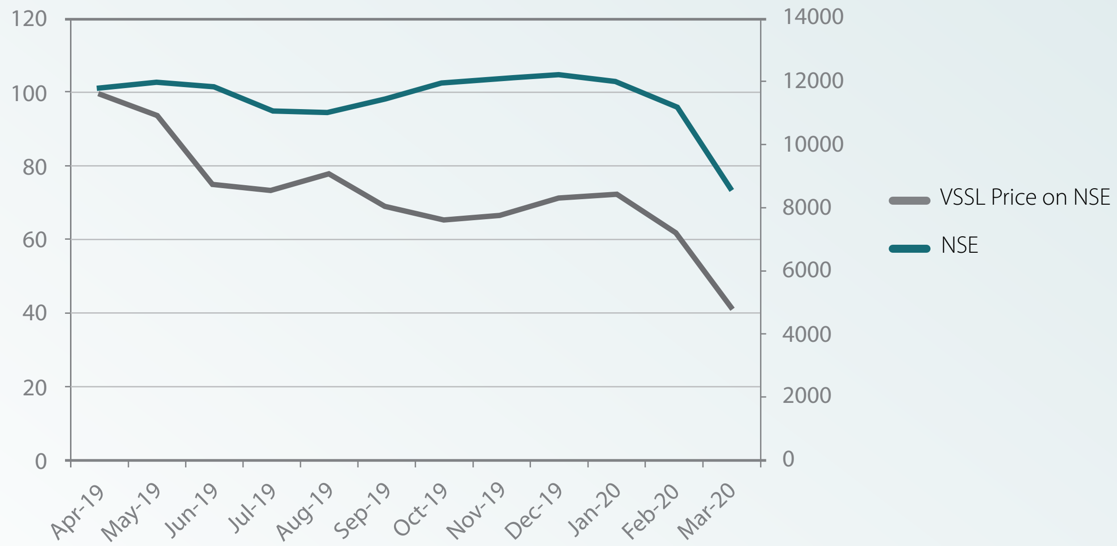
- BSE Limited : 534392
- National Stock Exchange of India Limited : VSSL

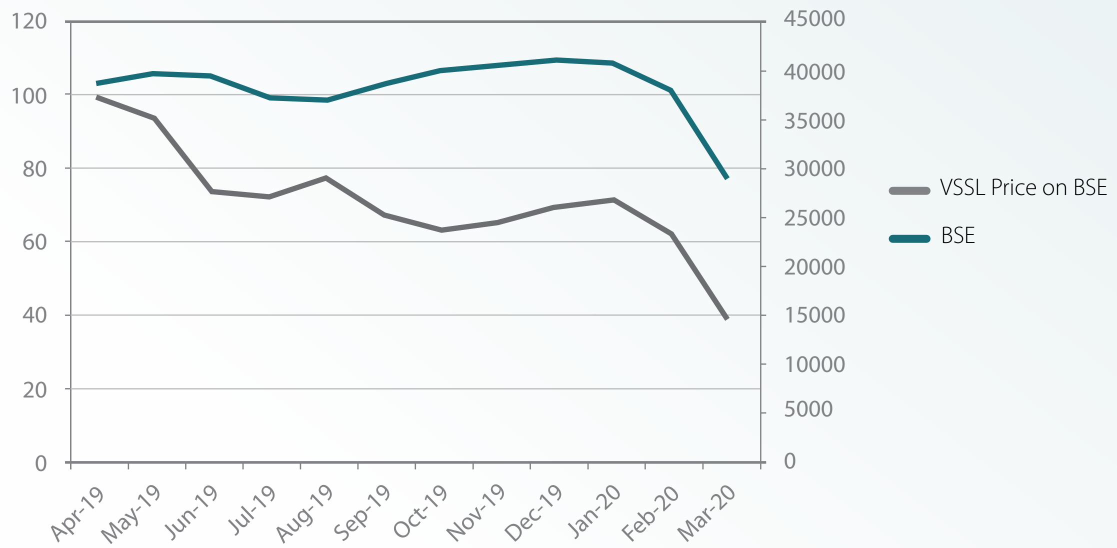
vii) Stock Market Data:

The month-wise highest and lowest and closing stock prices of NSE vis-a-vis BSE during the financial year 2019-20 is given below: -

Financial Year 2019-20	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	115.00	95.60	99.60	2.57	113.90	95.00	99.85	2.31
May	106.00	88.05	93.65	-5.97	105.40	88.05	94.15	-5.71
June	98.00	73.00	74.65	-20.29	98.85	73.05	74.45	-20.92
July	89.00	72.00	73.45	-1.61	89.00	71.45	73.35	-1.48
August	89.00	62.20	77.60	5.65	87.75	63.05	78.25	6.68
September	79.85	68.15	69.15	-10.89	80.95	68.55	68.65	-12.27
October	73.00	62.00	65.30	-5.57	75.90	61.60	64.40	-6.19
November	74.00	63.00	66.90	2.45	73.00	64.00	66.60	3.42
December	72.90	62.35	70.85	5.90	71.50	63.00	70.25	5.48
January	87.35	67.80	72.25	1.98	87.90	69.00	72.35	2.99
February	79.00	62.00	62.50	-13.49	77.80	61.35	63.40	-12.37
March	65.50	35.30	41.35	-33.84	65.95	34.15	40.60	-35.96

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)

205-208, Anarkali Complex, Jhandewalan Extension, New Delhi - 110 055.
Phone: (011) 41540060-63, Fax: (011) 41540064, E-mail: rta@alankit.com

x) Share Transfer System:

With effect from April 1, 2019, SEBI has mandated that no share can be transferred by the Company in physical mode. Accordingly, the Company has stopped accepting any fresh lodgement for transfer of shares in physical form. The Company had sent communication to the shareholders encouraging them to dematerialise their holding in the Company. The procedure for dematerialisation of shares is available on the website of the Company.

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, 2020:

RANGE	SHAREHOLDERS		SHARES	
No. of Shares	Numbers of total holders	% to total holders	Numbers of shares held	% to total shares
Upto-500	16,057	90.93	10,83,530	2.68
501-1000	680	3.85	5,32,507	1.32
1001-2000	401	2.27	5,99,567	1.48
2001-3000	142	0.80	3,51,919	0.87
3001-4000	94	0.53	3,33,436	0.83
4001-5000	57	0.32	2,62,370	0.65
5001-10000	113	0.64	8,21,828	2.04
10001- above	116	0.66	3,64,09,345	90.13
Total	**17,660**	**100.00**	**4,03,94,502**	**100.00**

xii) Dematerialisation of shares:

As on 31st March, 2020, 99.54% of the capital comprising 4,02,06,894 shares, out of total of 4,03,94,502 shares, was dematerialized.

xiii) Stock Options:

The Company has granted options to its employees under Vardhman Special Steels Limited Employee Stock Options Plan, 2016 (hereinafter referred as ESOP Plan). As per the terms of the ESOP Plan, the Company can grant a maximum of 3,71,108 options to eligible employees from time to time. One option entitles the holder to apply for one equity share of the Company in terms of ESOP Plan. Accordingly, during the financial year, a total of 6,250 options were exercised by the eligible employees.

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-141 010
Tel	:	0161-2228943-48
Fax	:	0161-2601048, 2602710, 2222616
E-mail	:	secretarial.lud@vardhman.com (Exclusively for redressal of investors' grievances)

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

xvi) List of credit ratings:

The Company has obtained rating from CRISIL Limited during the financial year 2019-20. During the financial year 2019-20, there has been revision in the outlook of the credit ratings of long term bank facilities. List of all credit ratings obtained by the Company during the year are as follows:

Particulars	Rating during FY 2019-20
Long Term Bank Facilities	CRISIL AA/Negative
Short Term Bank Facilities	CRISIL A1+
Commercial Papers	CRISIL A1+

VICE-CHAIRMAN & MANAGING DIRECTOR'S DECLARATION

A. I, Sachit Jain, Vice-Chairman & Managing Director of Vardhman Special Steels Limited declare that all Board Members and Senior Management Personnel have affirmed compliance with 'Code of Conduct for Board & Senior Management Personnel' for the year ended 31st March, 2020.

Place : Ludhiana
Dated : 15th June, 2020

Sachit Jain
Vice-Chairman & Managing Director

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

Place : Ludhiana
Dated : 15th June, 2020

Sachit Jain
Vice-Chairman & Managing Director

CERTIFICATE FROM PRACTISING COMPANY SECRETARIES

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

Sr. No.	Director Identification Number	Name of Director
1.	00746409	Mr. Sachit Jain
2.	00746471	Mrs. Suchita Jain
3.	00046541	Mr. Rajinder Kumar Jain
4.	00307110	Mr. B.K. Choudhary
5.	00241501	Mr. Rajeev Gupta
6.	00057760	Mr. Raghav Chandra
7.	00020425	Mr. Rakesh Jain
8.	00022674	Mr. Sanjeev Pahwa
9.	00059480	Mr. Sanjoy Bhattacharyya
10.	01225975	Mrs. Shubhra Bhattacharya
11.	08577824	Mr. Takashi Ishigami

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

For **Ashok K Singla & Associates**
Company Secretaries
Sd/-
Ashok Singla
Proprietor
Membership No. 2004
Certificate of Practice No. 1942
UDIN: F002004B000334655

Date: 15th June, 2020
Place: Ludhiana

PRACTISING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
Vardhman Special Steels Limited,
Vardhman Premises Chandigarh Road,
Ludhiana, PB 141010

We have examined the compliance of conditions of Corporate Governance by M/s Vardhman Special Steels Limited (CIN : L27100PB2010PLC033930) (the Company) as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub regulation (2) of Regulation 46 and para C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") for the financial year ended 31st March, 2020.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the review of procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Regulations. This certificate 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.

On the basis of our examination of the records produced, explanations and information furnished, we certify that the Company has complied with the conditions of Corporate Governance for the financial year ended 31st March, 2020 as stipulated in the SEBI Listing Regulations.

For **Harsh Goyal & Associates**
Company Secretaries
Sd/-
Harsh Kumar Goyal
Proprietor
FCS:3314
CP:2802
UDIN: F003314B000338352

Date: 15th June, 2020
Place: Ludhiana

Business Responsibility Report

About Vardhman

Vardhman Group ventured into Steel business way back in 1973. In 2010, Vardhman Textiles Ltd. demerged the steel business into a separate legal entity Vardhman Special Steels Limited (VSSL). Since then, the Company has exponentially expanded its operations on all fronts, attaining a melting and rolling capacity of 200,000 MT per annum, producing high-grade billets and hot rolled bars for varied applications in Engineering, Automotive, Tractor, Bearing and Allied Industries. In August 2019, the Company has entered into a strategic alliance with Aichi Steel Corporation (ASC) Japan, the main material producer for Toyota Group wherein ASC had participated in equity and had entered into a Technical Assistance Agreement.

Through its quality steel for different components in the automobiles, it touches lives of millions of people and assures quality product and services to its customers.

About This Report

The Securities and Exchange Board of India (SEBI) as per its (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations, 2015") has mandated the inclusion of a "Business Responsibility Report" (BRR) as part of Company's Annual Report for top 1000 listed entities based on market capitalization at the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The reporting framework used in this report is based on the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG)' released by the Ministry of Corporate Affairs, Government of India, in July 2011, which contains nine Principles and Core Elements for each of the Nine Principles.

This is VSSL's first Business Responsibility Report. This report is intended to transparently disclose the Company's performance based on the NVG principles and is meant for all our stakeholders.

DISCLOSURES ON THE NINE PRINCIPLES AS CHARTED BY THE MINISTRY OF CORPORATE AFFAIRS IN THE NATIONAL VOLUNTARY GUIDELINES (NVG) ON SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITIES OF BUSINESS.

PRINCIPLE 1

ETHICS, TRANSPARENCY & ACCOUNTABILITY

Businesses should conduct and govern themselves with ethics, transparency and accountability.

PRINCIPLE 2

PRODUCT LIFE CYCLE SUSTAINABILITY

Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.

PRINCIPLE 3

EMPLOYEE WELL-BEING

Businesses should promote the well-being of all employees.

PRINCIPLE 4

STAKEHOLDER ENGAGEMENT

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

PRINCIPLE 5

HUMAN RIGHTS

Businesses should respect and promote human rights.

PRINCIPLE 6

ENVIRONMENT

Businesses should respect, protect and make efforts to restore the environment.

PRINCIPLE 7

RESPONSIBLE ADVOCACY

Businesses, when engaged in influencing public regulatory policy, should do so in a responsible manner.

PRINCIPLE 8

INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

Businesses should support inclusive growth and equitable development.

PRINCIPLE 9

CUSTOMER VALUE

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

SECTION A

General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L27100PB2010PLC033930
2.	Name of the Company	Vardhman Special Steels Limited
3.	Registered address	Vardhman Premises, Chandigarh Road, Ludhiana- 141010
4.	Website	www.vardhmansteel.com
5.	E-mail id	secretarial.lud@vardhman.com
6.	Financial Year reported	2019-2020
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Steel
8.	List three key products/ services that the Company manufactures/ provides (as in balance sheet)	Steel Billets, Steel Bars, Steel Bright Bars
9.	Total number of locations where business activity is undertaken by the Company	
	a) Number of International Locations (Provide details of major 5)	Nil
	b) Number of National Locations	1
10.	Markets served by the Company – Local / State / National / International	National/International

SECTION B

Financial Details of the Company

1.	Paid up Capital (INR)	40.39 crores
2.	Total Turnover (INR)	846.20 crores
3.	Total profit after taxes (INR)	3.34 crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	15.17%
5.	List of activities in which expenditure in 4 above has been incurred	As per Annexure III of the Directors' Report

SECTION C

Other Details

1.	Does the Company have any Subsidiary Company/ Companies?	No
2.	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3.	Do any other entity/ entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D

BR Information

1. Details of Director/Directors responsible for BR

(a) Details of the Director/Directors responsible for implementation of the BR policy/policies

1.	DIN Number	00746409
2.	Name	Mr. Sachit Jain
3.	Designation	Vice-Chairman & Managing Director

(b) Details of BR head

1.	DIN Number	00746409
2.	Name	Mr. Sachit Jain
3.	Designation	Vice-Chairman & Managing Director
4.	Telephone no.	0161-2228943
5.	Email id	sachit@vardhman.com

The details of members of Corporate Social Responsibility Committee and their roles and responsibilities are elaborated in CSR Annual Report.

2. Principle-wise (as per NVGs) BR Policy/policies

(a) Details of compliance (Reply in Y/N)

		P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policies for:	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify?	N	Y ISO 14001, OHSAS 18001, ISO 9001	Y OHSAS 18001	Y OHSAS 18001	Y OHSAS 18001	Y ISO 14001, OHSAS 18001	N	N	ISO 9001

		P1	P2	P3	P4	P5	P6	P7	P8	P9
4.	Is it a board approved policy? If yes, has it been-signed by MD / owner /CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online	Various policies of the Company are available on the website of the Company at http:\\www.vardhmansteel.com/vss/index.php?page=investor-service								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have an in-house structure to implement the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy to address stakeholders' grievances related to the policy?	Y	Y	Y	Y	Y	Y	N	Y	Y
10.	Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	N	Y	Y

(b) If answer to the question at serial number 1 against any principal, is 'No', please explain why: (Tick up to 2 options)

	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. The Company has not understood the Principles	Not applicable								
2. The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3. The Company does not have financial or manpower resources available for the task									
4. It is planned to be done within the next 6 months									
5. It is planned to be done within the next 1 year									
6. Any other reason (please specify)									

3. Governance related to Business Responsibility

a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annually
b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes. The hyperlink for viewing the same is - https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Business%20Responsibility%20Report_2019-20.pdf . It is published annually in the Annual Report.

SECTION E

Principle-Wise Performance

Principle 1

Corporate Governance for Ethics, Transparency and Accountability

We are committed to adopting the best corporate governance practices as manifested in the Company's functioning to achieve business excellence by enhancing the long-term shareholder's value. Efficient conduct of the business of the Company through commitment to transparency and business ethics in discharging its corporate responsibilities are hallmarks of the best practices being followed at VSSL.

The composition of the Board of Directors of the Company is governed by the Companies Act, 2013 and SEBI Regulations 2015. As on March 31, 2020, the Company has 11 Directors on its Board (including the Chairman), of which 6 are independent, 4 are non-executive non-independent directors and 1 is executive director.

To ensure accountability and monitoring, the Board has constituted various committees such as: Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility (CSR) Committee and Stakeholders' Relationship Committee. The committees meet periodically during the year to supervise, review performance and advice on the necessary direction to be taken.

Code of Conduct: The Company's Code of Conduct extends to all directors and senior employees of the Company which aims at maintaining highest standards of business conduct in line with the Ethics of the Company, provides guidance in difficult situations involving conflict of interest & moral dilemma and ensures compliance with all applicable laws. All senior employees have to read and understand this code and agree to abide by it.

The Code of Conduct is available at the Company's website link https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/CODE%20OF%20CONDUCT_final.pdf

Vigil Mechanism/ Whistle Blower Policy: The Vigil Mechanism of the Company, which also incorporates a Whistle Blower Policy in terms of the Uniform Listing Agreement aims to provide a channel to the employees and Directors to report to the Management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of Conduct or policy. The mechanism provides for adequate safeguards against victimization of employees and Directors to avail of the mechanism and also provide for direct access to the Chairman/ Chairman of the Audit Committee in exceptional cases.

The Vigil Mechanism/ Whistle Blower Policy is available at the Company's website link https://www.vardhmansteel.com/vss/uploads/tpl-buddy-011/img/Vigil%20Mechanism%20final.pdf

Principle 2

Sustainability of Products & Services across Life-cycle

The Sustainable Business Model and the framework driving towards identifying and implementation of strategies that add value to the lives of numerous people linked, directly or indirectly, with the organization is a core strength of Vardhman. The image of Vardhman Group and its position in the society has been developed by proactively and effectively fulfilling our responsibility towards the world around us. The three facets of sustainability namely – social, environmental and economic play a pivotal role in formulating our plan of action. A blueprint developed in compliance with national and international standards for the industry, emphasizing on initiatives towards sustainable growth and development maps our journey. This works with a long-term perspective, objectivity and apt understanding of the impact of choices made. Vardhman's Sustainability Drive, backed with innovation, is one of several initiatives to broaden the perspective towards sustainable development.

Responsible Sourcing of Raw Material

Today, environmental factors are at the forefront of material selection for specifiers. Steel's long service life, 100 percent recyclability make it an excellent environmental performer.

In an effort to reduce resource consumption, the Company primarily uses steel scrap such as Shredded Scrap, Heavy melting scrap, MSTB scrap, End Cutting, Forging Flash apart from some materials which are made from Iron Ore such as DRI, Sponge Iron and Pig Iron. These raw materials carry dust, trump elements and hazardous elements. Some of these are combustible in nature and as such are harmful to the nature, living beings and quality steel making.

To combat these challenges, the Company has its own set standards for sourcing, transportation and storage of these materials. The Company has installed a Radioactive Gate to help us to check all incoming material whether it is free from any Radioactive substance, Fume extraction system for collection of dust and slag crusher plant.

Water

Water being a resource without which life cannot survive on Earth, remains our major priority in terms of sustainability measures undertaken by us. To ensure proper treatment of waste water and its safe discharge, we monitor the effluent quantities and treat to keep them well-within the standards set by Central and State Pollution Control Boards.

Water Recharge

To contribute towards replenishment of ground water we have been continuously investing in water conservation initiatives. Till March 2020, we have installed 7 Rain Water Harvesting Systems (RWH) within our premises.

Energy Conservation

We keep investing in energy-efficient technologies and renewable energy to improve energy security. We have invested in Statcom System in 2017-18 which has resulted in improvement in power factor from 0.94 to 0.99.

Electricity is a major requirement for the industry and so is looking for measures to make optimum use of electric energy. With an approach for "Less input, more output", we constantly strive to minimize the energy consumption and maximize the output.

Energy Saving Measures implemented during 2019-20:

- FES pneumatic dust conveying system replaced with motorized RAV system.
- LED lights installation in place of conventional lights in SMS & BBS Shed.
- Water pipe line design change at VD resulting elimination of VD hot well pump.

Air

Climate change, emissions of greenhouse gases, depletion of ozone etc. are indicators of the deteriorating quality of air. We execute our responsibility towards restricting emissions by enhancing the energy efficiency of our processes as well as investing in low-carbon technologies. Over the years, a focused drive to improve the efficiencies of our operations has resulted in managing emissions to a significant extent. Some major initiatives taken are:

- Fume extraction system installed to collect the dust going into the air.
- Sequestration: Trees, plants and other forms of vegetation play a great role in reducing the Carbon dioxide levels. For effective sequestration of Carbon dioxide, we promote afforestation, tree plantation and planting of various type of vegetation.

Plantation of trees and developing green belt remains our focus every year. Not only we maintain green areas within our premises, but also take the responsibility of generating awareness in masses about the need for planting more and more trees. Our employees enthusiastically participate in this drive and we have, till date, planted about 30,000 trees to combat air pollution.

Principle 3

Employee Well-being

At Vardhman, we have a culture of empowerment that values and respects individual potential and helps each one to achieve to its fullest. Our people own their jobs and not just perform them. We continuously strive to improve quality of work-life for total job satisfaction and social harmony for the employees.

We have laid down various training practices and methodologies for our employees and workmen. We also have various HR monitored development activities that are carried out from time to time for employees at different levels.

1. Total number of employees. – 1,397 (including contractual manpower)
2. Total number of employees hired on temporary/ contractual/ casual basis. – 444
3. Number of permanent women employees. – 20 (does not include 4 contractor female employees)
4. Number of permanent employees with disabilities. – 14
5. Do you have an employee association that is recognized by management. – No
6. What percentage of your permanent employees is members of this recognized employee association? – N.A.
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1.	Child labour/forced labour/involuntary labour	Nil	Nil
2.	Sexual harassment	Nil	Nil
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

   (a) Permanent Employees – 82%

   (b) Permanent Women Employees – 100%

   (c) Casual/Temporary/Contractual Employees – 80%

   (d) Employees with Disabilities – 81%

Principle 4

Stakeholder Engagement

At Vardhman, we understand that we have several stakeholder groups each with distinct priorities and diverse interests. We, therefore, developed a method for structured identification of stakeholder groups, understanding their concerns and incorporating their views in our sustainability strategy.

The Company actively engages with all its stakeholders throughout the year on its strategic aspirations. Material matters arising from stakeholder engagements are managed as part of the risk management process.

Engaging with our partners in progress

Stakeholder group	Initiatives
Employees	Our Employee policies safeguard employees against any kind of discrimination based on caste, creed, religion, geography, educational or social background, gender, age, family status, citizenship, disability, etc. We believe in the continuous people development through investment in the training & development of our employees even in adverse business times. Women workforce are given ample opportunities and are treated with utmost respect. Ensuring the safety of women employees is a top priority for Vardhman.
Local Communities around our manufacturing Locations	Development and deployment of need-based community programs in the areas of health, education, skill development, sanitation, livelihood etc. as part of Corporate Social Responsibility (CSR) initiatives.
Business associates	We directly engage with the suppliers for new opportunities available to substitute the existing products yielding cost conservation and environment protection. Our technical team partners to promote such initiatives to reach to a win – win situation for all.
Customers	We provide a dedicated sales team to ensure pre to post sale services to our customers. Post sale service ensures smooth usage of our products and problem solving through a partnership approach has helped us forge long lasting relationships with our customers. We also endeavour to develop newer grades of steel with the OEMs both in the domestic and overseas market.

Principle 5

Human Rights

We subscribe fully to the basic tenets of human rights as defined in our Constitution. We adhere to the human rights principle of dignity of workforce regardless of the nation, location, language, religion, ethnic origin or any other status of an individual.

We have placed grievance redressal mechanisms and we try to ensure a harassment free work environment along with healthy and safe workplace. A Labour Welfare Officer is placed in our Unit to take care and ensuring the basic amenities to workers.

Communication meetings between workers and senior officials are regularly conducted to redress the grievance of workers and maintain harmonious relations between the management and workers.

Prime importance is given towards maintaining better working conditions in the plants to take care of the health & safety of employees. No complaint was received pertaining to human rights violation during the past financial year.

Principle 6

Protection and Restoration of the Environment

1. VSSL has implemented stringent standards and policies for Environment, Health and Safety in its unit.
2. Changes in climatic conditions, issues like global warming and degradation of environment owing to over exploitation of resources are threats to the existence of life on the planet. These challenges, however, are seen as opportunities to create sustainable products and manufacturing mechanisms at VSSL. We invest heavily in developing future-ready technology and innovative solutions to minimize the strain steel industry puts on the environment. Alternative energy, optimum consumption and replenishment of natural resources are some of the initiatives undertaken to back our goal of sustainable development. A dedicated team has been deployed to devise and implement strategies to manage the environmental risks. In our endeavor to protect and restore environment, following steps have been initiated:
   a) Disposal of hazardous solid waste generated at the unit is done only through CPCB/SPCB authorized disposal facilities.
   b) Ground water recharge is done through Rainwater Harvesting Systems.
   c) Fume extraction system installed to collect the dust going into the air.
      Initiatives like these are effective in reducing the impact of industry on our natural resources and environment.
3. We accord highest priority to the safety of human lives. New recruits have to mandatorily pass through safety training before they are posted on the shop floor. While there are regular refresher programs for employees at each level. Visitors too are given security instructions before entering the premises so as to ensure workplace safety and minimize the probability of accidents.
4. All the hazardous waste generated is stored and disposed as per the statutory norms. Our unit has requisite facilities for proper management of e-waste, waste oil, slag, hazardous dust and medical waste. The disposal of such waste is carried out through CPCB/SPCB authorized disposal facilities.
5. We have not registered ourselves under any project for Clean Development mechanism but have undertaken several initiatives on our own for clean, eco-friendly and sustainable growth.

Energy Conservation: Optimum utilization of resources as a principle is ingrained in all the processes at VSSL. Energy conservation initiatives for reduction in power consumption, and increasing efficiency are a regular feature.

Water Conservation: Our rainwater harvesting systems, ground water recharge initiatives and similar provisions allow us to conserve water. Till March 2020, we have installed 7 Rain Water Harvesting Systems (RWH) within our premises.

Reduction in Office waste: Our initiative to reduce waste generation at our offices include using jet hand dryers in washrooms to minimize usage of tissue rolls, printing on both sides of paper and generating awareness in employees to shift to paperless office model.

Awareness Programs: To spread awareness about environmental protection measures, every year we celebrate Earth Day & Environment Day. The activities held during such programs include Tree Plantation, Safety Week, etc.

Plantations: Plantation drives are carried out every year by us to increase the green area around our factory, we have till date planted about 30,000 trees and also undertaken so many areas for development of green belt.

Environment and Safety Certifications: Our Company is ISO 14001 (2004), OHSAS 18001 (2007), ISO 9001 (2008), ISO/TS 16949 (2009) certified organization.

6. The emissions of our unit are within the permissible limits of State and Central Pollution Control Boards.
7. VSSL has not received any legal notices for causing any environmental issues.

Principle 7

Responsible Advocacy

As a responsible organisation, VSSL has embraced globally best sustainability practices in letter and spirit. Its operations are ISO 14001 (2004), OHSAS 18001 (2007), ISO 9001 (2008), ISO/TS 16949 (2009).

The Company's emphasis on improvement in health and safety of its workers continues to remain strong. All hazards and its associated risk identified across its facilities. Any risk that deems to be high in the Hazard Identification and Risk Analysis (HIRA) are prioritized in management plan. Various control measures are adopted to oversee safe functioning of business activities.

VSSL is a member of several industrial and trade associations. These are listed as under:

- Confederation of Indian Industries (CII)
- Engineering Export Promotion Council of India (EEPC)
- Chamber of Industrial & Commercial Undertaking (CICU)
- Society of Indian Defense Manufacturers
- Alloy Steel Producers Association (ASPA)
- Steel Furnace Association of India

The Company leverages these to update the industry concerns to the relevant government offices through seminars, delegations and memorandums.

Principle 8

Supporting Inclusive Growth and Equitable Development

Through CSR (Corporate Social Responsibility) initiatives as well as an ingrained mechanism for sustainable development in core business activities, VSSL supports the principles of inclusive growth and equitable development. The Company has in effect, a detailed CSR policy monitored by a CSR Committee constituted by the Board of Directors. CSR initiatives at VSSL are developed with a key emphasis on promoting education, offering advanced healthcare facilities, contributing to rural development, conservation of environment etc. The areas of emphasis are covered in Schedule VII of the Companies Act, 2013. A number of CSR programs are pursued within close proximity to our unit to enable supervision and maximize the impact of these developmental activities. While we equally participate in offering services for national causes, an emphasis is laid on ensuring that the intended effect of the initiatives taken is received. Programs under this principle are developed and executed by:

a) In-house teams

Our in-house teams remain vigilant and actively engaged with the marginalized farmers and local communities. These teams carry out need assessment and analyze the existing problems to formulate and implement suitable solutions benefitting the local population.

b) Trusts

Community development initiatives are performed by inducing trusts and organizations dedicated for the cause. Close monitoring for the optimum utilization of resources invested helps in ensuring positive outcome from such drives. We have trusted entities that carry out developmental activities as per the directions of the Board.

c) Other organizations

For healthcare, education and such other benefits to reach the masses, we collaborate with public and private organizations like hospitals, schools etc. These initiatives aim at presenting underprivileged sections of society with the right to quality healthcare facilities and opportunity to learn and grow.

Contribution in CSR (2019-20)

Areas of intervention	Initiatives and programs
Promoting Education	• Financial support of ₹1.83 lakhs for higher education • School Development Projects under the banner of Vardhman School Development program where in VSSL provided books, school dresses and shoes to children of a school being run in village Dugri, Ludhiana through NGO amounting to ₹2.18 lakhs • Provided school bags amounting to ₹5.49 lakhs to students of Govt. School, Jamalpur • Donation of ₹0.10 lakhs to Vardhman Foundation • Exposure visit to students of colleges under Project EKLAVYA. Plant visit of 70 Students for career exposure opportunities including a cost of ₹0.21 lakhs
Promoting/ Preventive Healthcare	• Paid ₹13.33 lakhs to Director of Industries & Commerce for contribution to Punjab State Cancer and Drug Addiction Treatment Fund • Financial Support of ₹1.00 lakhs for treatment of a child suffering from Cancer • Financial support of ₹1.00 lakhs for providing artificial limbs to the handicaps through NGO • Donation of ₹1.20 lakhs to the North India Cerebral Palsy Association for providing support to children with special needs through NGO
PM Relief Fund	• Financial support of ₹0.36 lakhs for Flood Relief Operations
Infrastructure for Senior Citizens and General Public	• Development of meeting room and public sitting in District Industry Centre, Ludhiana amounting to ₹0.60 lakhs

Areas of intervention	Initiatives and programs
Promoting art and culture	• Paid ₹13.33 lakhs to Director of Industries & Commerce for contribution to Historical Monuments and Culture Heritage Maintenance • Donation of ₹0.25 lakhs to Primavera India Trust for Sponsorship of Culture & Heritage Festival • Donation of ₹0.15 lakhs to Dance Academy for hunt of new talent
Environment Sustainability	• Plantation of variety of plants and cemented sitting benches at REWS Society, CRPF Colony, Krishna Mandir Welfare Society Parks amounting to ₹0.75 lakhs • Installation of submersible bore well and clean drinking water facility at Police Commissionerate Crime Branch, Ludhiana and Shani Mandir Tajpur Road, Ludhiana amounting to ₹0.48 lakhs • Adoption & maintenance of park situated at CRPF colony, Village Dugri, Ludhiana with green plantation amounting to ₹0.94 lakhs • Adoption & maintenance of park situated at Phase III, Focal Point, Ludhiana with green plantation amounting to ₹0.11 lakhs • Plantation of variety of plants at Police Station, Jamalpur, Ludhiana amounting to ₹0.40 lakhs • Plantation of variety of plants and cemented sitting benches at Mini Secretariat and Police Lines, Jamalpur, Ludhiana for better environment and improving air quality amounting to ₹ 0.73 lakhs
Promoting Sports	• Donation of ₹3.00 lakhs to a Mountaineer as support to climb mount Denali in ALASKA

Areas of intervention	Initiatives and programs
Women Empowerment and Livelihood	• Development/Support to various self-help groups run by women/war widows under district administration/ pilot projects. VSSL provided free sewing machines through District Administration amounting to ₹1.91 lakhs • Provided 130 training kits to Government run skill development center in DC office, Ludhiana for distribution amongst widows and girls from BPL families, who come to learn sewing in Skill development center, costing ₹0.35 lakhs
Promoting Livelihood	• Under Swachh Bharat Mission, provided clean drinking water and shelter for senior citizens & development of Senior Citizens rooms/ toilets/ drinking water & Park facility in Police Station Village Dugri, under Police Commissionerate, Ludhiana amounting to ₹0.93 lakhs
Eradicating Hunger	• Donation of ₹0.05 lakhs to New Shiv Sakti Sewa Mandir Langar committee

Principle 9

Providing Value to Customers

We are a special steel manufacturing company which customizes steel manufacturing to meet customer requirements. Hence, understanding our customer requirements and its application we endeavor to offer them the best solution and product quality that is accurate for their requirement. We position ourselves as consultants for our customers and work towards establishing and nurturing a memorable customer experience.

In keeping with our customer first philosophy, the Company and its management engages with its customers at multiple forums to know the customer satisfaction level so that necessary steps may be taken to enhance the same.

The inputs received are then forwarded to the respective business teams for undertaking new developments besides remedial action, as may be required.

In 2019-20, the Company received 34 customer complaints during the period under review. Of this, 100% were amicably resolved. Further, during the last five years, no cases have been filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/ or anti–competitive behaviour.

Financial Statements

Independent Auditors' Report

To the Members of

Vardhman Special Steels Limited

Report on the Audit of the Financial Statements

1. Opinion

We have audited the financial statements of Vardhman Special Steels Limited ("the Company"), which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss (including other comprehensive income/ (expense)), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and its profit and other comprehensive income/ (expense), changes in equity and its cash flows for the year ended on that date.

2. Basis for Opinion

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

3. Key Audit Matters

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

Description of Key Audit Matters

1. Going concern assumption

See note 50 to the financial statements

The key audit matter	How the matter was addressed in our audit
Due to the outbreak of COVID-19 pandemic, the Company's operations have been impacted and this necessitates the evaluation of the Company's ability to continue as a Going concern and meeting its obligations to the stakeholders, creditors, employees and lenders.	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: • We evaluated the Company's ability to meet its obligations and assessed sufficiency of the Company's resources/funds to meet its costs in the foreseeable future. • We assessed the appropriateness and reasonableness of the cash flow forecasts for the foreseeable future taking into account the adverse effects that could arise from the outbreak of Covid 19 pandemic. • We also evaluated the sensitivity analysis on the assumptions used based on the current indicators of future economic conditions. • We evaluated prevailing and estimates of future prices of scrap, consumables, and other resources, assumptions relating to operational performance and future demands. • We assessed the adequacy of the disclosures included in the financial statements.

2. Impact of Section 115 BAA and recoverability of MAT credit

See note 8 to the financial statements

The key audit matter	How the matter was addressed in our audit
The Company has evaluated the impact of section 115BAA and determined that it will continue to recognize tax expense at the existing income tax rate as applicable to the Company. Accordingly, the Company has continued to recognise MAT credits and remeasured the deferred tax assets/liabilities likely to be reversed at the time the Company would opt for new tax regime. The possible outcome of the above involves significant judgment, hence the same has been considered as key focus area for our audit.	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: • We assessed the income taxes recognition accounting policies, including those relating to deferred tax and minimum alternate tax (MAT) by comparing with applicable accounting standards. • We evaluated the design of internal controls and operating effectiveness of the key internal control relating to taxation. • We performed substantive testing by inspecting the minutes of the board meeting dated 04 November 2019 evidencing the decision of the board where, in view of the unabsorbed depreciation and MAT Credits they decided to continue to pay tax in the old regime.

The key audit matter	How the matter was addressed in our audit
	• We also obtained and evaluated the future business projections from the management including the impact of section 115 BAA and assessed the recoverability of deferred tax asset and MAT credit as on the balance sheet date. • We involved our tax specialists to challenge the management's underlying assumptions in estimating the tax provision for the year. • We also obtained and assessed the allowances and disallowances considered by management in the current tax computation and determined that deferred tax asset/ liability has been duly recognized for all timing differences using the substantively enacted tax rate after considering the impact of Section 115 BAA. We assessed the adequacy of disclosures made by management in relation to deferred tax assets including movement from prior year, current tax computation including effective tax reconciliation.

3. Recognition of Government Grants

See note 49 to the financial statements

The key audit matter	How the matter was addressed in our audit
The Company is eligible for government grants under the fiscal incentives scheme of the Mega project policy of the Punjab State Government's Industrial Promotion Policy 2013 for its expansions completed up to 31 March 2016. Further, the Company is also eligible for claiming incentives under the Industrial and Business Development Policy 2017 of the State Government. Though the eligible plant has been commissioned in earlier years but all the benefits have not been considered till date as few of them are pending for sanction/ audit by the state government which is considered as a key event for providing reasonable assurance that the entity has complied with the conditions attached to the recognition of government grant. Due to the significance of the amounts and the level of management judgment involved, we considered the criteria for recognition of incentives as a key focus for our audit.	In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence: • We obtained and inspected the government incentive policies along with the various notifications issued. • We obtained and checked the fillings made by the Company in line with the requirements of the respective incentive policy. • We obtained and checked the terms and conditions of the agreements with the government and inspected the interim notification for fiscal incentives along with the corrigendum to the same. • We assessed the accounting treatment of the government grant approved and received during the current year. • We assessed the adequacy of the disclosures given by the management in relation to the government grant in the financial statements.

4. Other Information

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

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

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

5. Management's and Board of Directors' Responsibility for the Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income/ (expense), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial statements made by Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

7. Report on Other Legal and Regulatory Requirements

(A) As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(B) As required by Section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

c) The balance sheet, the statement of profit and loss (including other comprehensive income/ (expense)), the statement of changes in equity and the statement of cash flows dealt with by this report are in agreement with the books of account.

d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

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

i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its financial statements - Refer Note 39a to the financial statements.

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

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

iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March, 2020.

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

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to director is in excess of the limit laid down under Section 197 of the Act. Accordingly, the Company has taken shareholder's approval by way of special resolution for such payment. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

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

Gaurav Mahajan
Partner
Membership No.: 507857
ICAI UDIN : 20507857AAAAAT3027

Place: Chandigarh
Date: 15 June 2020

Annexure A to the Independent Auditors' report on the financial statements of Vardhman Special Steels Limited for the period ended 31 March 2020.

(Referred to in paragraph 7 (A) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

We report that:

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

(b) According to the information and explanations given to us, the Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no discrepancies were noticed on such verification.

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

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

(iii) The Company has not granted any loans, secured or unsecured to companies, firms or limited liability partnerships or other parties covered in the register required under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) The Company has not given any loans, provided any guarantee, or security as specified under Section 185 of the Act. Further, in respect of investments made by the Company, the provisions of Section 186 of the Act have been complied with.

(v) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, paragraph 3(v) of the order is not applicable.

(vi) We have broadly reviewed the books of account maintained by the Company in respect of products covered where, pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Act in respect of products covered and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to ensuring whether they are accurate or complete.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Goods and Services Tax ('GST'), Duty of customs and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities though there have been slight delays in few cases of deposit of income tax.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, GST, Duty of customs and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

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

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

(Amounts are in ₹ lakhs)

Name of the Statute	Nature of the Dues	Amount* (₹)	Amount paid under protest* (₹)	Period to which the amount relates	Forum where dispute is pending
UP VAT Act, 2008	VAT	7.32	5.12	2014-15	Assistant Commissioner Sale Tax
		6.20	3.10	2013-14	Assistant Commissioner Sale Tax
		5.65	2.82	2014-15	Deputy Commissioner of Sale Tax
		4.27	2.14	2015-16	Deputy Commissioner of Sale Tax
The Central Sales Tax Act, 1956	Sale tax	0.25	0.13	2014-15	Deputy Commissioner of Sale Tax
		1,900.00	1,900.00	2011-12, 2012-13 & 2013-14	High Court Punjab & Haryana-Chandigarh
		6.70	3.35	2013-14	Assistant Commissioner Sale Tax
UP Entry Sale Tax Act ,2007	Entry tax	13.18	6.59	2013-14	Assistant Commissioner Sale Tax
		0.64	0.32	2014-15	Deputy Commissioner of Sale Tax
		0.28	0.14	2015-16	Deputy Commissioner of Sale Tax
The Customs Act, 1962	Custom duty	14.93	14.93	2014-16	Commissioner of Central Excise (Appeals), Chandigarh

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

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

(viii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding dues to any government, financial institution or debenture holders during the year.

(ix) According to the information and explanations given to us, the term loan taken by the Company have been applied for the purposes for which they were raised. As informed to us, Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).

(x) According to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the course of our audit for the year.

(xi) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration has been paid or provided by the Company in accordance with the provision of section 197 read with Schedule V of the Act.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us, in respect of preferential allotment of shares made during the year, the Company has duly complied with the requirements of section 42 of the Act. The Company has neither made any private placement of shares nor issued any fully or partly convertible debentures during the year. However, proceeds from issue of equity shares amounting to ₹5,000 lakhs which has been received during the year, remaining unutilised as at 31 March 2020 and is included in Other non-current financial assets. Also refer to Note 7 to the financial statements.

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

(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Gaurav Mahajan
Partner
Membership No.: 507857
ICAI UDIN : 20507857AAAAAT3027

Place: Chandigarh
Date: 15 June 2020

Annexure B to the Independent Auditors' report on the financial statements of Vardhman Special Steels Limited for the period ended 31 March 2020.

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

(Referred to in paragraph 7(B)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Vardhman Special Steels Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

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

Gaurav Mahajan
Partner
Membership No.: 507857
ICAI UDIN : 20507857AAAAAT3027

Place: Chandigarh
Date: 15 June 2020

(All amounts are in ₹ lakhs except for share data)

Particulars	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
(a) Property, plant and equipment	3	30,831.11	27,952.63
(b) Capital work-in-progress	3	1,232.62	3,256.54
(c) Other intangible assets	4	25.43	30.23
(d) Right-of-use assets	5	154.82	-
(e) Financial assets			
- Loans	6	84.21	68.79
- Other financial assets	7	5,137.86	-
(f) Deferred tax assets (net)	8	1,995.54	1,423.46
(g) Income tax assets (net)	9	294.16	211.67
(h) Other non-current assets	10	1,181.08	1,407.36
Total non-current assets		**40,936.83**	**34,350.68**
Current assets			
(a) Inventories	11	15,177.78	31,322.20
(b) Financial assets			
- Investments	12	500.35	0.77
- Trade receivables	13	17,989.43	18,726.21
- Cash and cash equivalents	14	230.31	28.43
- Loans	6	91.38	102.58
- Other financial assets	15	168.36	778.32
(c) Assets held-for-sale	16	1,012.43	-
(d) Other current assets	17	916.75	3,623.72
Total current assets		**36,086.79**	**54,582.23**
TOTAL ASSETS		**77,023.62**	**88,932.91**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	18	4,039.45	3,575.86
(b) Other equity	19	37,323.56	32,622.99
Total equity		**41,363.01**	**36,198.85**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
- Borrowings	20	10,784.46	13,513.46
- Lease liabilities	21	149.40	-
- Other financial liabilities	22	17.60	14.02
(b) Provisions	23	120.38	100.51
(c) Other non-current liabilities	24	23.22	25.14
Total non-current liabilities		**11,095.06**	**13,653.13**
Current liabilities			
(a) Financial liabilities			
- Borrowings	20	14,862.35	18,681.68
- Lease liabilities	21	14.33	-
- Trade payables:			
(i) Total outstanding dues of micro enterprises and small enterprises;		126.52	336.60
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	25	6,046.07	16,013.03
- Other financial liabilities	26	2,708.77	3,688.52
(b) Other current liabilities	27	721.36	307.99
(c) Provisions	23	86.15	53.11
Total current liabilities		**24,565.55**	**39,080.93**
TOTAL EQUITY AND LIABILITIES		**77,023.62**	**88,932.91**
Significant accounting policies	2		
Notes to financial statements	3 -51		

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

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

Gaurav Mahajan
Partner
Membership number: 507857

Place: Chandigarh
Date: 15 June 2020

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

Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 15 June 2020

Statement of Profit & Loss for the year ended 31 March, 2020

(All amounts are in ₹ lakhs except for share data)

	Particulars	Note	For the year ended 31 March 2020	For the year ended 31 March 2020
I.	Revenue from operations	28	84,620.03	1,12,075.94
II.	Other income	29	939.82	187.37
III.	**Total income (I + II)**		**85,559.85**	**1,12,263.31**
IV.	**Expenses:**			
	Cost of materials consumed	30	38,929.11	79,926.49
	Purchases of stock-in-trade	31	432.19	3,488.19
	Changes in inventories of finished goods, stock-in-trade and work-in- progress	32	14,438.63	(16,242.63)
	Employee benefits expense	33	4,812.87	5,130.03
	Finance costs	34	2,571.61	2,365.92
	Depreciation and amortization expense	35	2,572.08	2,391.77
	Other expenses	36	22,035.00	32,989.62
	Total expenses		**85,791.49**	**1,10,049.39**
V.	**Profit before income tax (III-IV)**		**(231.64)**	**2,213.92**
VI.	**Income tax expense:**	37		
	Current tax		6.45	510.68
	Tax adjustment relating to prior years		-	(76.88)
	Deferred tax		(572.08)	(440.48)
	Total income tax expense		**(565.63)**	**(6.68)**
VII.	**Profit for the year (V-VI)**		**333.99**	**2,220.60**
VIII.	**Other Comprehensive (expense)/income**			
	Items that will not be reclassified subsequently to profit or loss			
	- Remeasurement of the net defined benefit liability /(asset)		(84.12)	(28.58)
	Income tax relating to items that will not be reclassified to profit or loss			
	- Remeasurement of the net defined benefit liability / (asset)		-	9.99
	Other comprehensive (expense)/income for the year (net of income tax)		**(84.12)**	**(18.59)**
IX.	**Total comprehensive income for the year (VII+VIII)**		**249.87**	**2,202.01**
	Earnings per equity share [nominal value of ₹10 (previous year ₹10)]			
	Basic (₹)	38	0.89	6.22
	Diluted (₹)	38	0.89	6.19
	Significant accounting policies	2		
	Notes to financial statements	3 -51		

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

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

Gaurav Mahajan
Partner
Membership number: 507857

Place: Chandigarh
Date: 15 June 2020

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

Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 15 June 2020

(All amounts are in ₹ lakhs except for share data)

a. Equity share capital

Particulars	Note 18	
Balance as at 1 April 2018		**3,569.74**
Changes in the equity share capital during the year		6.12
Balance as at 31 March 2019		**3,575.86**
Changes in the equity share capital during the year		463.59
Balance as at 31 March 2020		**4,039.45**

b. Other Equity

Particulars	Reserve & Surplus				Total
	Securities Premium (refer note 19)	General Reserve (refer note 19)	Share Options Outstanding Account (refer note 19)	Retained Earnings (refer note 19)	
Balance as at 1 April 2018	**9,880.33**	**13,890.62**	**55.13**	**6,535.79**	**30,361.87**
Total comprehensive income for the year ended 31 March 2019					
Profit for the year	-	-	-	2,220.60	2,220.60
Other comprehensive income / (expense) (net of tax)	-	-	-	(18.59)	(18.59)
Total comprehensive income/(expense) for the year		**-**		**2,202.01**	**2,202.01**
Share based payment expense	-	-	29.10	-	29.10
Share option exercised	47.16	-	(17.15)	-	30.01
	47.16	**-**	**11.95**	**2,202.01**	**2,261.12**
Balance as at 31 March 2019	**9,927.49**	**13,890.62**	**67.08**	**8,737.80**	**32,622.99**
Total comprehensive income for the year ended 31 March 2020					
Profit for the year	-	-	-	333.99	333.99
Other comprehensive income / (expense) (net of tax)	-	-	-	(84.12)	(84.12)
Total comprehensive income/ (expense) for the year		**-**	**-**	**249.87**	**249.87**
Share based payment expense	-	-	7.85	-	7.85
Issue of equity shares (net of share issue expense of ₹97.23)	4,439.79	-	-	-	4,439.79
Transfer on account of share options not exercised	-	-	(5.58)	5.58	-
Share option exercised	4.65	-	(1.59)	-	3.06
	4,444.44	**-**	**0.68**	**255.45**	**4,700.57**
Balance as at 31 March 2020	**14,371.93**	**13,890.62**	**67.76**	**8,993.25**	**37,323.56**

Significant accounting policies	2
Notes to financial statements	3 -51

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

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

Gaurav Mahajan
Partner
Membership number: 507857

Place: Chandigarh
Date: 15 June 2020

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

Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 15 June 2020

Statement of Cash Flow for the year ended 31 March, 2020

(All amounts are in ₹ lakhs except for share data)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
A	**Cash flow from operating activities**		
	Profit before income tax	**(231.64)**	**2,213.92**
	Adjustments for:		
	Depreciation and amortization expense	2,572.08	2,391.77
	Loss on fair value of investments	0.44	-
	Loss on sale of investments	-	2.58
	Unrealized foreign exchange (gain)/loss (net)	(498.85)	220.87
	Gain on sale of property, plant and equipment (net)	(86.07)	(16.15)
	Share based payments to employees	7.85	29.10
	Loss on sale of assets held-for-sale	11.69	-
	Balances written off	0.33	-
	Bad debts	1.00	1.26
	Expected credit loss on trade receivables	272.56	100.00
	Finance costs	2,571.61	2,356.35
	Interest income	(214.09)	(103.49)
	Dividend income	(0.01)	-
	Profit on sale of current investments	(62.96)	(17.58)
	Capital work-in-progress written-off	93.83	-
	Liabilities no longer required written back	(33.37)	(7.51)
	Operating profit before change in following assets and liabilities	**4,404.40**	**7,171.12**
	Adjustments for:		
	Decrease/(increase) in inventories	16,144.42	(15,461.91)
	Decrease in trade receivables	465.74	627.93
	Decrease/(increase) in current loans	11.20	(0.66)
	Decrease/ (increase) in other financial current assets	722.36	(186.56)
	Decrease/(increase) in other current assets	1,656.46	(2,415.32)
	(Increase)/decrease in non current loans	(15.42)	73.61
	Decrease in other non-current assets	30.19	679.09
	Increase in non-current provisions	19.87	16.00
	(Decrease)/ increase in other non current liabilities	(1.92)	22.24
	(Decrease)/increase in trade payables	(10,168.91)	9,731.34
	(Decrease) in other financial current liabilities	(32.25)	(1,536.62)
	Increase in other current liabilities	446.74	5.69
	(Decrease) in current provisions	(51.08)	(9.40)
	Cash generated/(used in) from operating activities	**13,631.80**	**(1,283.45)**
	Income tax paid (net)	(88.94)	(601.23)
	Net cash generated/(used in) from operating activities	**13,542.86**	**(1,884.68)**
B	**Cash flow from investing activities**		
	Acquisition of property, plant and equipment and other intangible assets	(3,582.78)	(7,965.79)
	Proceeds from sale of property, plant and equipment and other intangible assets	101.21	17.27
	Cost incurred towards assets held for sale	(129.12)	-
	Proceeds from assets held for sale	155.00	-
	Dividend income	0.01	-
	Movement in non-current deposit accounts	(5,000.00)	-

(All amounts are in ₹ lakhs except for share data)

	Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
	(Acquisition)/ proceeds of current investments	(437.05)	832.82
	Interest received	76.23	103.49
	Net cash (used in) investing activities	**(8,816.50)**	**(7,012.21)**
C	**Cash flow from financing activities**		
	Proceeds from issue of share capital (including premium)	4,906.44	36.13
	Proceeds from non-current borrowings	200.00	4,500.00
	Repayments of non-current borrowings	(3,258.00)	(817.50)
	Payment of Lease liabilities	(20.34)	-
	(Repayments)/ proceeds of current borrowing (net)	(3,819.33)	6,831.95
	Interest paid	(2,533.25)	(2,373.76)
	Net cash (used in)/ generated from financing activities	**(4,524.48)**	**8,176.82**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**201.88**	**(720.07)**
	Cash and cash equivalents at the beginning of the year (see below)	28.43	748.50
	Cash and cash equivalents at the end of the year (see below)	**230.31**	**28.43**

Notes:

1. Cash and cash equivalents include:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Balance with banks		
- in current accounts	229.64	28.22
- deposit accounts with original maturities upto three months	-	-
Cash on hand	0.67	0.21
	230.31	**28.43**

2. The above cash flow statement has been prepared in accordance with Indirect Method as set out in the applicable Indian Accounting Standard - 7 on "Statement of Cash Flow". (refer to note 2 (x))

3. Refer note 20.4 for reconciliation of movements of liabilities to cash flows arising from financing activities.

4. During the current year, the Company paid in cash ₹50.68 (31 March 2019 - ₹2.61) towards corporate social responsibility (CSR) expenditure, included in corporate social responsibility expenditure - (refer note 44.2)

Significant accounting policies	2
Notes to financial statements	3 -51

The accompanying notes form an integral part of the financial statements
As per our report of even date attached

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

Gaurav Mahajan
Partner
Membership number: 507857

Place: Chandigarh
Date: 15 June 2020

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

Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 15 June 2020

1. Reporting entity

Vardhman Special Steels Limited ('the Company'), is a public limited company incorporated under the provisions of the Companies Act, 1956 on 14 May 2010 having its registered office at Vardhman Premises, Chandigarh Road, Ludhiana - 141010. The equity shares of the Company are listed on BSE Limited and The National Stock Exchange of India Limited. In addition, the Company listed secured commercial papers (CP's) on various dates on BSE Limited during the year ended 31 March 2020 in accordance with the circular no. SEBI/HO/DDHS/DDHS/CIR/P/2019/115. The Company's business primarily consists of manufacturing of Billets, Steel bars and Bright bars of various categories of special and alloy steels.

2. Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

i) Statement of Compliance

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

ii) Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets at least at the recorded amounts and discharge its liabilities in the usual course of business. The Company has recognized net profit after tax of ₹333.99 lakhs for the year ended 31 March 2020 and, as at that date, current assets exceed current liabilities by ₹11,521.24 lakhs. The Company has considered the impact of Covid-19 on the future projections of the Company as further disclosed in detail in Note 50. In view of the positive net worth, the assessment of future cash flows projections, availability of liquid funds and investments and unused credit facilities, the management considers that it is appropriate to prepare these financial statements on a going concern basis.

iii) Effective 1 April 2015, the Company had transitioned to Ind AS while the financial statements were being prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (previous GAAP) till 31 March 2017 and the transition was carried out in accordance with Ind AS 101 "First time adoption of Indian Accounting Standards". While carrying out transition, in addition to the mandatory exemptions, the Company had elected certain exemptions which are listed as below:

- The Company had opted to continue with the carrying value for all of its property, plant and equipment, intangible assets and investment property as recognized in the financial statements prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date.
- The Company had opted to carry the assessment whether a contract or arrangement contains a lease on the basis of facts and circumstances existing at the date of transition, except where the effect is not expected to be material. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement.

The financial statements of the Company for the year ended 31 March 2020 were approved by the Company's Board of Directors on 15 June 2020.

iv) Functional and presentation currency

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

v) Basis of measurement

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

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

vi) Measurement of fair values

A number of Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

Significant valuation issues are reported to the Company's board of directors.

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

— **Level 1:** Quoted prices (unadjusted) in active markets for identical assets and liabilities.

— **Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

— **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the changes have occurred.

Further information about the assumptions made in measuring fair values used in preparing these financial statements is included in note 45 and 46- Financial instruments.

vii) Use of estimates and judgements

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

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

- Note 2(a)(v) – Fair value measurement
- Note 2(e) and 3 – Assessment of useful life of Property, plant and equipment
- Note 2(f) and 4 – Assessment of useful life of Intangible assets
- Note 2(i), 5 and 21 – leases classification and assessment of discount rate in relation to lease accounting as per Ind AS 116
- Note 2(j) – Valuation of inventories
- Note 2(q) – Accounting for Government grant
- Note 2(m), 2(n) and 39 – Recognition and measurement of provisions and contingencies, key assumptions about the likelihood and magnitude of an outflow of resources
- Note 2(s), 8 and 37 – Recognition of tax expense including deferred tax
- Note 2(k) – Impairment of financial assets
- Note 2(k) – Impairment test of non-financial assets: key assumptions underlying recoverable amounts and
- Note 2(l) and 42 – Measurement of defined benefit obligations: key actuarial assumptions; Share based Payments

b) Changes in Significant Accounting Policies

The Company has initially applied Ind AS 116 from 01 April 2019. A number of other new standards and amendments are also effective from 01 April 2019 but they do not have a material effect on the Company's financial statements.

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

The Company applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April

2019. Accordingly, the comparative information presented for the previous year ended 31 March 2019 is not restated – i.e. it is presented, as previously reported, under Ind AS 17. The details of the changes in accounting policies are disclosed in note 2 (i).

c) Foreign currency transactions

Initial recognition

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

Measurement at the reporting date

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

d) 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.

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ('FVTPL'), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as - measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment, or
- fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets 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.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– the asset 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Offsetting

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

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contact is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liability when the fair value is negative

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

Recognition and measurement

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

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

- its purchase price including import duties and non-refundable purchase taxes after deducting trade discounts and rebates.
- any cost directly attributable to bringing the asset to the location and the working condition for its intended use and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
- financing cost related to borrowed funds attributable to the construction or acquisition of qualifying assets upto the date of the assets are ready for use.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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.

Subsequent expenditure

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in net profit in the statement of profit and loss when incurred.

Depreciation

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

Depreciation on items of property, plant and equipment is provided as per the rates corresponding to the useful life specific in Schedule II of the Companies Act, 2013 read with notification dated 29 August 2014 of Ministry of Corporate Affairs as follows:

Assets	Useful life as per Schedule II (Years)	Management estimate of useful life (Years)
Building - Factory	30	30
Building – Office	60	60
Building- Roads, Tubewell and temporary shed	3 - 10	3 - 10
Plant and equipment	15 - 20	15 - 25
Furniture and fixtures	10	10
Vehicles	8 - 10	8 - 10
Office equipments	3 - 6	3 – 6

Significant components of assets and their useful life and depreciation charge is based on an internal technical evaluation. These estimated lives are based on technical assessment made by technical expert and management estimates. Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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

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

Derecognition

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

f) Other Intangible Assets

Acquired Intangible

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

Subsequent expenditure

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

Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives using the straight-line method, and is included in depreciation and amortisation expense in Statement of Profit and Loss. The estimated useful life of Computer software is 5 years.

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

Derecognition

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

g) Non-current assets held for sale

Non-current assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less cost to sell, if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the Statement of Profit and Loss.

Once classified as held-for sale, property, plant and equipment, and intangible assets are no longer amortised or depreciated.

h) Borrowing costs

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalized as a part of cost of the asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

i) Leases

Leases under Ind AS 116 (applicable from 1 April 2019)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Company's lease asset classes primarily consist of leases for buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered on or after 1 April 2019.

The Company elected to use the following practical expedients on initial application:

- Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'financial liabilities' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The Company recognises the lease payments associated with these leases as an expense in the Statement of Profit or Loss over the lease term.

Leases under Ind AS 17 - applicable till 31 March 2019

Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

Assets held under lease

Leases of property, plant and equipment that transfer to the Company substantially all the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the assets are accounted for in accordance with the accounting policies applicable to similar owned assets.

Assets held under leases that do not transfer to the Company substantially all the risk and rewards of ownership (i.e. operating lease) are not recognised in the Company's Balance Sheet.

Lease Payments

Payments made under operating leases are generally recognised in the statement of profit and loss on a straight line basis over the term of the lease unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase. Lease incentive received are recognised as an integral part of the total lease expense over the term of the lease.

Payments made under finance lease are allocated between the outstanding liability and finance cost. The finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

j) Inventories

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

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

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

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

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

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

k) Impairment

Impairment of financial asset

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

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

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

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

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

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

12-month expected credit losses are the expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months)

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

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

Measurement of expected credit losses

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

Presentation of allowance for expected credit losses in the balance sheet

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

Write-off

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

Impairment of non-financial assets

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

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

The Company's corporate assets do not generate independent cash inflows. To determine impairment of a corporate asset, recoverable amount is determined for the CGUs to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses, if any, are recognised in the Statement of Profit and Loss.

In regard to assets for which impairment loss has been recognised in prior period, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Employee benefits

Short-term employee benefits

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

Share-based payment transactions

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

Post-employment benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Gratuity is a defined benefit plan. The administration of the gratuity scheme has been entrusted to the VSSL gratuity fund trust. The Company's net obligation in respect of gratuity is calculated separately by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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

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

Defined contribution plans

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

Compensated absences

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

m) Provisions (other than for employees benefits)

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Expected future losses are not provided for.

n) Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote.

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

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

o) Commitments

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

p) Revenue from contract with customers

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

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

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

Step 2: Identify the performance obligation in contract

Step 3: Determine the transaction price

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

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

Deferred revenue is recognised when there is billings in excess of revenues. The Company disaggregates revenue from contracts with customers by geography.

Use of significant judgements in revenue recognition

- The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligation involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.
- Judgement is also required to determine the transaction price for the contract. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as cash discount, trade discount, and rebate. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations

to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

- The Company uses judgement to determine an appropriate standalone selling price for a performance obligation. The Company allocates the transaction price to each performance obligation on the basis of the relative standalone selling price of each distinct product or service promised in the contract.
- The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.
- Revenue for fixed-price contract is recognised using percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation.
- Contract fulfilment costs are generally expensed as incurred except for certain expenses which meet the criteria for capitalisation. Such costs are amortised over the contractual period. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

Export Incentives

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

Dividend Income

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

Insurance and Other Claims

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

q) Government grant

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

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

r) Recognition of interest income or expense

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

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

a) the gross carrying amount of the financial asset; or

b) the amortised cost of the financial liability.

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

s) Income taxes

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

Current tax

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

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

Deferred tax

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

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

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

Minimum Alternative tax

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

t) Operating segments

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

u) Royalty

Payment of technical know-how in the form of royalty for manufacturing, use and selling of Electronic Control Units, Distributors, MCU, Immobilizer, GMR-Sensor, Audio, EPS-Motor, Alternator and Electronic Power Steering-Electronic Control Units is being accounted for on accrual basis as per the Technology Transfer and Patent License Agreement with Mitsubishi Electric Corporation, Japan.

v) Corporate Social Responsibility ("CSR") expenditure

CSR expenditure incurred by the Company is charged to the Statement of the Profit and Loss.

w) Cash and cash equivalents

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

x) Cash flow statement

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

y) Earnings per share

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

(All amounts are in ₹ Lakhs except for share data)

Note 3

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

Gross carrying amounts

	Freehold land*	Buildings#	Plant and equipment	Furniture and fixtures	Vehicles	Office equipments	Total	Capital work-in-progress
Balance as at 1 April 2018	**844.94**	**4,144.79**	**24,951.38**	**59.81**	**239.03**	**261.29**	**30,501.24**	**698.76**
Additions	2,508.82	1,322.32	1,437.71	60.33	41.88	36.95	5,408.01	7,655.29
Disposals	-	-	(0.72)	-	-	(0.43)	(1.15)	(5,097.51) $
Balance as at 31 March 2019	**3,353.76**	**5,467.11**	**26,388.37**	**120.14**	**280.91**	**297.81**	**35,908.10**	**3,256.54**
Additions	48.57	128.78	5,148.72	2.09	54.78	53.25	5,436.19	3,182.17
Disposals	-	-	(6.05)	-	(10.90)	(0.21)	(17.16)	(5206.09) $
Balance as at 31 March 2020	**3,402.33**	**5,595.89**	**31,531.04**	**122.23**	**324.79**	**350.85**	**41,327.13**	**1,232.62**

Accumulated depreciation

	Freehold land*	Buildings#	Plant and equipment	Furniture and fixtures	Vehicles	Office equipments	Total	Capital work-in-progress
Balance as at 1 April 2018	**-**	**478.93**	**4,908.44**	**22.70**	**53.39**	**110.89**	**5,574.35**	**-**
Depreciation for the year	-	227.20	2,049.95	8.17	31.45	64.36	2,381.13	-
Disposals	-	-	-	-	-	(0.01)	(0.01)	-
Balance as at 31 March 2019	**-**	**706.13**	**6,958.39**	**30.87**	**84.84**	**175.24**	**7,955.47**	**-**
Depreciation for the year	-	231.01	2,218.09	11.50	36.39	45.58	2,542.57	-
Disposals	-	-	(0.18)	-	(1.83)	(0.01)	(2.02)	-
Balance as at 31 March 2020	**-**	**937.14**	**9,176.30**	**42.37**	**119.40**	**220.81**	**10,496.02**	**-**

Net carrying amounts

	Freehold land*	Buildings#	Plant and equipment	Furniture and fixtures	Vehicles	Office equipments	Total	Capital work-in-progress
As at 31 March 2019	**3,353.76**	**4,760.98**	**19,429.98**	**89.27**	**196.07**	**122.57**	**27,952.63**	**3,256.54**
As at 31 March 2020	**3,402.33**	**4,658.75**	**22,354.74**	**79.86**	**205.39**	**130.04**	**30,831.11**	**1,232.62**

Notes:

A. Refer note 20 for information on property, plant and equipment pledged as security by the Company.

B. Refer note 39 (c) for disclosure of contractual commitments for the acquisition of property, plant and equipment.

C. The Company has capitalized the following expenses to the cost of property, plant and equipment/capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Company.

Particulars	As at 31 March 2020	As at 31 March 2019
Salaries, wages and bonus	297.06	138.20
Store consumption	528.08	657.15
Power and fuel	236.26	-
Finance costs	61.14	56.86
Others	3.25	1.95
	1,125.79	**854.16**

* Includes freehold land of ₹ Nil (31 March 2019: ₹2,508.82) situated at Ludhiana, Punjab for which the Company was in the process of completing formalities for transferring the title deed in its own name .

Includes building having gross block amounting to ₹ Nil (31 March 2019: ₹1,180.00) and written down value amounting to ₹ Nil (31 March 2019: ₹1,143.45) situated at Ludhiana, Punjab which was pending to be registered in the name of the Company.

$ Represents capital-work-in-progress capitalised. It also includes ₹93.83 (31 March 2019: Nil) related to Capital work in progress asset written off. (also refer note 36)

(All amounts are in ₹ Lakhs except for share data)

Note 4 Other intangible assets

	Computer Softwares	Total
Gross carrying amount		
Balance as at 1 April 2018	**48.11**	**48.11**
Additions	11.87	11.87
Balance as at 31 March 2019	**59.98**	**59.98**
Additions	7.58	7.58
Balance as at 31 March 2020	**67.56**	**67.56**
Accumulated amortisation		
Balance as at 1 April 2018	**19.11**	**19.11**
Amortisation for the year	10.64	10.64
Balance as at 31 March 2019	**29.75**	**29.75**
Amortisation for the year	12.38	12.38
Balance as at 31 March 2020	**42.13**	**42.13**
Net carrying amount		
As at 31 March 2019	**30.23**	**30.23**
As at 31 March 2020	**25.43**	**25.43**

Note 5 Right-of-use assets

Following are the changes in the carrying value of right of use assets for the year ended 31 March 2020:

Particulars	Category of ROU asset Building	Total
Balance as at 1 April 2019	-	-
Reclassified on account of adoption of Ind AS 116	134.97	134.97
Additions*	**50.46**	**50.46**
Impact of lease modification	(13.49)	(13.49)
Depreciation for the year	**(17.12)**	**(17.12)**
Balance as at 31 March 2020	**154.82**	**154.82**

*New lease deed entered w.e.f. 17 February 2020

a) The Company incurred ₹51.10 during the current year towards expenses relating to short-term leases and leases of low-value assets for which the recognition exemption has been applied. (refer note 36)

b) The total cash outflow for leases is ₹64.90 (including ₹44.56 for short term leases/ leases of low-value assets and ₹20.34 for leases covered under Ind-AS 116) during the current year.

c) The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of profit and loss.

Note 6 Loans

Non-Current

(unsecured considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Financial assets at amortized cost		
Loans to employees	84.21	68.79
	84.21	**68.79**

Current

(unsecured considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Financial assets at amortized cost		
Loans to employees	**91.38**	**102.58**
	91.38	**102.58**

(All amounts are in ₹ Lakhs except for share data)

Note 7 Other financial assets

	As at 31 March 2020	As at 31 March 2019
Non-current		
Balance with banks*		
- deposit accounts with original maturities more than 12 months	**5,000.00**	-
Interest accrued		
- interest accrued on deposit accounts with original maturities more than 12 months	**137.86**	-
	5,137.86	-

* represents unutilised amount as at 31 March 2020 relating to proceeds from Aichi Steel Corporation on account of preferential allotment. These amounts can be used for making capital expenditure after consultation with Aichi Steel Corporation. (refer note 18)

Note 8 Deferred tax assets (net)

	As at 31 March 2020	As at 31 March 2019
Deferred tax assets on account of:		
Tax losses carried forward	3,085.98	2,445.58
Expenses allowable on payment basis	134.89	125.63
ICDS disallowance on MTM forward contracts	6.81	47.78
Incentives received from government	-	24.40
Lease liabilities	57.21	-
Expected credit loss allowance	217.55	122.30
Minimum alternate tax credit entitlement	1,490.13	1,483.67
	4,992.57	**4,249.36**
Deferred tax liabilities on account of:		
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,942.93	2,825.90
Right-of-use assets	54.10	-
	2,997.03	**2,825.90**
Deferred tax assets (net)	**1,995.54**	**1,423.46**

Movement in temporary differences:

2018-19 **Deferred tax assets (net)**	**Balance as at 1 April 2018**	**Recognised in Profit or Loss**	**Recognised in other comprehensive income**	**Balance as at 31 March 2019**
Deferred tax assets on account of				
Expenses allowable on payment basis	**778.03**	**(662.39)**	**9.99**	**125.63**
Expected credit loss allowance	87.36	34.94	-	122.30
ICDS disallowance on MTM forward contracts	-	47.78	-	47.78
Incentives received from government	-	24.40	-	24.40
Unabsorbed business loss and depreciation	1,788.54	657.04	-	2,445.58
Minimum alternate tax credit entitlement	972.99	510.68	-	1,483.67
	3,626.92	**612.45**	**9.99**	**4,249.36**
Deferred tax liabilities on account of				
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,653.93	171.97	-	2,825.90
Deferred tax assets (Net)	**972.99**	**440.48**	**9.99**	**1,423.46**

(All amounts are in ₹ Lakhs except for share data)

Note 8 (Cont...) Deferred tax assets (net)

2019-20 Deferred tax assets (net)	Balance as at 1 April 2019	Recognised in Profit or Loss	Recognised in other comprehensive income	Balance as at 31 March 2020
Deferred tax assets on account of				
Expenses allowable on payment basis	125.63	9.26	-	134.89
Expected credit loss allowance	122.30	95.25	-	217.55
ICDS disallowance on MTM forward contracts	47.78	(40.97)	-	6.81
Incentives received from government	24.40	(24.40)	-	-
Lease liabilities	-	57.21	-	57.21
Unabsorbed business loss and depreciation	2,445.58	640.40	-	3,085.98
Minimum alternate tax credit entitlement	1,483.67	6.46	-	1,490.13
	4,249.36	**743.21**	**-**	**4,992.57**
Deferred tax liabilities on account of				
Excess of depreciation as per Income Tax Act, 1961 over depreciation as per books	2,825.90	117.03	-	2,942.93
Right-of-use assets	-	54.10	-	54.10
	2,825.90	**171.13**	**-**	**2,997.03**
Deferred tax assets (Net)	**1,423.46**	**572.08**	**-**	**1,995.54**

Note: Section 115 BAA of the Income Tax Act 1961, introduced by Taxation Laws (Amendment) Ordinance, 2019 gives a one-time irreversible option to Domestic Companies for payment of corporate tax at reduced rates. In view of the unabsorbed depreciation and MAT Credits, the Company has determined that it will continue to recognize tax expense at the existing income tax rate as applicable to the Company. However, the Company has remeasured the deferred tax assets/liabilities likely to be reversed at the time the Company would opt for new tax regime which has resulted in write back of deferred tax liability amounting to ₹430.59 to the Statement of Profit and Loss for the year ended 31 March 2020.

Note 9 Income tax assets (net)

	As at 31 March 2020	As at 31 March 2019
Non-current		
Advance income tax and tax deducted at source (net of provision of ₹1,893.93 (31 March 2019: ₹1,887.48)	294.16	211.67
	294.16	**211.67**

Note 10 Other non-current assets
(unsecured considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Capital advances		
- to others	103.50	299.59
Advances other than capital advances:		
-Security deposits	937.18	935.58
-Prepaid expenses	2.52	9.74
-Amount paid under protest to government authorities	137.88	162.45
	1,181.08	**1,407.36**

(All amounts are in ₹ Lakhs except for share data)

Note 11 Inventories

(at lower of cost and net realizable value)

	As at 31 March 2020	As at 31 March 2019
Raw materials	1,936.62	2,208.31
Raw material in transit	311.96	786.30
Stores and spares	2,210.72	2,810.25
Stores and spares in transit	11.29	371.52
Finished goods - manufactured	10,707.19	25,145.82
	15,177.78	**31,322.20**

Note 12 Investments (Current)

	As at 31 March 2020	As at 31 March 2019
Unquoted debt securities		
Securities at fair value through profit and loss	500.02	-
15,367.66 (31 March 2019: Nil) units of SBI overnight fund direct growth		
Quoted equity shares		
Equity shares at fair value through profit and loss 235 (31 March 2019: 235) equity shares of GNA Axles Ltd.	0.33	0.77
	500.35	**0.77**
Aggregate amount of un-quoted Investments	500.02	-
Aggregate book value of quoted investments	0.33	0.77
Aggregate market value of quoted investments	0.33	0.77

Note 13 Trade receivables

(Unsecured, considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Trade receivables	18,611.99	19,076.21
Less: Loss allowance	622.56	350.00
	17,989.43	**18,726.21**

	As at 31 March 2020	As at 31 March 2019
Break-up of security details		
Trade receivables considered good - secured	-	-
Trade receivables considered good - unsecured	17,989.43	18,726.21
Trade receivables which have significant increase in Credit risk	-	-
Trade Receivables – credit impaired	622.56	350.00
Total	**18,611.99**	**19,076.21**
Less: Loss allowance	622.56	350.00
Total trade receivables	**17,989.43**	**18,726.21**

(All amounts are in ₹ Lakhs except for share data)

Note 14 Cash and cash equivalents

	As at 31 March 2020	As at 31 March 2019
Balance with banks		
- in current accounts	229.64	28.22
Cash on hand	0.67	0.21
	230.31	**28.43**

Note 15 Other financial assets (Current)

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Financial assets at amortized cost		
Contract assets	-	695.82
Advances to employees	0.34	0.01
Other recoverables	55.62	82.49
Financial Assets measured at fair value through Profit and loss		
Derivative financial instruments	112.40	-
	168.36	**778.32**

Note 16 Assets held-for-sale*

	As at 31 March 2020	As at 31 March 2019
Current		
Freehold Building	215.61	-
Freehold land	796.82	-
	1,012.43	**-**

*The Company acquired these assets from a non-related party against settlement of outstanding dues with an intention to sell in the short term. This exchange of assets is considered to be a non-cash transaction. The Company has already entered into an agreement to sell for the sale of freehold building in the month of March 2020. Further, the steps have been initiated searching a suitable buyer for the freehold land.

Note 17 Other current assets

(Unsecured considered good, unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
Advances for supply of goods	421.08	2,277.36
Prepaid expenses	115.80	107.18
Others	57.53	65.04
Recoverable on account of government grants	66.82	-
Prepaid (deferred) expenses for employee benefits	2.10	2.27
Recoverable from / balance with government authorities	253.42	1,171.87
	916.75	**3,623.72**

Note 18 Equity share capital

(a) Details of share capital	**As at 31 March 2020**		**As at 31 March 2019**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
Authorised				
Equity shares of ₹10 each	6,00,00,000	6,000.00	6,00,00,000	6,000.00
	6,00,00,000	6,000.00	6,00,00,000	6,000.00
Issued, subscribed and fully paid up				
Equity shares of ₹10 each fully paid up	4,03,94,502	4,039.45	3,57,58,623	3,575.86
	4,03,94,502	**4,039.45**	**3,57,58,623**	**3,575.86**

(All amounts are in ₹ Lakhs except for share data)

Note 18 (Contd...)
Equity share capital

(b) Reconciliation of number of shares outstanding at beginning and end of the year	As at 31 March 2020		As at 31 March 2019	
	Number of shares	Amount	Number of shares	Amount
Balance at the beginning of the year	3,57,58,623	3,575.86	3,56,97,376	3,569.74
Add: Shares issued on preferential basis*	46,29,629	462.96	-	-
Add: Shares issued under employee stock option	6,250	0.63	61,247	6.12
Balance at the end of the year	**4,03,94,502**	**4,039.45**	**3,57,58,623**	**3,575.86**

*During the year ended 31 March 2020 the Company had made allotment of 46,29,629 equity shares of ₹5,000 on 4 November 2019 on preferential basis to Aichi Steel Corporation at an issue price of ₹108 per equity share (Including premium of ₹98 per equity share).

(c) Rights, preferences and restrictions attached to shares

(i) The Company has only one class of equity shares having par value of ₹10 per share. Accordingly all equity shares rank equally with regard to dividends and share in the company's residual assets on winding up. Each shareholder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders (except for interim dividend) in the ensuing Annual General Meeting. In the event of liquidation of the company, the equity shareholders will be entitled to receive the remaining balance of assets if any, after preferential payments and to have a share in surplus assets of the Company, proportionate to their Individual shareholding in the paid up equity capital of the Company.

(ii) Pursuant to Share Subscription and Investment Agreement entered during the year between Aichi Steel Corporation (ASC) a Japanese Corporation incorporated under the laws of Japan having its registered office at 1, Wanowari, Aro-machi, Tokai-shi, Aichi-ken, 476-8666, Japan and the Company, ASC as minority protection, has rights in the Company such as right to nominate on the Board, affirmative vote rights, participatory rights, etc.

(d) Bonus shares, shares buyback and issue of shares for consideration other than in cash during five years immediately preceding 31 March 2020.

During the five years immediately preceding 31 March 2020 ('the period'), neither any bonus shares have been issued nor any shares have been bought back. Further, no shares have been issued for consideration other than cash.

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

Name of shareholder	As at 31 March 2020		As at 31 March 2019	
	Number of shares	% holding in the class	Number of shares	% holding in the class
- Vardhman Textiles Limited	97,08,333	24.03	97,08,333	27.15
- Vardhman Holdings Limited	51,34,195	12.71	51,34,195	14.36
- Mr. Sachit Jain	49,37,232	12.22	48,03,570	13.43
- Aichi Steel Corporation	46,29,629	11.46	-	-
- Devakar Investment & Trading company (P) Ltd	22,15,016	5.48	22,15,016	6.19
Total	**2,66,24,405**	**65.90**	**2,18,61,114**	**61.13**

(f) Utilization of proceeds from equity shares issued on preferential basis to ASC

Proceeds from issue of equity shares amounting to ₹5,000 which have been received during the year, remained unutilised as at 31 March 2020 and are included as deposits with bank under Other non-current financial assets in Note 7.

(All amounts are in ₹ Lakhs except for share data)

Note 19 Other equity

Other equity
(also refer to Statement of Changes in Equity)

(i) Securities premium

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

(ii) General reserve

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

(iii) Share Options Outstanding Account

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

(iv) Retained earnings

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

Note 20 Borrowings

	As at 31 March 2020	As at 31 March 2019
I. Non current borrowings		
Secured		
Term loans (refer note 20.1)		
- From banks (net of unamortized processing charges)	11,601.13	14,678.84
Total non-current borrowings (including current maturities)	**11,601.13**	**14,678.84**
Less: Current maturities of non-current borrowings (refer note 26)	816.67	1,165.38
	10,784.46	**13,513.46**

	As at 31 March 2020	As at 31 March 2019
II. Current borrowings		
Secured		
Loan repayable on demand		
- From banks (refer note 20.2 and 20.3)	14,862.35	17,181.68
Unsecured		
- Inter corporate deposits from related party (refer note 43)	-	1,500.00
	14,862.35	**18,681.68**

20.1 Notes

(a) **Security details**

i. Term loans of ₹11,601.13 (Previous year: ₹14,678.84) are secured by a first parri passu charge on entire movable & immoveable property, plant and equipments of the Company (both present & future) including Land and Building situated at C-58, Focal Point Ludhiana & Pioneer Industrial park Pathrerdi, Gurugram and second parri passu charge on entire current assets of the Company.

(All amounts are in ₹ Lakhs except for share data)

(b) Terms & repayment schedule

i. Term loan of ₹ Nil (Previous year: ₹1,433.84) from State Bank of India is repaid during the year. (31 March 2019: 24 quarterly installments)

ii. Term loan of ₹5,686.33 (Previous year: ₹6,115.48) from State Bank of India is repayable in 20 quarterly installments from June' 2020 till Q4 of FY 2024-25 (31 March 2019: 24 quarterly installments)

iii. Term loan of ₹5,719.29 (Previous year: ₹7,129.52) from ICICI Bank Limited repayable in 17 quarterly installments from June'2021 till Q1 of FY 2025-26 (31 March 2019: 25 installments)

iv. Term loan of ₹195.51 (Previous year: ₹ Nil) from HDFC Bank Limited repayable in 24 quarterly installments from October'2020 till Q2 of FY 2025-26 (31 March 2019: Nil installments)

v. During the current year, the nominal (floating) interest rate was in the range of 9.30 % to 9.80 % per annum (31 March 2019: in the range of 9.45 % to 9.90 % per annum)

20.2 Cash credit/overdraft, commercial papers and working capital demand loan facilities from Consortium banks and others aggregating to ₹14,862.35 (Previous year : ₹17,181.68) against a sanctioned fund based and non-fund based working capital facility of ₹20,000 and ₹10,000 respectively. These limits 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 property, plant and equipments of the Company.

20.3 The Company has listed secured commercial papers (CP's) on various dates on BSE limited (BSE) during the year ended 31 March 2020.

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

Particulars	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year		
- Non current borrowings	14,678.84	10,963.49
- Current borrowings	18,681.68	11,849.73
- Current maturities of non-current borrowings	(1,165.38)	(817.50)
Total Opening Balance	32,195.14	21,995.72
	As at 31 March 2020	**As at 31 March 2019**
a) Cash flow movements		
- Proceeds from non-current borrowings	200.00	4,500.00
- (Repayments)/ proceeds of current borrowings (net)	(3,819.33)	6,831.95
- Repayment of non-current borrowings	(3,258.00)	(817.50)
b) Non-cash movements		
- Effect of amortisation of loan origination costs	15.06	9.57
- Foreign exchange translation	(34.77)	23.28
Balance at the end of the year		
- Non current borrowings	11,601.13	14,678.84
- Current borrowings	14,862.35	18,681.68
- Current maturities of long term borrowings	(816.67)	(1,165.38)
Total Closing Balance	**25,646.81**	**32,195.14**

(All amounts are in ₹ Lakhs except for share data)

Note 21 Lease liabilities

On 1 April 2019, the Company has adopted Ind AS 116 ""Leases"", using the modified retrospective approach. Accordingly, the comparatives have not been retrospectively adjusted. Upon adoption of Ind AS 116 Company has recognized a right of use asset at an amount equivalent to the lease liability and consequently, there has been no adjustment to the opening balance of retained earnings as on 1 April 2019. In the Statement of Profit and Loss for the year ended 31 March 2020, the nature of expenses in respect of operating leases has changed from rent, in corresponding year ended 31 March 2019, to depreciation cost for the right-of-use asset and finance cost for interest accrued on lease liabilities.

The Company has entered into agreements for leasing factory premises/guest house on lease and license basis. The leases typically run for a period of up to 10 years with no restriction placed upon the Company for entering into said lease. These leases were previously classified as operating leases under Ind AS 17.

The Company also leases certain office premises with contract terms up to one year. These leases are short-term in nature and the Company has elected not to recognise right-of-use assets and lease liabilities for these leases. Rental expense recorded for short-term leases was ₹51.10 for the year ended 31 March 2020. (Refer note 36)]

Information about leases for which the Company is a lessee is presented below:

		As at 31 March 2020
(a)	**The following are the amounts recognised in statement of profit and loss:**	
	Interest on lease liabilities	12.13
	Expenses relating to short-term leases	51.10
		63.23
(b)	**The following are the amounts recognised in statement of cash flows:**	
	Total cash outflows for leases	20.34
		20.34
(c)	**The following is the break-up of current and non-current lease liabilities as at 31 March 2020:**	
	Current lease liabilities	14.33
	Non-current lease liabilities	149.40
		163.73
	The weighted average incremental borrowing rate applied to lease liabilities as at 1 April 2019 is 8.87%.	
(d)	**The following is the movement in lease liabilities during the year ended 31 March 2020**	**As at 31 March 2020**
	Balance at the beginning	-
	Reclassified on account of adoption of Ind AS 116	134.97
	Additions*	50.46
	Finance cost accrued during the period	12.13
	Deletions	-
	Payment of lease liabilities	(20.34)
	Impact of lease modification	(13.49)
	Balance at the end	**163.73**
	*New lease deed entered w.e.f. 17 February 2020	

(All amounts are in ₹ Lakhs except for share data)

Note 21 (Contd...) Lease liabilities

	As at 31 March 2020
(e) The table below provides details regarding the contractual maturities of lease liabilities as at 31 March 2020 on an undiscounted basis	
Less than one year	27.81
One to five years	125.85
More than five years	67.78
	221.44

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

(f) The difference between the operating lease commitments disclosed applying Ind AS 17 as at 31 March 2019 in the financial statements for the year then ended and the lease liabilities recognised as at 1 April 2019 in these financial statements is primarily on account of inclusion of extension and termination options reasonably certain to be exercised and exclusion of short-term leases for which the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, in measuring the lease liability in accordance with Ind AS 116.

Leases under Ind AS 17 for the year ended 31 March 2019.

The Company has leased facilities under cancellable operating leases arrangements with a lease term below one year, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease payments charges in Statement of Profit and Loss aggregates ₹69.90.

Note 22 Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Non current		
Security deposits	17.60	14.02
	17.60	**14.02**

Note 23 Provisions

	As at 31 March 2020	As at 31 March 2019
Provisions for employee benefits (refer note 42)		
Non current		
Liability for compensated absences	120.38	100.51
	120.38	**100.51**
Current		
Liability for gratuity	68.58	34.72
Liability for compensated absences	17.57	18.39
	86.15	**53.11**

Note 24 Other non-current liabilities

	As at 31 March 2020	As at 31 March 2019
Security deposits	23.22	25.14
	23.22	**25.14**

(All amounts are in ₹ Lakhs except for share data)

Note 25 Trade Payables

	As at 31 March 2020	As at 31 March 2019
Current		
- Total outstanding dues of micro enterprises and small enterprises (refer note 41)	126.52	336.60
- Total outstanding dues of creditors other than micro enterprises and small enterprises	6,046.07	16,013.03
	6,172.59	**16,349.63**

Note 26 Other financial liabilities

	As at 31 March 2020	As at 31 March 2019
Current		
Current maturities of non current borrowings (refer note 20)	816.67	1,165.38
Interest accrued but not due on borrowings	39.05	27.72
Capital creditors (refer note 41)	101.19	366.38
Employee related payables	431.97	452.66
Dues to government authorities, other payables etc.	1,319.89	1,331.45
Liability for mark to market loss on derivative contracts	-	344.93
	2,708.77	**3,688.52**

Note 27 Other current liabilities

	As at 31 March 2020	As at 31 March 2019
Contract liabilities	250.50	127.24
Statutory dues	470.86	180.75
	721.36	**307.99**

Note 28 Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
Sale of products		
Finished goods	83,518.16	1,04,097.22
Traded Goods	440.98	3,716.32
Other operating revenues		
- By product & miscellaneous sale	568.76	4,042.16
- Export incentives	92.13	220.24
	84,620.03	**1,12,075.94**

	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue disaggregation by geography is as follows:		
India	82,121.13	1,06,253.01
Outside India	2,498.90	5,822.94
Total	**84,620.03**	**1,12,075.94**

Information about major customers:

Revenue from one customer which individually constitutes more than 10 percent of the Company's total revenue is ₹8,515.26 (previous year revenue from one customers constituted more than 10 percent of the Company's total revenue ₹12,864.59).

(All amounts are in ₹ Lakhs except for share data)

Note 28 (Contd...) Revenue from operations

	For the year ended 31 March 2020	For the year ended 31 March 2019
Changes in deferred revenue is as follows:		
Opening Balance	650.94	230.09
Revenue recognised during the year	650.94	230.09
Provision created during the year	-	650.94
Closing Balance	**-**	**650.94**

	For the year ended 31 March 2020	For the year ended 31 March 2019
Reconciliation of revenue recognized with the contracted price is as follows:		
Contracted price	84,942.96	1,12,315.51
Reductions towards variable consideration components	415.06	459.81
Revenue recognized	**84,527.90**	**1,11,855.70**

	For the year ended 31 March 2020	For the year ended 31 March 2019
Contract Balances		
Trade receivables	17,989.43	18,726.21
Contract assets	-	695.82
Contract liabilities	250.50	127.24

The contract assets primarily relate to the Company's rights to consideration for revenue accrued but not billed at the reporting date. The contract assets are transferred to receivables when the Company issues an invoice to the customer. The contract liabilities relate to the advance received from customers against which revenue is recognized when or as the performance obligation is satisfied.

Note 29 Other income

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income		
- fixed deposits with banks	137.86	0.22
- others	76.23	103.27
Dividend income	0.01	-
Gain on sale of investments	62.96	17.58
Liabilities no longer required written back	33.37	-
Gain on sale of property, plant and equipment (net)	86.07	16.15
Income on account of government grants (refer note 49)	482.32	-
Miscellaneous income	61.00	50.15
	939.82	**187.37**

Note 30 Cost of materials consumed

	For the year ended 31 March 2020	For the year ended 31 March 2019
Inventory of raw materials at the beginning of the year	2,208.31	2,688.12
Purchases of raw materials	38,657.42	79,446.68
Inventory of raw materials at the end of the year	(1,936.62)	(2,208.31)
	38,929.11	**79,926.49**

Notes to the Financial Statements for the year ended 31 March 2020

(All amounts are in ₹ Lakhs except for share data)

Note 31 Purchases of stock-in-trade

	For the year ended 31 March 2020	For the year ended 31 March 2019
Steel bars	432.19	3,488.19
	432.19	**3,488.19**

Note 32 Changes in inventories of finished goods, stock-in-trade and work-in-progress

	For the year ended 31 March 2020	For the year ended 31 March 2019
Opening inventory		
Finished goods	25,145.82	8,903.19
	25,145.82	**8,903.19**
Closing inventory		
Finished goods	10,707.19	25,145.82
	10,707.19	**25,145.82**
	14,438.63	**(16,242.63)**

Note 33 Employee benefits expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	4,301.47	4,608.23
Contribution to provident and other funds (refer note 42)	438.52	404.85
Share based payments to employees (refer note 42)	7.85	29.10
Staff welfare expenses	65.03	87.85
	4,812.87	**5,130.03**

Note 34 Finance cost

	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest expense on		
Term loans	1,051.12	967.64
Lease liabilities	12.13	-
Others*	1,384.60	1,266.41
Other borrowing cost	123.76	131.87
	2,571.61	**2,365.92**

* Others represent interest on cash credit, working capital deposit loan and commercial paper etc.

Note 35 Depreciation and amortisation expense

	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation on property, plant and equipment (refer note 3)	2,542.58	2,381.13
Amortisation of intangible asset (refer note 4)	12.38	10.64
Depreciation on right of use asset (refer note 5)	17.12	-
	2,572.08	**2,391.77**

(All amounts are in ₹ Lakhs except for share data)

Note 36 Other expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
Stores and spare consumed	6,084.51	12,697.57
Power and fuel	9,548.89	13,234.68
Packing material	75.43	172.24
Processing Charges	478.86	666.76
Rent	51.10	69.60
Repairs and maintenance	1,776.26	2,034.57
Insurance	52.33	78.33
Rates and taxes	54.89	28.36
Payment to auditors (refer note 44.1)	19.11	17.80
Loss on fair value of investments	0.44	0.26
Loss on sale of investments	-	2.58
Net loss on account of foreign exchange fluctuation	49.14	172.61
Loss on sale of assets held-for-sale	11.69	-
Balances written off	0.33	-
Capital work in progress asset written off	93.83	-
Bad debts	1.00	1.26
Legal and professional expenses	184.67	99.47
Director sitting fees	19.00	13.80
Commission to directors	-	29.27
Expected Credit loss allowances for doubtful trade receivables	272.56	100.00
Freight and handling expense	1,648.77	2,294.73
Commission on sales	491.75	432.58
Royalty*	330.75	-
CSR Expense (refer note 44.2)	50.68	2.61
Miscellaneous expenses *	739.01	840.54
	22,035.00	**32,989.62**

** Refer note 43*

Note 37 Tax expense

		Year ended 31 March 2020	Year ended 31 March 2019
A.	**Income tax recognised in Statement of Profit and Loss**		
	Current tax	6.45	510.68
	Tax adjustment relating to prior years	-	(76.88)
	Deferred tax		
	Attributable to -		
	Origination and reversal of temporary differences	(572.08)	(440.48)
	Total tax expense recognised in the current year	**(565.63)**	**(6.68)**
B.	**Reconciliation of effective tax rate**		
	Profit before tax	(231.64)	2,213.92
	Tax at the Indian tax rate of 34.94 % (previous year 34.94%)	(80.95)	773.63
	Effect of expenses that are not deductible in determining taxable profit	(7.45)	2.37
	Recognition of previously unrecognised tax losses	-	701.06
	Effect of change in tax rate due to section 115 BAA of Income Tax Act, 1961*	(430.59)	-

(All amounts are in ₹ Lakhs except for share data)

Note 37 (Contd...) Tax expense

	Year ended 31 March 2020	Year ended 31 March 2019
Effect of change in estimate related to previous year	(46.64)	76.88
Income tax expenses recognised in statement of profit and loss	**(565.63)**	**(6.68)**
**Refer Note 8*		
C. Income tax expense recognised in other comprehensive (expense)		
Deferred tax assets/(liabilities)		
Arising on income and expenses recognised in other comprehensive income		
-Remeasurement of defined benefit obligation	(84.12)	(28.58)
Total income tax recognised in other comprehensive (expense)	**(84.12)**	**(28.58)**
Bifurcation of the income tax recognised in other comprehensive income into:-		
Items that will not be reclassified to profit or loss	-	9.99
	-	**9.99**

Note 38 Earning per share (EPS)

		For the year ended 31 March 2020	For the year ended 31 March 2019
A.	**Basic earnings per share**		
i)	Profit for basic earning per share of ₹10 each	333.99	2,220.60
ii)	Weighted average number of equity shares for (basic)		
	Balance at the beginning of the year	3,57,58,623	3,56,97,376
	Effect of fresh issue of shares	18,84,740	-
	Weighted average shares at fair value in employee stock option	5,089	27,692
	Total weighted average number of equity shares outstanding for Basic EPS	**3,76,48,452**	**3,57,25,068**
	Add: Effect of dilutive common equivalent shares - share option outstanding**	-	1,42,133
	Total weighted average number of equity shares outstanding for Diluted EPS	**3,76,48,452**	**3,58,67,201**
	Basic Earnings per share (face value of ₹10 each)	**0.89**	**6.22**
B.	**Diluted earnings per share**		
i)	Profit for diluted earning per share of ₹10 each	333.99	2,220.60
	Total weighted average number of equity shares outstanding for dilutive EPS	**3,76,48,452**	**3,58,67,201**
	Diluted Earnings per share (face value of ₹10 each) **	**0.89**	**6.19**

** 38,628 options (31 March 2019: Nil) were excluded from calculation of diluted weighted average number of equity shares as their effect would have been anti-dilutive in reference with Paragraph 46/47/47A of Ind AS 33.

(All amounts are in ₹ Lakhs except for share data)

Note 39 Contingent liabilities and commitments:
(to the extent not provided for)

		As at 31 March 2020	As at 31 March 2019
a)	**Claim against the Company not acknowledged as debts, under dispute**		
	-Excise duty and custom duty matters (refer note f)	-	55.05
	-Sales tax matters	44.48	44.48
	-Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load	-	79.71
b)	**Bank guarantees**	**180.00**	**180.00**
c)	**Commitments:**		
	Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of capital advances ₹103.50 (Previous year ₹299.50)	171.11	1,920.71
	Export commitments against import of capital goods under EPCG scheme	922.84	944.02

d) Pursuant to judgement by the Hon'ble Supreme Court dated 28 February 2019, it was held that basic wages, for the purpose of provident fund, to include special allowances which are common for all employees. However, there is uncertainty with respect to the applicability of the judgement and period from which the same applies. The Company had assessed that there was no impact of the same for current year since provident fund was already deducted on such special allowances for the current year. Owing to the aforesaid uncertainty and pending clarification from the authorities in this regard, the Company had not recognised any provision for the previous years. Further, management also believes that the impact of the same on the Company though not quantifiable will not be material.

e) The Company has initiated legal proceedings which have arisen in the ordinary course of business. The management does not reasonably expect that these legal actions, when ultimately concluded and determined, will have a material effect on the Company's results of operations or financial condition. Further, the Company has filed legal cases against certain parties for recoverability of balances due from them. Appropriate provision wherever required, has been created in the financial statements.

f) During the year ended 31 March 2020 the Company has opted for Sabka Vishwas (Legacy Dispute Resolution Scheme), 2019 ("SVLDRS"). SVLDRS is a one-time measure for liquidation of past disputed cases of central excise and service tax for which show cause notice or appeals were pending as at 30 June 2019. The Company has paid a liability of ₹22 under the scheme and recognized the same as expense to statement of profit or loss.

Note 40 Segment information

Board of Directors of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments". Operating Segments have ben defined and presented based on the regular review by the CODM to assess the performance of segment and to make decision about allocation of resources. The Company has identified 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:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Entity wide disclosures		
A. Information about products and services		
Sale of products		
Finished goods		
- Black bars	61,552.76	78,499.28
- Bright bars	21,184.61	25,597.94

(All amounts are in ₹ Lakhs except for share data)

Note 40 (Contd...) Segment information

	For the year ended 31 March 2020	For the year ended 31 March 2019
- Others (represent items which individually account for less than 10% of the total value of sale of own manufactured products)	1,790.53	7,758.48
Inventories:		
- Black bars	6,387.34	7,622.32
- Bright bars	1,373.89	2,115.88
- Billets	2,945.96	15,405.19
- Raw Material (Including material in transit)	2,248.58	2,994.61
- Others (represent items which individually account for less than 10% of the total value of inventory)	2,222.01	3,184.20

B. Information about major customers (from external customers)

Revenue from one Customer of the Company amounting to ₹8,515.26 during the year 2019-20 (Previous year one customer amounting to ₹12,864.59) constitutes more than 10% of the total revenue of Company.

C. Information about geographical areas

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	Domestic	Foreign	Domestic	Foreign
Revenues from sale of products to external customers	82,028.99	2,498.90	1,06,032.76	5,822.94
Non - Current assets :				
Property, Plant and Equipment	30,831.11	-	27,952.63	-
Capital work in progress	1,232.62	-	3,256.54	-
Right-of-use assets	154.82	-	-	-
Intangible Assets	25.43	-	30.23	-
Other non current assets	1,181.08	-	1,407.36	-

Note 41 The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

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

	Particulars	Year ended 31 March 2020	Year ended 31 March 2019
a)	Principal amount and Interest due thereon remaining unpaid to any supplier as on 31 March 2020		
	- Principal	126.52	336.60
	- Interest	-	-
b)	The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); along with the amount of payment made to the supplier beyond the appointed day during the year	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	-	-

(All amounts are in ₹ Lakhs except for share data)

Note 41 (Contd...) The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006

	Particulars	Year ended 31 March 2020	Year ended 31 March 2019
d)	The amount of interest accrued and remaining unpaid at the end of year	-	-
e)	The amount of interest accrued and remaining unpaid at the end of the year		
f)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expense under the MSMED Act 2006	-	-
		126.52	**336.60**

Due to micro enterprises and small enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

Note 42 Employee benefits

A. Assets and liabilities relating to employee benefits

	Non - current		Current	
	As at 31 March 2020	**As at 31 March 2019**	**As at 31 March 2020**	**As at 31 March 2019**
Liability for gratuity	-	-	68.58	34.72
Liability for compensated absences	120.38	100.51	17.57	18.39
	120.38	**100.51**	**86.15**	**53.11**

For details about the related employee benefit expenses, refer to note 33.

B. Defined contribution plan:-

The Company's provident fund scheme and employee's state insurance (ESI) fund scheme are defined contribution plans. The Company has recorded an expense of ₹243.49 (Previous year: ₹214.45) under provident fund scheme and ₹49.24 (Previous year: ₹63.97) under ESI scheme. These have been included in the note 33 Employees benefits expenses, in Statement of Profit and Loss.

C. Defined benefit plan

Gratuity (funded)

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

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

Interest rate risk:

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

(All amounts are in ₹ Lakhs except for share data)

Salary inflation risk:

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

Demographic risk:

This is the risk of variability of results due to unsystematic nature of decrements that include mortality, withdrawal, disability and retirement. The effect of these decrements on the defined benefit obligation is not straight forward and depends upon the combination of salary increase, discount rate and vesting criteria. It is important not to overstate withdrawals because in the financial analysis the retirement benefit of a short career employee typically costs less per year as compared to a long service employee.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. The Company has not changed the processes used to manage its risks from previous periods. The funds are managed by specialised team of VSSL Gratuity Fund Trust.

a) Funding

Gratuity is a funded benefit plan for qualifying employees. 100% of the plan assets are managed by VSSL Gratuity fund trust. The assets managed are highly liquid in nature and the Company does not expect any significant liquidity risks. The expected contribution to defined benefit plan for the next year is ₹93.37. The following table sets out the status of the defined benefit plan as required under Ind-AS 19 - Employee Benefits:

b) Reconciliation of present value of defined benefit obligation

	As at 31 March 2020	As at 31 March 2019
Present value of obligation at the beginning of the year	702.29	617.35
Acquisition adjustment	13.06	-
Current service cost	79.82	70.63
Interest cost	53.72	47.60
Actuarial (gains)/losses recognised in other comprehensive income	50.08	33.99
Benefits paid	(97.02)	(67.28)
Present value of obligation at the end of the year	**801.95**	**702.29**
c) Reconciliation of present value of plan assets		
Plan assets at the beginning of the year, at fair value	667.57	579.32
Acquisition adjustment	13.06	-
Expected return on plan assets	51.07	44.67
Actuarial (gains)/losses on plan assets recognised in other comprehensive income	(34.05)	5.42
Contributions	35.80	38.24
Benefits paid	(0.08)	(0.08)
Plan assets at the end of the year, at fair value	**733.37**	**667.57**
d) Amount recognised in the balance sheet		
Present value of defined benefit obligation at the end of the year	801.95	702.29
Fair value of plan assets at the end of the year	733.37	667.57
Net liability recognised in balance sheet*	**(68.58)**	**(34.72)**
* Shown under the head Provision for employee benefits"		
e) Plan Assets		
Equity Instruments	12.64%	16.34%
Govt. Securities & Debt Instruments	80.82%	79.67%

(All amounts are in ₹ Lakhs except for share data)

Note 42 (Contd...)
Employee benefits

	As at 31 March 2020	As at 31 March 2019
Bank balances	6.15%	3.52%
Others	0.39%	0.47%
f) Expenses recognised in the Statement of Profit or Loss		
Current service cost	79.82	70.63
Interest cost	53.72	47.60
Expected return on plan assets	(51.07)	(44.67)
Expenses recognized in profit or loss	**82.47**	**73.56**
g) Remeasurement recognized in other comprehensive expense		
Actuarial (gain)/loss on the defined benefit obligation	84.12	28.58
Amount recognized in other comprehensive expense	**84.12**	**28.58**

h) Actuarial Assumptions

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

Particulars	As at 31 March 2020	As at 31 March 2019
Discount rate (per annum)	6.80%	7.65%
Expected rate of return on plan assets (per annum)	6.19%	6.69%
Future salary growth rate	6.00%	6.00%

ii) Demographic assumptions:

Particulars	As at 31 March 2020	As at 31 March 2019
Retirement age	58	58
Mortality rate	100% of IALM (2012 - 14)	100% of IALM (2006 - 08)
Attrition rate	**Withdrawal Rate %**	**Withdrawal Rate %**
Upto 30 years	5.00%	5.00%
31 to 44 years	5.00%	5.00%
44 and above	5.00%	5.00%

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (.50 % movement)	(28.51)	30.68	(22.54)	24.19
Future salary growth (.50 % movement)	29.78	(27.90)	23.13	(21.74)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same methods (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(All amounts are in ₹ Lakhs except for share data)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

j) Expected future benefit payments

	As at 31 March 2020	As at 31 March 2019
Undiscounted amount of expected benefit payments for next 10 years:		
within 1 year	103.03	119.59
1-2 years	77.13	29.20
2-3 years	59.86	28.76
3-4 years	81.41	48.84
4-5 years	54.10	35.88
5-6 years	46.10	57.53
6 year onwards	380.32	382.49

D. Share based payments to employees

The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') which has been approved by the Board of Directors in its meeting held on 24 August 2016 and the shareholders. The Board had delegated necessary power to the Nomination and Remuneration Committee to Implement and administer the plan. Accordingly, the Nomination and Remuneration Committee of the company in its meeting held on 12 November 2016 has granted 210,000 options to its eligible employees against the plan under the first grant out of total of 371,108 options.

During the year, the Company has allotted 3,750 (Previous year : 36,750) equity shares to the eligible employees at a price of ₹65 per share and 2,500 (Previous year : 24,497) equity shares on right basis on these equity shares in the ratio 2:3 at a price of ₹50 per equity share. During the previous year issue of right shares was accounted as modification to the scheme. Incremental expense on account of modification done during the previous year is ₹1.09 (Previous year : ₹5.65).

The fair value at grant date is determined using the Black Scholes Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

i) Reconciliation of outstanding share options

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	Number of Options	Weighted average exercise Price (in ₹)	Number of Options	Weighted average exercise Price (in ₹)
Outstanding at beginning of the year	2,38,753	59	2,10,000	65
Increase on account of modification (Rights issue)	-	59	1,40,000	50
Forfeited during the year	(47,079)	59	(50,000)	59
Exercised during the year	(6,250)	59	(61,247)	59
Outstanding at end of the year*	1,85,424	59	2,38,753	59

*The options outstanding as at 31 March 2020 and 31 March 2019 have an exercise price of ₹65 (Original options) and ₹50 (Right issue) per option.

(All amounts are in ₹ Lakhs except for share data)

Note 42 (Contd...) Employee benefits

ii) The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plan are as follows:

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
1. Risk free interest rate	6.53%	6.53%
2. Expected life (In years)	4.00	4.00
3. Expected Volatility	31.82%	31.82%
4. Dividend yield	-	-
5. Exercise Price (in ₹)	65.00	65.00
6. Price of the underlying share in the market at the time of option grant (in ₹)	99.00	99.00

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

iii) Movement of Share Option Outstanding Account

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Total liability as the beginning of the year	67.08	55.13
Employee option plan expense	7.85	29.10
Transfer on account of share options not exercised	(5.58)	-
Transfer to securities premium account	(1.59)	(17.15)
Total liability as the end of the period	**67.76**	**67.08**

Note 43 Related party disclosures

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

Name of party	Description of relationship
Vardhman Textiles Limited	VSSL* is an associate of Vardhman Textiles Limited
Aichi Steel Corporation	VSSL* is an associate of Aichi Steel Corporation

* VSSL refers to Vardhman Special Steels Limited

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

a) Name of party	Description of relationship
Vardhman Yarns and Threads Limited ('VYTL')	VYTL is an associate of Vardhman Textiles Limited

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

Mr. Sachit Jain, Vice Chairman and Managing Director
Mr. Sanjeev Singla, Chief Financial Officer
Ms. Sonam Taneja, Company Secretary
Mr. Subhasis Dey, President & Chief Executive (up to 30 May 2018)
Mr. Aseem Srivastav, Chief Operating Officer (w.e.f. 20 May 2019)

c) Non Executive directors

Mr. Rajeev Gupta (Non -Executive Chairman)
Mr. Sanjeev Pahwa

(All amounts are in ₹ Lakhs except for share data)

Note 42 (Contd...)
Related party disclosures

Mr. Rajinder Kumar Jain
Mr. Sanjoy Bhattacharyya
Mr. Bal Krishan Choudhary
Ms. Suchita Jain
Mr. Rakesh Jain (w.e.f. 27 April 2018)
Ms. Shubhra Bhattacharya (w.e.f. 1 February 2019)
Mr. Raghav Chandra (w.e.f. 04 May 2019)
Mr. Takashi Ishigami (w.e.f. 04 November 2019)
Mr. Jayant Davar (up to 16 January 2019)

d) Enterprise over which KMP's have significant influence

Vardhman Holdings Limited
Vardhman Acrylics Limited
Vardhman Nisshinbo Garments Company Limited
VMT Spinning Company Limited
VSSL Gratuity Fund Trust

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

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
(i) Purchase of goods		
VMT Spinning Company Limited	-	11.34
Vardhman Yarns & Threads Limited	6.10	6.03
Vardhman Textiles Limited	78.44	91.83
Vardhman Nisshinbo Garments Company Limited	1.55	4.30
(ii) Purchase of MEIS License		
Vardhman Textiles Limited	75.01	253.02
Vardhman Nisshinbo Garments Company Limited	4.23	71.77
(iii) Royalty		
Aichi Steel Corporation	330.74	-
(iv) Professional Charges		
Aichi Steel Corporation	87.46	-
(v) Sale of goods and services		
Vardhman Nisshinbo Garments Company Limited	0.01	2.08
Vardhman Textiles Limited	-	5.90
(vi) Miscellaneous expenses-Logo charges (including tax)		
Vardhman Holdings Limited	14.54	18.59
(vii) Interest received		
VMT Spinning Company Limited		0.05
(viii) Reimbursement of expenses paid		
Vardhman Textiles Limited	5.72	5.41
Vardhman Nisshinbo Garments Company Limited	0.05	-
Aichi Steel Corporation	11.71	-

(All amounts are in ₹ Lakhs except for share data)

Note 42 (Contd...)
Related party disclosures

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
(ix) Miscellaneous expenses-common corporate charges (Including tax)		
Vardhman Textiles Limited	117.71	117.71
(x) Interest Paid		
Vardhman Textiles Limited	97.33	123.51
(xi) Loan taken during the year		
Vardhman Textiles Limited	1,500.00	-
(xii) Loan repaid during the year		
Vardhman Textiles Limited	3,000.00	-
(xiii) Contribution to post employment benefit plans		
VSSL Gratuity Fund Trust	35.80	38.24
(xiv) Compensation to KMP:		
Short-term employee benefits*		
Mr. Sachit Jain	239.80	214.92
Mr. Sanjeev Singla	31.97	30.72
Ms. Sonam Taneja	6.39	5.27
Mr. Subhasis Dey	-	19.35
Mr. Aseem Srivastav	42.85	-
Directors Sitting Fees		
Mr. Rajeev Gupta	2.80	2.40
Mr. Sanjeev Pahwa	3.40	3.60
Mr. Rajinder Kumar Jain	3.20	2.80
Mr. Sanjoy Bhattacharyya	2.20	1.80
Mr. Jayant Davar	-	0.40
Mr. Rakesh Jain	3.40	2.40
Ms. Shubhra Bhattacharya	1.80	0.40
Mr. Raghav Chandra	2.20	-
Commission to Directors		
Mr. Sachit Jain	-	29.27
Termination benefits		
Mr. Subhasis Dey	-	14.07
Post employment benefits		
Mr. Sachit Jain	15.63	14.39
Mr. Sanjeev Singla	5.76	4.51
Ms. Sonam Taneja	1.04	0.64

* Including value of perquisites

(All amounts are in ₹ Lakhs except for share data)

Note 42 (Contd...)
Related party disclosures

D. Closing balance of related parties at year end:

Particulars	As at 31 March 2020	As at 31 March 2019
Trade Payables		
Aichi Steel Corporation	357.21	-
Vardhman Holdings Limited	13.24	16.93
Liability for Gratuity Contribution		
VSSL Gratuity Fund Trust	68.58	34.72

E. Terms and conditions of transactions with related parties

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

Note 44
Other disclosures required by statute

44.1 Auditors Remuneration (excluding taxes as applicable)

	Year ended 31 March 2020	Year ended 31 March 2019
As Auditor		
- Statutory audit and limited review of quarterly results#	18.00	17.44
- in other capacity		
Tax audit fee	-	-
Certification work*	-	-
For reimbursement of expenses	1.11	0.36
	19.11	**17.80**

During the previous year, amount of ₹17.44 includes ₹1.44 paid to erstwhile auditor.

*Certification charges amounting to ₹4 related to preferential allotment of equity shares issued have been adjusted with securities premium in the current year.

44.2 Detail of Corporate Social Responsibility expenditure

	Year ended 31 March 2020	Year ended 31 March 2019
a) Amount required to be spent by the company during the year	43.69	32.51
b) Amount un-spent at the end of previous the year:	29.90	-
Total amount required to spent by company	**73.59**	**32.51**
c) Amount spent during the year:		
Construction / acquisition of any asset	-	-
On purpose other than above (i) above *	50.68	2.61
- in cash	50.68	2.61
- yet to be paid in cash	22.91	29.90

***Current Year-** Preventive Health care ₹16.53, Promoting Education ₹9.81, Environment Sustainability ₹3.41, Promoting Sports ₹3.00, Women Empowerment and Livelihood ₹1.91, VSSL CSR Policy for development of Human Capital ₹0.35, Cultural activity ₹0.25, Enhancing vocation skills among children ₹0.15 and Eradicating hunger ₹0.05 and Contribution ₹0.36 to Prime Minister Relief Fund or any other Fund set by central Govt for Supported for Flood Relief Operations, Donation of ₹0.60 for Infrastructure for Senior Citizens and General Public, Donation of ₹13.33 for Protection of National Heritage including restoration of building and sites of Historical importance, Donation of ₹0.93 for Swachh Bharat Mission, providing clean drinking water and shelter for senior citizens.

(All amounts are in ₹ Lakhs except for share data)

Note 44 (Contd...) Other disclosures required by statute

(Previous year - Contribution of ₹0.59 to The Institute of Engineers (India) Shimla, ₹0.50 to Ashirwad School Ludhiana engaged in children with development disabilities, ₹0.50 to Behavior Momentum India Foundation NGO for the cause of Autism, ₹0.50 Vikas Parishad Charitable Trust for providing free artificial limbs/wheel chairs to needy disabled people, plantation at Municipal Corporation Park and at Community park in Focal Point Ludhiana for ₹0.42 and financial Support to BPL Patient child of ₹0.10)"

Note 45 Financial instruments - Fair values and risk management

Accounting classification and fair values

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

Particulars	Note	Level of hierarchy	As at 31 March 2020			As at 31 March 2019		
			FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets								
Non-current								
- Loans	(ii)	Level-3	-	-	84.21	-	-	68.79
- Other financial assets	(ii)	Level-3	-	-	5,137.86	-	-	-
Current								
- Investments		Level-1	0.33	-	-	0.77	-	-
- Investments		Level-2	500.02	-	-	-	-	-
- Trade receivables	(i)	Level-3	-	-	17,989.43	-	-	18,726.21
- Cash and cash equivalents	(i)	Level-3	-	-	230.31	-	-	28.43
- Loans	(i)	Level-3	-	-	91.38	-	-	102.58
- Other financial Assets (excluding derivative contracts)	(i)	Level-3	-	-	55.96	-	-	778.32
- Derivative financial instruments	(iv)	Level-2	112.40	-	-	-	-	-
Total financial assets			**612.75**	**-**	**23,589.15**	**0.77**	**-**	**19,704.33**
Financial Liabilities								
Non-current								
- Borrowings		Level-3	-	-	10,784.46	-	-	13,513.46
- Lease liabilities		Level-3	-	-	149.40	-	-	-
- Other financial liabilities		Level-3	-	-	17.60	-	-	14.02
Current								
- Borrowings	(i)	Level-3	-	-	14,862.35	-	-	18,681.68
- Lease liabilities	(i)	Level-3	-	-	14.33			
- Trade payables	(i)	Level-3	-	-	6,172.59	-	-	16,349.63
- Current maturities of non current borrowings	(i)	Level-3	-	-	816.67	-	-	1,165.38
- Derivative financial instruments	(iv)	Level-2	-	-	-	344.93	-	-
- Other financial liabilities	(i)	Level-3	-	-	1,892.10	-	-	2,178.21
			-	**-**	**34,709.50**	**344.93**	**-**	**51,902.38**

(All amounts are in ₹ Lakhs except for share data)

Note 45 (Contd...) Financial instruments - Fair values and risk management

Note:

(i) Fair value of financial assets and liabilities with short term maturities is considered as approximate to respective carrying amount due to the short term maturities of these instruments. Further, for the current year the fair value disclosure of lease liabilities is not required.

(ii) Fair value of non-current financial assets has not been disclosed as there is no significant differences between carrying value and fair value.

(iii) Fair value of borrowings is as follows :

Particulars	Level of hierarchy	Fair value		Amortised cost	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
Non-current borrowings (including current maturities)*	3	12,073.60	15,188.86	11,601.13	14,678.84

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

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

There are no transfers between Level 1, Level 2 and Level 3 during the year ended 31 March 2020 and 31 March 2019.

Note 46 Financial risk management

(i) Risk management framework

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

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

The Company has exposure to the following risks arising from financial instruments:
- credit risk (see (ii))
- liquidity risk (see (iii)): and
- market risk (see (iv))

(ii) Credit risk

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

Particulars	As at 31 March 2020	As at 31 March 2019
Trade receivables	17,989.43	18,726.21
Cash and cash equivalents	230.31	28.43
Loans	91.38	102.58
Other financial assets	168.36	778.32

(All amounts are in ₹ Lakhs except for share data)

Trade receivables

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

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

	As at 31 March 2020	As at 31 March 2019
Within India	17,891.00	18,194.00
Outside India	98.43	532.21

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

	Year ended 31 March 2020	Year ended 31 March 2019
Revenue from top customer	10.16%	11.47%
Revenue from top five customers	30.00%	31.73%

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

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

	Gross carrying amount	Loss allowance	Carrying amount
31 March 2020			
Not Due	12,418.82	-	12,418.82
0-90 Days	5,389.40	-	5,389.40
91-180 Days	155.56	-	155.56
181-365 Days	59.80	34.15	25.65
366 Days and above	588.41	588.41	-
	18,611.99	**622.56**	**17,989.43**

	Gross carrying amount	Loss allowance	Carrying amount
31 March 2019			
Not Due	15,429.76	-	15,429.76
0-90 Days	2,861.13	-	2,861.13
91-180 Days	114.09	-	114.09
181-365 Days	68.83	16.01	52.82
366 Days and above	602.40	333.99	268.41
	19,076.21	**350.00**	**18,726.21**

(All amounts are in ₹ Lakhs except for share data)

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

	As at 31 March 2020	As at 31 March 2019
Balance as at the beginning of the year	350.00	250.00
Amounts added during the year	272.56	100.00
Balance as at the end of the year	**622.56**	**350.00**

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

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to manage liquidity is to have sufficient liquidity to meet it's liabilities when they are due, under both normal and stressed circumstances, without incurring losses or risking damage to the Company's reputation.

Management manages the liquidity risk by monitoring cash flow forecasts on a periodic basis and maturity profiles of financial assets and liabilities. This monitoring takes into account the accessibility of cash and cash equivalents and additional undrawn financing facilities.

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

	Less than 1 Year	1 to 5 year	More than 5 years	Total
31 March 2020				
Non-derivative financial liabilities				
Borrowings (including current maturities)	15,679.02	10,354.63	473.01	26,506.66
Trade payables	6,172.59	-	-	6,172.59
Other financial liabilities	1,892.10	-	-	1,892.10
	23,743.71	**10,354.63**	**473.01**	**34,571.35**
31 March 2019				
Non-derivative financial liabilities				
Borrowings (including current maturities)	19,847.06	9,652.90	3,884.20	33,384.16
Trade payables	16,349.63	-	-	16,349.63
Other financial liabilities	2,178.21	-	-	2,178.21
	38,374.90	**9,652.90**	**3,884.20**	**51,912.00**

(iv) Market risk

(a) Commodity price risk

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

(b) Interest rate risk

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

Exposure to interest rate risk

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

Particulars	As at 31 March 2020	As at 31 March 2019
Fixed rate borrowings	-	1,500.00
Floating rate borrowings	26,463.48	31,860.52
	26,463.48	**33,360.52**

Interest rate sensitivity analysis

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

	Strengthening	Weakening
For the year ended 31 March 2020		
Interest rate (0.5% movement)	(132.32)	132.32
For the year ended 31 March 2019		
Interest rate (0.5% movement)	(159.30)	159.30

(c) Foreign Currency Risk and sensitivity

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

Exposure to currency risk

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

Liabilities	Currency	As at 31 March 2020		As at 31 March 2019	
		Amount (₹ in lakhs)	Amount in foreign currency (in lakhs)	Amount (₹ in lakhs)	Amount in foreign currency (in lakhs)
Short term Borrowings (secured)	USD	-	-	5,929.36	85.73
Less: Derivative contracts		-	-	5,929.36	85.73
Interest accrued but not due on unsecured loan	USD	-	-	5.26	0.08
Trade payable	USD	584.53	7.74	5,617.27	81.22
	EURO	14.69	0.18	56.85	0.73
	SEK	-	-	4.52	0.61
	JPY	358.32	504.68	-	-
Trade receivables	USD	628.58	8.32	768.74	11.37

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

Particulars	As at 31 March 2020 (in lakhs)	As at 31 March 2019 (in lakhs)
a) Exposure on account of Financial assets		
Trade Receivable (A)		
-In USD	8.32	11.37
Amount hedged through forwards & options # (B)		
-In USD	4.12	4.84
Net Exposure of Foreign Currency Assets (C = A - B)		
-In USD	4.20	6.53
b) Exposure on account of Financial Liabilities		
Trade Payable (D)		
-In USD	7.74	166.95
-In Euro	0.18	0.73
-In SEK	-	0.61
-In JPY	504.68	-
Amount hedged through forwards & options # (E)		
-In USD	45.87	198.29
-In Euro	2.87	1.17
-In SEK	12.15	-
-In JPY	500.00	-
Net Exposure of Foreign Currency Liabilities (F = D - E)		
-In SEK	-	0.61
-In JPY	4.68	-
Net Exposure to Foreign Currency Assets / (Liability) (C-F)		
-In USD	4.20	6.53
-In SEK	-	(0.61)
-In JPY	(4.68)	-

Excess forwards and options against pending purchase orders.

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

Particular	2019-20 (Average exchange rate)	2018-19 (Average exchange rate)	2019-20 (Year end rate)	2018-19 (Year end rate)
INR/USD	70.89	69.89	75.55	69.16
INR/EURO	78.79	80.92	82.95	77.67
INR/SEK	7.40	7.79	7.50	7.44
INR/JPY	0.65	-	0.71	-

Foreign currency sensitivity

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

Particulars	As at 31 March 2020	As at 31 March 2019
1 % Strengthening/(weakening) of USD against INR	3.17	4.52
1 % Strengthening/(weakening) of SEK against INR	-	(0.05)
1 % Strengthening/(weakening) of JPY against INR	(0.03)	-

Note 46 (Contd...) Financial risk management

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

Particulars	Year Ended 31 March 2020	Year Ended 31 March 2019
Currency fluctuations		
Net foreign exchange (gain)/ losses shown as operating expenses	233.31	(339.74)
Net foreign exchange (gain)/ losses shown as Finance Cost	(71.77)	167.49
Derivatives		
Derivatives (gain) / losses shown as operating expenses	(112.40)	344.93
Total	**49.14**	**172.68**

Note 47 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.

Particulars	As at 31 March 2020	As at 31 March 2019
Borrowings	**26,463.48**	**33,360.52**
Trade payables	6,172.59	16,013.03
Lease liabilities	163.73	-
Other payables	2,843.21	3,009.89
Less: cash and cash equivalents	230.31	28.43
Net debt	**35,412.70**	**52,355.01**
Equity	41,363.01	36,198.85
Capital and net debt	**76,775.71**	**88,553.86**
Gearing Ratio	46.12%	59.12%

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. The Company exceeded its maximum leverage threshold (loan covenant ratio i.e. DSCR, FACR & Debt/EBITDA) associated with a bank loan in the FY 2019-2020. Subsequent to 31 March 2020, the Company has made the part -payment of ₹800 which has resulted in reduction of loan outstanding amount to less than ₹5,000. As a result of this, the requirement to ascertain compliance with covenant will no longer be required.

Note 48

Information pursuant to G.S.R. 308 (E) dated 30 March 2017 issued by Ministry of corporate affairs:

The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2020.

Note 49

The Company is eligible for incentive of electricity duty among other incentives under the Punjab State Government's Fiscal Incentives for Industrial Promotion Policy (Revised) 2013 for its expansions completed up to 31 March 2016. Further, the Company is also eligible for claiming incentives under the Industrial and Business Development Policy 2017 of the Punjab State Government. Pursuant to the necessary approvals from the competent authorities in the current year, the Company has recorded ₹482.32 lakhs under the head ""Other Income"" towards its incentive of electricity duty exemption for the period 08 January 2016 to 31 March 2020 filed under Industrial Promotion Policy (Revised) 2013. Other incentives will be considered post sanction/assessment/approval by appropriate authority.

(All amounts are in ₹ Lakhs except for share data)

Further, under the Industrial and Business Development Policy 2017 of the State Government, the Company had filed application claiming incentives for its expansion cum upgradation project of Steel Melt Shop. The Company has been permitted exemption of 5% stamp duty on registration of land and building purchased in 2018-19. The said exemption shall be recognised in books on commissioning of project, compliance of conditions under the Policy and necessary approvals from the competent authority.

Note 50

Impact of COVID 19 (Global Pandemic) on Business

The Manufacturing facilities and all offices of the Company were closed on 22 March 2020 on account of Janta Curfew followed by curfew in the State of Punjab and countrywide lockdown due to COVID-19. The Company has since obtained required permissions and restarted its partial manufacturing operations from 22 April 2020. The Company has established several measures, procedures & safety instructions for restarting its operations and for maintaining the high standard of safety & hygiene for the employees. The Company had made a strong connect with all employees during and post lockdown, strengthening morale and consciousness towards health.

In assessing the recover-ability of carrying amounts of Company's assets such as trade receivables, inventories, loans and advances, property, plant and equipment etc. and as part of its assessment relating to the going concern, the Company has considered various internal and external information up to the date of approval of these financial statements and concluded that they are fairly valued in the books and are also recoverable after consideration of the present conditions read together with long term business projections.

In making the said projections, reliance has been placed on prevailing and estimates of future prices of scrap, consumables, and other resources, assumptions relating to operational performance and future demands. The Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions; the Company does not anticipate any impairment of financial and non- financial assets nor an impact on its assessment relating to validity of the going concern assumption. The Company is also quite comfortable on liquidity front as most of the due realizations from the customers have been received during lockdown period. The Company is regularly paying interest and repayment on due dates towards its borrowings without opting for any deferment. Also, the Company has sufficient lines of credit sanctioned by its bankers and also has ability to borrow, if required in future depending upon performance of business.

The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing regulation under sections 92-92F of the Income-Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company continuously updates its documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by the due date as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of income tax expense and that of provision for taxation.

Significant accounting policies	2
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The accompanying notes form an integral part of the financial statements

As per our report of even date attached
For **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

Gaurav Mahajan
Partner
Membership number: 507857

Place: Chandigarh
Date: 15 June 2020

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

Sachit Jain
Vice Chairman & Managing Director
DIN : 00746409

Suchita Jain
Director
DIN : 00746471

Sanjeev Singla
Chief Financial Officer

Sonam Taneja
Company Secretary

Place: Ludhiana
Date: 15 June 2020

NOTICE

NOTICE is hereby given that the **TENTH ANNUAL GENERAL MEETING** of Vardhman Special Steels Limited will be held on Friday, the 25th September, 2020 at 10:30 a.m. through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM"), to transact the following business:-

ORDINARY BUSINESS:

Item No. 1 – To adopt financial statements:

To receive, consider and adopt the Audited Financial Statements of the Company for the financial year ended 31st March, 2020 together with Report of Board of Directors and Auditors thereon.

Item No. 2 – To re-appoint 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.

SPECIAL BUSINESS:

Item No. 3 – To modify the terms of Vardhman Special Steels Limited Employee Stock Option Plan 2016:

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

"RESOLVED THAT pursuant to the provisions of Regulation 7 of the SEBI (Share Based Employee Benefits) Regulations, 2014, as amended from time to time and 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, the consent of the Members be and is hereby accorded to modify the terms of **Vardhman Special Steels Limited Employee Stock Option Plan 2016** (ESOP Plan 2016) by increasing the exercise period of the options, not yet exercised, from 2 years to 5 years.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Nomination & Remuneration Committee of the Board) be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as may be deemed necessary in this regard."

Item No. 4 – To approve Vardhman Special Steels Limited Employee Stock Option Plan 2020 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 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") and subject to such approvals, permissions, sanctions and subject to such conditions and modifications as may be prescribed or imposed by the above authorities while granting such approval, permissions and sanctions, approval and consent of the Members be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Nomination & Remuneration Committee of the Board) to introduce, offer and implement the proposed **Vardhman Special Steels Limited ESOP Plan 2020** (proposed plan), the salient features of which are detailed in the Explanatory Statement to this Notice and to create, offer, issue and allot in one or more tranches to the present and future employees of the Company selected on the basis of criteria prescribed by the Board in accordance with the SEBI Guidelines, hereinafter referred to as "the Eligible Employees" under the said proposed plan such number of options as the Board may decide which could give rise to the issue of equity shares of nominal face value not exceeding ₹50,00,000 divided into 5,00,000 equity shares of the face value of ₹10/- each on such terms and conditions described below :

The offer shall be in accordance with the terms and conditions as regards price, payment, application, allotment, entitlement to dividend and other rights, transferability and all other matters as stipulated by the SEBI Guidelines and in accordance with any other guidelines, rules, regulations and laws to the extent applicable and subject also to the Memorandum and Articles of Association of the Company, provided that:

- The equity shares issued upon exercise of the options shall rank pari passu in all respects with the existing equity shares of the Company including the entitlement of dividend.
- Each option granted to Eligible Employees shall be convertible into one equity share of nominal value of ₹10/-

each on payment of a price as decided by the Nomination & Remuneration Committee and subject to any regulation or guidelines of the SEBI in regard to the pricing of the options, as applicable from time to time.

- Each option shall be vested in the Option Holder after a minimum period of 2 (two) years from the date of grant of the option.
- The options shall be valid and exercisable for a period of 5 years from the date of vesting of the options.
- The consideration for the shares to be issued upon exercise of an option, may as determined by the Nomination & Remuneration Committee at the time of granting the Options, consist of cash, cheque or consideration received by the Company under a cashless exercise program implemented by the Company or any combination of the foregoing methods of payment.
- No employee shall, during any fiscal year of the Company, be granted options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.
- The Company shall confirm to the accounting policies mandated by applicable law or regulations of the SEBI or any other relevant regulation as is applicable to the accounting of such options.

RESOLVED FURTHER THAT the Board is also authorized to take necessary steps for listing of the shares allotted under the proposed plan, on the Stock Exchanges where the Company's equity shares are listed as per the terms and conditions of the Uniform Listing Agreement with the concerned Stock Exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the proposed plan on such terms and conditions as contained in the relevant explanatory statement to this notice and to make any modification(s), change(s), variation(s), alteration(s) or revision(s) in terms and conditions of the scheme from time to time including but not limited to amendments with respect to vesting period, exercise price, eligibility criteria, vesting schedule or to suspend, withdraw or revive the proposed plan subject to the condition that it is not detrimental to the interests of the employees.

RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable and to appoint consultants, advisors, etc. and pay fees and commission and incur expenses in relation thereto.

RESOLVED FURTHER THAT the Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in relation to the implementation of the proposed plan and to the shares issued herein without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by authority of this Resolution.

RESOLVED FURTHER THAT in case the Company's equity share capital or its valuation is effected due to any corporate action like issue of Bonus / Rights shares, stock split, consolidation, merger, restructuring or any such event happening subsequent to the grant of options, the Board shall have the discretion to make appropriate amendments to the proposed plan including change in number of options, the exercise price or floating a new scheme / extend the application of the existing scheme or any other fair and just mechanism including acceleration of options, in accordance with Law, if deemed necessary, while striving to ensure that the rights of employees are not affected.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any powers conferred herein to any committee, with power to sub-delegate to any Executives/Officers of the Company to do all such acts, deeds, matters and things and also to execute such documents, writings etc., as may be necessary in this regard."

Item No. 5 – To approve grant of options exceeding one per cent of the issued Capital of the Company during any one financial year to identified employees under Vardhman Special Steels Limited ESOP Plan, 2020:

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 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013, the Memorandum and Articles of Association of the Company, the Uniform Listing Agreements entered into by the Company with the Stock Exchanges, Regulation 6 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions and notwithstanding ceiling limit for Grant of Option during any one Financial Year to any employee or director of the Company not exceeding one per cent of the issued Capital of the Company, approval and consent be and is hereby accorded respectively to the **"Vardhman Special Steels Limited ESOP Plan, 2020"** (hereinafter referred to as the "ESOP Plan, 2020"/ "Plan") and to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include Nomination & Remuneration Committee) for Grant of option to identified employees, during any one year, exceeding one per cent but upto a maximum aggregate number of 5,00,000 shares, which comes to around 1.24% of the issued capital of the Company, in one or more tranches, on such terms and in such manner as specified in the **ESOP Plan, 2020."**

Item No. 6 – To modify the existing resolution in respect of re-appointment of Mr. Sachit Jain as Vice-Chairman & Managing Director of the Company from 1st April, 2020 to 31st March, 2025:

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

"RESOLVED THAT in partial modification of the resolution dated 25th March, 2020 passed by Members through Postal Ballot, consent of the Members be and is hereby accorded that, if in any financial year during the tenure of Mr. Sachit Jain as Vice-Chairman & Managing Director of the Company, the Company has no profits or its profits are inadequate, then the total remuneration payable to him shall be as per the terms and conditions enumerated in the Resolution dated 25th March, 2020."

Item No. 7 – To ratify remuneration payable to Cost Auditors for the financial year ending 31st March, 2021:

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

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Ramanath Iyer & Company, Cost Auditors, New Delhi appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2021, be paid the remuneration of ₹45,724/- plus out of pocket expenses and applicable taxes.

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

By Order of the Board

Place: Ludhiana
(Sonam Taneja)

Dated: 6th August, 2020
Company Secretary

NOTES:

1. Considering the outbreak of Covid-19 pandemic, the Ministry of Corporate Affairs (MCA), vide its General Circular(s) No. 14/2020 dated 8th April, 2020,17/2020 dated 13th April, 2020 and 20/2020 dated 5th May, 2020 (collectively referred to as "MCA Circulars") and SEBI vide its Circular No. SEBI/ HO/ CFD/ CMD1/ CIR/ P/ 2020/ 79 dated 12th May, 2020 has allowed the Companies to conduct the AGM through Video Conferencing (VC) or Other Audio Visual Means (OAVM) without the physical presence of the Members at a common venue. In accordance with the said circulars of MCA, SEBI and applicable provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the 10th AGM of the Company shall be conducted through VC/OAVM. Participation of Members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per section 103 of the Companies Act, 2013. The deemed venue for the AGM shall be the Registered Office of the Company.

2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and MCA Circulars dated 8th April, 2020, 13th April, 2020 and 5th May, 2020, the Company is providing facility of remote e-Voting to its Members in respect of the businesses to be transacted at the AGM. For this purpose, the Company has engaged the services of Central Depository Services (India) Limited (CDSL) as the agency to provide e-Voting facility.

3. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice (refer point 13). The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 Members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors and Key Managerial Personnel.

4. Since this AGM is being held through VC/OAVM pursuant to the MCA Circulars, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for this AGM and hence the Proxy Form, Route Map and Attendance Slip are not annexed hereto.

5. 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.

6. The information pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 regarding the Director seeking re-appointment in the Annual General Meeting is also being annexed hereto separately and forms part of the Notice. The Director has furnished the requisite declaration for his re-appointment.

7. The Register of Members and the Share Transfer Books of the Company shall remain closed from 15th September, 2020 to 25th September, 2020 (both days inclusive).

8. The relevant statutory registers/documents will be available electronically for inspection by the Members during the AGM. Further, the documents referred to in the Notice, if any, will also be available electronically for inspection without any fee by the Members from the date of circulation of this Notice up to the date of AGM. Members seeking to inspect such documents can send an email at secretarial.lud@vardhman.com.

DISPATCH OF ANNUAL REPORT THROUGH ELECTRONIC MODE:

9. In compliance with the MCA Circulars and SEBI Circular dated 12th May, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website www.vardhmansteel.com, websites of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on website of Central Depository Services (India) Limited (e-Voting agency) at www.evotingindia.com.

10. For receiving all communications (including Annual Report) from the Company electronically:

    a) Members holding shares in physical mode and who have not registered/updated their email address with the Company are requested to register/update the same by writing to the Company with details of folio number and attaching a self-attested copy of PAN card at secretarial.lud@vardhman.com or to RTA at rta@alankit.com

    b) Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participant.

11. INSTRUCTIONS FOR REMOTE E-VOTING ARE AS UNDER:

(i) The Remote e-Voting period commences on 22nd September, 2020 (9:00 a.m.) and ends on 24th September, 2020 (5:00 p.m.). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 18th September, 2020, may cast their vote electronically. The Remote e-Voting module shall be disabled by CDSL for voting after end of voting period on 24th September, 2020.

(ii) Members who have already voted through Remote e-Voting would not be entitled to vote during the AGM.

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

(iv) Click on "Shareholders" module.

(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. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

    OR

    Alternatively, if you are registered for CDSL's EASI/EASIEST e-services, you can log-in at https://www.cdslindia.com from Login - Myeasi using your login credentials. Once you successfully log-in to CDSL's EASI/EASIEST e-services, click on e-Voting option and proceed directly to cast your vote electronically.

(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 e-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 Shareholders 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 & the 8 digits of the sequence number in the PAN field. • 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 Dividend Bank details field as mentioned in instruction (v).

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

(x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-Voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(xi) For Members holding shares in physical form, the details can be used only for e-Voting on the resolutions contained in this Notice.

(xii) Click on the EVSN: 200829006 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 a print of the votes cast by clicking on "Click here to print" option on the voting page.

(xviii) If a 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) Members can also cast their vote using CDSL's mobile app **"m-Voting".** The m-Voting app can be downloaded from respective App Store(s). Please follow the instructions as prompted by the mobile app while remote 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. 18th September, 2020 may follow the same instructions as mentioned above for e-Voting.

12. PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:

a. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to secretarial.lud@vardhman.com/ rta@alankit.com .

b. For Demat shareholders - please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to secretarial.lud@vardhman.com/ rta@alankit.com .

13. INSTRUCTIONS FOR MEMBERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

a. Members will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Members may access the same at https://www.evotingindia.com under shareholders/members login by using the remote e-Voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.

b. Members are encouraged to join the Meeting through Laptops / iPads for better experience.

c. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

d. Please note that participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is, therefore, recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

e. Members who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at secretarial.lud@vardhman.com. The Company reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of AGM.

f. Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

14. INSTRUCTIONS FOR E-VOTING DURING THE AGM ARE AS UNDER:-

a. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned in point 11 for Remote e-Voting.

b. Only those Members, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

c. If any votes are cast by the Members through the e-Voting available during the AGM and if the same Members have not participated in the meeting through VC/OAVM facility, then the votes cast by such Members shall be considered invalid, as the facility of e-Voting during the meeting is available only to the Members attending the meeting.

d. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

15. If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, 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 or

contact Mr. Nitin Kunder (022- 23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

16. All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

17. M/s. Harsh Goyal & Associates, Company Secretaries, have been appointed as the Scrutinizer to scrutinize the voting process in a fair and transparent manner. 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.

18. 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.

By Order of the Board
Sd/-
Sonam Taneja
Company Secretary

Place: Ludhiana
Dated: 6th August, 2020

Annexure to the Notice:

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

Item No. 3 of the Special Business:

The Board of Directors of the Company in its meeting held on 24th August, 2016 had approved the Vardhman Special Steels Limited Employee Stock Option Plan 2016 (ESOP Plan 2016) and delegated the administration, implementation and superintendence of the plan to the Nomination & Remuneration Committee (NRC). Further, the Plan was approved by Shareholders of the Company in their Annual General Meeting held on 28th September, 2016. Thereafter, NRC in its meeting held on 12th November, 2016, finalized the terms and conditions of ESOP Plan 2016 and granted options to eligible employees @ ₹65/- per option. Now, due to fall in the share price of the Company, the Scheme has become unattractive and is not giving any benefit to the employees.

Now on the recommendation of NRC, the Board of Directors in its meeting held on 6th August, 2020 had approved to increase the exercise period from existing 2 years to 5 years, so that eligible employees can derive benefit from the options granted under the ESOP Plan 2016.

Pursuant to Regulation 7 of SEBI (Share Based Employee Benefits) Regulations, 2014, the Company can vary the terms of the Scheme, which are not detrimental to the interest of the employees, subject to approval of Members in the General Meeting.

Accordingly, the consent of the Members is solicited for passing a Special Resolution as set out at Item No. 3 of the notice for modification in the terms of ESOP Plan 2016. The Board recommends the Special Resolution as set out at Item No. 3 of the Notice for approval by the Members.

Memorandum of Interest:

Except Mr. Sanjeev Singla, Chief Financial Officer, none of the Directors/ Key Managerial Personnel of the Company/their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 3.

Item No. 4 & 5 of the Special Business:

Vardhman Special Steels Limited Employee Stock Option Plan 2020

a) Brief description of the scheme:

In order to create a sense of ownership and participation amongst the employees; to motivate the employees with incentives, inspire loyalty and reward opportunities, to provide means to enable the Company to attract and retain appropriate human talent in the employment of the Company and to achieve sustained growth of the Company, the Board of Directors in its meeting held on 6th August, 2020 have approved and proposed for the approval of the shareholders for issue of Stock Options as per which employees, who comply with certain eligibility criteria would be granted stock options to subscribe a specified number of equity shares of the Company offered to them at a price to be determined. The proposed plan would be subject to and in conformity with the SEBI Guidelines.

b) Total number of options to be granted:

i) The maximum aggregate number of shares that may be granted under the proposed plan is 1.24% of the total issued capital i.e. 5,00,000 equity shares of the face value of ₹10/- .

ii) One option entitles the holder of the options to apply for one equity share of the Company subject to corporate action.

c) Eligibility criteria for the employees to participate:

The following are eligible to participate in the proposed plan of the Company:

i) a permanent employee of the Company who has been working in India or outside India; or

ii) a director of the Company whether a whole time director or not but excluding an independent director; or

iii) an employee as defined in clauses (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the Company but does not include-

a) an employee who is a promoter or a person belonging to the promoter group; or

b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company.

d) Requirements of vesting:

There shall be a minimum period of two years between the grant of options and vesting of options. The maximum vesting period and other conditions for vesting shall be decided by the Nomination & Remuneration Committee at the time of grant of options. However, in case where options are granted by a company under the proposed plan in lieu of options held by the employee under an ESOP plan in another company which has merged or amalgamated with that company, the period during which the options granted by the transferor company were held by him shall be adjusted against the minimum vesting period of two years.

e) Vesting:

The vesting shall happen in one or more tranches as may be decided by the Nomination & Remuneration Committee and communicated to the employees at the time of grant.

f) Exercise price or price formula:

The exercise price for the conversion of one option into one equity share shall be as decided by the Nomination & Remuneration Committee.

g) Exercise Period and the Process of Exercise:

i) Exercise period shall be Five years from the date of vesting of the options.

ii) If an eligible employee's employment with the Company terminates otherwise than due to "Cause", the eligible employee shall be eligible to exercise all the vested options within 30 days of his termination of employment with the Company or such extended period as decided by the Nomination & Remuneration Committee.

"Cause" for the purpose of the Plan shall mean, as determined by the Nomination & Remuneration Committee and shall include,

(i) the engaging by the eligible employee in willful, reckless or grossly negligent conduct which is determined by Nomination & Remuneration Committee to be detrimental to the interest of the Company or any of its affiliates, monetarily or otherwise.

(ii) fraud, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company.

(iii) the eligible employee pleading guilty to or conviction of a felony.

(iv) violation of any terms of employment contract.

iii) If an eligible employee's employment with the Company terminates due to Death or Permanent disability, the eligible employee/nominee shall be eligible to exercise all the options within 30 days or such period as decided by the Nomination & Remuneration Committee.

iv) The options will be exercisable by the employees by a written application to the Nomination & Remuneration Committee/or any other Committee/Officials, as may be authorised by the Board, to exercise the options, in such manner and on execution of such documents as may be prescribed by the Nomination & Remuneration Committee under the proposed plan.

v) The options will lapse if not exercised within the specified exercise period.

h) Lock-in period: The Scheme does not specify any lock-in period after the exercise of the option. However, the Nomination & Remuneration Committee reserves the right to determine the lock-in period for shares issued pursuant to the exercise of options.

i) Parameters/ Process for determining the eligibility of employees to the ESOP Scheme:

i) Employees would be granted stock options based on such parameters as may be decided by the Nomination & Remuneration Committee from time to time.

ii) The Nomination & Remuneration Committee may at its discretion extend the benefits of the proposed plan to a new entrant or any existing employee on such other basis as it may deem fit.

j) Maximum number of options to be issued per employee and in aggregate:

i) The maximum number of options to be granted to each employee will depend upon the rank/ designation of the employee as on the date of grant of options. However, no employee shall be entitled to more than such number of options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.

ii) The maximum aggregate number of shares that may be granted under the proposed plan is 1.24% of the total issued share capital i.e. 5,00,000 shares.

iii) The Nomination & Remuneration Committee shall decide on the number of options to be granted to each employee within this limit.

k) Maximum quantum of benefits to be provided per employee:

The maximum quantum of benefit to be provided per employee shall depend upon various factors e.g. number of option granted, exercise price and fair market value on exercise date. However, no employee shall be entitled to more than such number of options exceeding the limit fixed by the SEBI or any other relevant regulation as is applicable to such options.

l) Mode of Implementation and administration of Scheme:

The scheme shall be directly implemented and administered by the Company through the Nomination & Remuneration Committee.

m) Issuance of shares under the Scheme:

The Company shall issue fresh shares as and when application for exercise of options are received by the Company from the employees.

n) Accounting Methods:

The Company shall confirm to the accounting policies specified in the SEBI Guidelines and/or such other guidelines as may be applicable from time to time.

o) Method of valuation of the options:

The Company shall comply with the requirements of Indian Accounting Standards (Ind AS) and shall use Fair Value method for valuation of the options.

p) Statement with regard to Disclosure in Directors' Report:

As the Company is adopting fair value method, presently there is no requirement for disclosure in Directors' Report. However, if in future, the Company opts for expensing of share based employee benefits using the intrinsic value, then the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' Report and the impact of this difference on profits and on earnings per share of the Company shall also be disclosed in the Directors' Report.

Clause 6 of the SEBI Guidelines requires that any ESOP Scheme for offering stock options to the employees of the Company must be approved by the shareholders by way of a Special Resolution in the General Meeting and furthermore, as the Scheme will entail further shares to be offered to persons other than the existing shareholders of the Company, consent of the Members is required by way of a Special Resolution pursuant to the provisions of sub section (b) of Section 62 of the Companies Act, 2013 for the Item No. 4 & 5 and all other applicable provisions of the law for the time being in force.

The Board of Directors recommends the Special Resolution as set out in Item No. 4 & 5 for the approval of the Members. Accordingly, your approval is solicited for passing a Special Resolution as set out at Item No. 4 & 5 of the notice.

MEMORANDUM OF INTEREST:

None of the Directors/Key Managerial Personnel of the Company/ their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 & 5.

Item No. 6 of the Special Business:

The Members through Postal Ballot dated 25th March, 2020 had approved to re-appoint Mr. Sachit Jain as Vice-Chairman and Managing Director of the Company for a term of five consecutive years w.e.f. 1st April, 2020. The resolution affirming the re-appointment and remuneration of Mr. Sachit Jain provided that if in any financial year during the tenure of Mr. Sachit Jain as Vice-Chairman & Managing Director of the Company, the Company has no profits or its profits are inadequate, then the total remuneration payable to him shall not exceed the limits set under Section-II of Part-II of Schedule V of the Companies Act, 2013. As per the provisions of Section-II of Part-II of Schedule V, the Company can pay remuneration of ₹120 lakhs approximately to Mr. Sachit Jain by passing Ordinary Resolution and remuneration in excess of ₹120 lakhs can be paid by passing Special Resolution. The re-appointment and remuneration of Mr. Sachit Jain was approved by the shareholders' by way of Special Resolution through the Postal Ballot dated 25th March, 2020. Accordingly, the Company can pay remuneration in excess of ₹120 lakhs to Mr. Sachit Jain. However, to be more precise and for removal of doubts, the Board of Directors in its meeting held on 6th August, 2020 recommended to modify the said resolution so as to specify the amount up to which remuneration can be paid to Mr. Jain in case of inadequacy of profits or no profits.

The Board of Directors recommends the Special Resolution as set out in Item No. 6 for the approval of the Members. Accordingly, your approval is solicited for passing a Special Resolution as set out at Item No. 6 of the Notice.

Memorandum of Interest:

Except Mr. Sachit Jain, being appointee, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain, being appointee's relative, none of the Directors/Key Managerial Personnel of the Company/their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 6.

Item No. 7 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 recommendation of the Audit Committee, the Board of Directors in its meeting held on 15th June, 2020 re-appointed M/s. Ramanath Iyer & Co., 808, Pearls Business Park, Netaji Subhash Place, New Delhi as Cost Auditors of the Company to conduct Cost Audit for the Financial Year ending 31st March, 2021.

Accordingly, the consent of the Members is solicited for passing an Ordinary Resolution as set out at Item No. 7 of the Notice for ratification of payment of remuneration of ₹45,724/- to the Cost Auditors for the Financial Year ending 31st March, 2021. The Board of Directors recommends the Ordinary Resolution as set out at Item No. 7 of the Notice for approval by the Members.

Memorandum of Interest:

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

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

Name of the Director	Mr. B.K. Choudhary
Date of Birth	27.06.1951
Date of Appointment	15.03.2011
Expertise in specific functional area	Experience of more than 46 years in Steel & Textile Industry.
Qualification	B.Sc., M.Com & M.B.A.
Directorships in other Listed Companies as on 31st March, 2020	Vardhman Acrylics Limited
Chairperson/Member of Committees of other Listed Companies as on 31st March, 2020	**Audit Committee:** Nil **Stakeholders' Relationship Committee:** Vardhman Acrylics Limited
No. of Shares held	Nil
Relationship with other Director(s)	Not related to any Director.

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Delivering Excellence. Since 1965.

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