



Vardhman

3rd Annual Report 2012-13



VARDHMAN SPECIAL STEELS LIMITED

BOARD OF DIRECTORS

MR. PRAFULL ANUBHAI – *Chairman*
MR. RAJINDER KUMAR JAIN
MRS. RAMNI NIRULA
MR. RAJEEV GUPTA
MR. MUKUND CHOUDHARY

MR. SANJEEV PAHWA
MRS. SUCHITA JAIN
MR. B. K. CHOUDHARY
MR. SACHIT JAIN – *Managing Director*

CHIEF EXECUTIVE

MR. NARESH BANSAL

COMPANY SECRETARY

MS. TANU BERRY

AUDITORS

M/S. S.S. KOTHARI MEHTA & CO.,
CHARTERED ACCOUNTANTS,
PANCHKULA.

BANKERS

STATE BANK OF INDIA
HDFC BANK LIMITED
AXIS BANK LIMITED
YES BANK LIMITED

- 422 & 423, 4th Floor,
B Wing, Jai Ganesh Vision, Akurdi,
Pune - 411 033.
- Gate No. 153, Pune-Nashik Highway,
Kuruli, Chimbli Phata, Chakan,
Pune - 411 033.
- D-8, Industrial Estate,
Opp. Tansi Building, Guindy,
Chennai - 600 032.
- Village - Fauzi Matkota, Tehsil - Kichha,
Distt. - Udham Singh Nagar,
Rudrapur - 263 153.
- C-226, Phase VIII, Focal Point,
Dhandari Kalan, Ludhiana.

REGISTERED OFFICE

VARDHMAN PREMISES, CHANDIGARH ROAD,
LUDHIANA - 141 010.
PHONES : (0161) 2228943 - 48
FAX : (0161) 6701435, 2601048 & 2602710
E-MAIL: secretarial.lud@vardhman.com
WEB SITE: www.vardhmansteel.com

WORKS

VARDHMAN SPECIAL STEELS LIMITED UNIT-I,
C-58, FOCAL POINT,
LUDHIANA - 141 010.

REGISTRAR & TRANSFER AGENT

ALANKIT ASSIGNMENTS LIMITED,
2E/21, ALANKIT HOUSE, JHANDEWALAN EXTN.,
NEW DELHI-110 055.
PHONE: (011) 41540060-63,
FAX: (011) 41540064, E-MAIL: rta@alankit.com

BRANCHES

- New No. 1/55E, Old No. 1/73
Kamarjar, Salai, Nazaratpet, Poonamallee,
Chennai - 600 032.
- SPL - 1, Phase - I,
Industrial Area, Bhiwadi,
Distt.- Alwar - 301 019.
- Sai Road, Baddi - 173 205.
- Plot Nos. 400-401, Block - C,
Pioneer Industrial Park,
Pathredi, Gurgaon - 123 413.
- Survey No. 10/1, Bommasandra Village,
Attibale Hubli, Anekal Taluka, Bangalore-560 099.
- Plot. No. B-10, Industrial Area-III,
Meerut Road, Ghaziabad - 201 003.

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Vardhman

Vardhman Special Steels Limited

NOTICE

NOTICE is hereby given that the THIRD ANNUAL GENERAL MEETING of Vardhman Special Steels Limited will be held on Saturday, the 31st day of August, 2013 at 3.00 p.m. at the Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013, Statement of Profit and Loss for the year ended on that date, together with Report of Auditors' and Directors' thereon.
2. (a) To appoint a Director in place of Mr. Rajeev Gupta, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
(b) To appoint a Director in place of Mr. Sanjeev Pahwa, who retires by rotation in accordance with Article 108 of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the year 2013-14 and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT in supersession of the earlier resolution passed by the Members in their General Meeting held on 1st April, 2011 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and all other applicable provisions, if any, consent of the Members be and is hereby accorded to the Board of Directors of the Company to borrow monies together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) upto ₹ 200 crore (Rupees Two Hundred crore only) outstanding at any time in excess of the aggregate of its paid-up capital and free reserves."

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

"RESOLVED THAT pursuant to provisions of Section 198(4), 309, 349 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, approval of Members of the Company be and is hereby given for the payment of remuneration to Mr. Sachit Jain, Managing Director for Financial Years 2012-13 and 2013-14 as approved by the Members in their Extra-ordinary General Meeting held on 1st April, 2011 in excess of the limits prescribed under Part II, Section 1 of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT Ms. Tanu Berry, Company Secretary, be and is hereby authorised to take such steps as may be necessary to give effect to this resolution including

making application to the Central Government for seeking approval in the matter."

BY ORDER OF THE BOARD

PLACE : LUDHIANA

(TANU BERRY)

DATED : 10th May, 2013

Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting as proposed in Item No. 2 of the Notice is also being annexed hereto separately and forms part of the Notice.
3. **The Register of Members and the Share Transfer Books of the Company shall remain closed from 19th August, 2013 to 31st August, 2013 (Both days inclusive).**
4. The Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Registrar & Transfer Agent/Company. However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participants.
5. Members desiring any information, as regards Accounts of the Company, are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
6. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
7. Members are requested to bring their copy of Annual report along with them to the Annual General Meeting.
8. Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/Registrar and Transfer Agent.
9. The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars allowing Companies to send official documents to their Members electronically.

In support of the Green Initiative, Your Company proposes to send the documents like Notice calling the Annual General Meeting and Annual Report containing Balance Sheet, Statement of Profit & Loss and Director's Report, etc. and other communications in electronic form.

The Members are requested to support this Green Initiative by registering/Updating their e-mail addresses with the Depository Participant (in case of shares held in dematerialised form) or with Registrar & Transfer Agent-Alankit Assignments Limited, New Delhi (in case of shares held in physical form).

BY ORDER OF THE BOARD

PLACE : LUDHIANA
DATED : 10th May, 2013

(TANU BERRY)
Company Secretary

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 4 OF THE SPECIAL BUSINESS

Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, the Members in their Extra-ordinary General Meeting held on 1st April, 2011 had authorised the Board of Directors of the Company to borrow funds upto a limit of ₹ 100 crore over and above the paid-up capital and free reserves of the Company. In order to provide for future requirement, it is proposed to increase the limit of borrowings to ₹ 200 crore over and above the paid up capital and free reserves of the Company.

The Board of Directors in its meeting held on 10th May, 2013, has approved the enhancement of the abovesaid borrowing limit from ₹ 100 crore to ₹ 200 crore. This enhancement in borrowing limit is subject to approval of Members of the Company. Accordingly, your approval is solicited for the same.

MEMORANDUM OF INTEREST:

None of the Directors of the Company is interested or concerned in the resolution.

ITEM NO. 5 OF THE SPECIAL BUSINESS:

The Members of the Company in their Extra-ordinary General Meeting held on 1st April, 2011 had appointed Mr. Sachit Jain as the Managing Director of the Company for a period of 5 years i.e. 15th March, 2011 to 14th March, 2016 and authorised the Remuneration Committee of the Company to fix his remuneration. Further, Remuneration Committee approved the payment of remuneration to Mr. Sachit Jain in its meeting held on 27th April, 2011. Accordingly, the Managerial Remuneration due to Mr. Sachit Jain for the Financial Year 2012-13 is ₹ 113.71 lac. However, in the current Financial Year, there is general slow down in Steel Industry which has led to steep decline in profits of the Company. As a result, the remuneration as per the limits prescribed under Part II, Section 1 of schedule XIII has worked out to be ₹ 43.05 lac which is less than the due remuneration as per terms of appointment. This Scenario is expected to continue in the next Financial Year as well.

The Board of Directors in their meeting held on 10th May, 2013, have approved, subject to the approval of the shareholders and of the Central Government, the payment of remuneration to Mr. Sachit Jain for the Financial Years 2012-13 and 2013-14 in excess of the limits prescribed under part II, Section 1 of schedule XIII of the Companies Act, 1956.

This payment of remuneration to Managing Director in excess of specified limits is subject to approval by members of the Company and Central Government. Your Company also proposes to file an application to Central Government for payment of remuneration in excess of the limits set by Part-II, Section 1 of Schedule XIII of the Companies Act, 1956. Accordingly, your approval is solicited.

MEMORANDUM OF INTEREST:

Except Mr. Sachit Jain himself, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain being the relatives, none of the other Director is concerned or interested in this item of business.

Information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the Directors seeking re-appointment in the Annual General Meeting

Name of the Director	Mr. Rajeev Gupta	Mr. Sanjeev Pahwa
Date of Birth	19-03-1958	26-12-1966
Date of Appointment	15 th March, 2011	15 th March, 2011
Expertise in specific functional area	Mr. Rajeev Gupta has experience in Financial and Investment activities. He has been the Managing Director of Carlyle Asia Partners.	Mr. Sanjeev Pahwa is Chairman & Managing Director of Ralson India Limited, India's leading manufacturing company in the field of bicycle/automobiles tyres & tubes and bicycle components. He has about 21 year's industrial experience in Tyre & Automobile Industry.
Qualification	B.Tech, M.B.A.	B.Tech
Directorships of other Companies as on 31 st March, 2013	<ol style="list-style-type: none"> 1. Cosmo Films Limited 2. Dalmia Cement Bharat Limited 3. VIP Industries Limited 4. EIH Limited 5. TVS Capital Funds Limited 	<ol style="list-style-type: none"> 1. Ralson (India) Limited 2. Ram Commercial Enterprises Limited 3. Kosani Finance & Investment Private Limited 4. Shivansi Investments Private Limited 5. Ralco Finance & Investment Private Limited 6. Ralco Tyres Private Limited 7. Ralson Communication Technologies Private Limited
Memberships of Committees of other Companies as on 31 st March, 2013	Audit Committee: <ol style="list-style-type: none"> 1. Cosmo Films Limited (Member) 	NIL
No. of Shares held in the Company	NIL	NIL
Relationship with other Director(s)	Not related to any other Director	Not related to any other Director

DIRECTORS' REPORT

Dear Members,

The Directors of your Company have pleasure in presenting their 3rd Annual Report on the affairs of the Company together with the Audited Accounts of the Company for the year ended 31st March, 2013.

1. FINANCIAL RESULTS:

The Financial Results for the year are as under:-

PARTICULARS	₹ in crore)	
	2012-13	2011-12
Revenue from operations (Gross)	494.75	581.19
Profit before Depreciation,		
Interest and Tax (PBDIT)	23.24	52.21
Interest and Financial expenses	10.87	6.60
Profit before Depreciation and Tax (PBDT)	12.37	45.61
Depreciation	3.98	4.06
Profit before Tax (PBT)	8.39	41.55
Provision for Tax - Current	3.91	15.66
- Deferred Tax		
(Net of Adjustment)	(0.37)	(0.01)
Profit after Tax (PAT)	4.85	25.90
Earnings per share (₹)		
- Basic	2.61	14.15
- Diluted	2.61	14.15

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A) BUSINESS REVIEW:

Global Steel Outlook

Globally, the steel industry this year remained plagued by over capacities and increased imports. The economic slowdown in 2012 unfavourably impacted infrastructure and construction spending. Steel prices improved in first half of 2012, but declined in the second half due to a glut in imports, weak demand in Europe and tempering growth in Asia.

Global Steel demand is anticipated to improve gradually in 2013 as compared to 2012 levels owing to renewed focus on infrastructure spending by Asian countries which will potentially stabilize steel prices. Improvement in steel consumption is envisaged in automotive industry as it is most likely to become localized more and more in countries like India, Thailand, Indonesia and Vietnam accelerating the demand of steel in these countries. Lot of imports for automotive steel parts is expected to happen in countries like Germany, Spain and Turkey.

Indian Perspective

In 2012-13, India produced around 25 million vehicles against 24.75 million vehicles in 2011-12. Though demand for utility vehicles in the passenger car segment grew marginally, the demand for heavy commercial vehicle was badly hit in 2012-13.

The demand for steel in India is expected to remain muted in the next financial year as compared to 2012-13. The automotive industry too is not expected to grow much affecting the fortunes of the industry. Stability in commodity prices coupled with expected drop in crude oil prices will be other contributing factors.

Overall, the future outlook for the steel sector could be positive from third quarter onwards. The steel prices will be competitive as the demand is likely to pick up depending upon the revival in economic growth and the government measures to ease infrastructure investment rules. The demand for value added products like bright bar, spheroidised annealing steel, normalized steel etc. will boost the demand in engineering and auto sector.

Company's Business Strategy & Future Outlook

As we had predicted in last year's Annual Report, the year 2012-13 was a very difficult year with increased capacities among steel mills and slow down in the auto sector. This affected the sales of the Company and as a result we faced a drop in sales and a much bigger squeeze in margins. This situation is likely to continue atleast for the first half of the year.

Your Company, however, believes in the future of high quality niche products and plans to continue to expand in this segment. The Rolling Mill upgradation Project which was undertaken last year is expected to start trial production in June, 2013. There has been an increase in the scope of the project and therefore, the cost has gone up to ₹ 160 crore. With starting of commercial production from the new Rolling Mill, the capacities will increase along with improvements in quality and reduction in cost. There will be reduction in rolls changeover time which shall increase the share of value added products and improve customer satisfaction. We expect the new Rolling Mill to stabilize by July, 2013 and start operating normally thereafter. We are currently focusing on getting volumes and hope to be running at full capacity from October onwards.

Now, the Company is facing shortage in certain value added segments and we are making a plan to invest in some capacity enhancement in this area. In addition, we have applied to the Ministry of Environment for permission to increase the capacity of the furnace to 2 lac tonnes per year from the current 1.25 lac tonnes. Hopefully, we should get this by March, 2014. Once that is available, we will need some more investment to make that possible.

During the year 2012-13, the Company exported around 4,207 MT of alloy steel. In the coming year, the Company is targeting newer export destinations in current market in addition to consolidating and increasing sales in present countries. Further, new approvals are in sight from other global companies which shall add to export volumes for the Company.

Company's HR Initiatives

Your Company continues to remain focused on its most important resource- The Human Resource. The Company aims to improve quality of work life with a check on absenteeism and attrition rate of employees. Owing to increased efforts on employee training and other HR initiatives, your Company was ranked as one of the **50 "BEST PLACES TO WORK WITH"** in a survey conducted by "Great Place to Work Institute" in collaboration with "The Economic Times". The Company won this recognition in below 1000 employee's category.

B) FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:

• PRODUCTION AND SALES REVIEW:

During the year under review, your Company has registered Revenue from Operations of ₹ 494.75 crore as compared to ₹ 581.19 crore in the previous year. The exports for the year ended were ₹ 24.76 crore as compared to ₹ 9.58 crore in the previous year.

• PROFITABILITY:

The Company earned profit before depreciation, interest and tax of ₹ 23.24 crore as against ₹ 52.21 crore in the previous year. After providing for depreciation of ₹ 3.98 crore (Previous Year ₹ 4.06 crore), interest of ₹ 10.87 crore (Previous Year ₹ 6.60 crore), provision for current tax ₹ 3.91 crore (Previous Year ₹ 15.66 crore), deferred tax (net of adjustments) ₹ (0.37) crore (Previous Year ₹ (0.01) crore), the net profit from operations worked out to ₹ 4.85 crore as compared to ₹ 25.90 crore in the previous year.

• RESOURCES UTILISATION:

a). Fixed Assets:

The gross fixed assets (including work-in-progress) as at 31st March, 2013 were ₹ 228.57 crore as compared to ₹ 104.97 crore in the previous year.

b). Current Assets:

The net current assets as on 31st March, 2013 were ₹ 70.01 crore as against ₹ 137.33 crore in the previous year. Inventory level was at ₹ 113.70 crore as compared to the previous year level of ₹ 95.83 crore.

• FINANCIAL CONDITIONS AND LIQUIDITY:

Management believes that the Company's liquidity and capital resources should be sufficient to meet its expected working capital needs and other anticipated cash requirements. The position of liquidity and capital resources of the Company is given below:-

	(₹ in crore)	
	2012-13	2011-12
Cash and Cash equivalents:		
Beginning of the year	87.11	5.29
End of the year	30.27	87.11
Net cash provided (used) by:		
Operating Activities	55.01	17.11
Investing Activities	(153.89)	(111.48)
Financing Activities	42.04	176.19

C) INTERNAL CONTROL SYSTEM:

The Company has well defined internal control system. The Company takes abundant care to design, review and monitor the working of internal control system. Internal Audit in the organization is an independent appraisal activity and it measures the efficiency, adequacy and effectiveness of other controls in the organization. All significant issues are brought to the attention of the Audit Committee of the Board.

D) MANAGEMENT PERCEPTION OF RISK AND CONCERN:

The steel industry remains relatively fragmented as it is highly cyclical and intensely competitive in nature. At the moment, the market conditions are not favourable. The demand for steel is likely to increase from third quarter

onwards. The delay in increasing the demand of steel, continuous increase in energy and labour cost and depreciation in value of rupee as lot of scrap is imported, will further stress margins for the industry.

Though the future is uncertain and challenging, your Company is fully prepared to take right steps in this direction.

E) HUMAN RESOURCES /INDUSTRIAL RELATIONS:

The Company continues to lay emphasis on building and sustaining an excellent organization climate based on human performance. Performance management is the key word for the company. During the year, the Company employed over 800 employees.

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

3. DIRECTORS:

Mr. Rajeev Gupta and Mr. Sanjeev Pahwa, Directors of the Company, retire by rotation at the conclusion of the forthcoming Annual General Meeting, pursuant to the provisions of Article 108 of the Articles of Association of the Company and being eligible, offer themselves for re-appointment. The Board recommended their re-appointment for the consideration of the members of the Company at the ensuing Annual General Meeting.

4. CORPORATE GOVERNANCE:

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forming part of the Annual Report of the Company is annexed hereto. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement(s) is annexed to the report on Corporate Governance.

5. AUDITORS:

M/s. S. S. Kothari Mehta & Co., Chartered Accountants, Panchkula, Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

6. AUDITORS' REPORT:

The Statutory Auditors of the Company have submitted Auditors' Report on the accounts of the Company for the accounting year ended 31st March, 2013. In their report, they have given a qualified opinion so far as re-instatement of liability in respect of ECB is concerned (Refer Note 32 to Financial Statements).

The Company had raised ECB of US\$ 16.66 million in December, 2011 and drawdown of the same happened at conversion rate of ₹ 52.48 per US\$. As on 30th June, 2012 the liability in respect of the said ECB was reinstated as the rupee had depreciated to a level of ₹ 55.61 per US\$ on that date.

However, as on 31st March, 2013, while following the conservative approach, the Company did not provide for notional foreign exchange gains amounting to ₹ 220 lac arising because of appreciation of rupee and decided to carry the liability in respect of ECB at a level determined as on 30th June, 2012. The other points of Auditors' Report are self explanatory and needs no comments.

7. COST AUDITORS:

The Board of Directors has appointed M/s. Ramanath Iyer & Company, Cost Accountants, New Delhi as the Cost Auditors of the Company under Section 233B of the Companies Act, 1956 read with Cost Audit Rules, 2011 for the year 2013-14. The Cost Auditors' Report for the financial year 2012-13 will be forwarded to the Central Government as required under law.

8. STATEMENT OF PARTICULARS OF EMPLOYEES:

A Statement of Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 including amendments thereon is enclosed and forms part of this report.

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

Energy conservation continues to be an area of major emphasis in your 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 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and form part of this report.

10. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section-217 (2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts, the applicable accounting standards have been followed;

- 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, 2013 and of the profit of the Company for the year ended on 31st March, 2013;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts have been prepared on a going concern basis.

11. ACKNOWLEDGEMENT:

Your Directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support to the Company. 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 : 10th May, 2013

(PRAFULL ANUBHAI)
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013:

I. CONSERVATION OF ENERGY:

The Company has over the previous year taken several steps to conserve energy wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaken regularly for further improvements. The Company has taken several steps to conserve energy in almost all areas of operations. Lot of discussions, studies & analysis are being carried out in this direction. The Company has changed Compressors, inefficient Motors and inefficient Pumps to conserve energy wherever possible. Even help of an Overseas Consulting Firm namely; Inteco Special Melting Technologies has been taken to save energy in the Steel Melting Shop. Anti Pollution Control Device (APCD) has been made Programmable Logic Controller (PLC) driven.

The results of the above mentioned actions have resulted in saving of almost 20 units of electricity per ton of steel.

The desired information is given hereunder:-

Form-A

A. POWER AND FUEL CONSUMPTION

Particulars	U.O.M.	2012-13	2011-12
1. (A) Electricity Purchased	Lac Kwh	822.71	892.43
Total Amount	(₹ In lac)	5,377.00	5,051.08
Rate Per Unit	₹/Kwh	6.54	5.66
(B) Own Generation			
Through Diesel Generator			
Units	(Kwh in lac)	0.47	0.78
Diesel	Qty-Ltr	14,500	23,800
Rate	₹/kg	40.38	38.56
Unit/Ltr. of Diesel	Kwh	3.26	3.26
Cost Per Unit	₹/Kwh	12.40	11.83
2. Oil (HFO/HSD):			
(A) Used in Boiler			
Quantity	Ltr	494,549	521,680
Total Cost	(₹ In lac)	201.55	198.62
Average Rate	₹/Ltr.	40.75	38.07
(B) Used in Furnace			
Quantity	Ltr.	875,757	992,616
Total Cost	₹ in lac	357.76	381.82
Average Rate	₹/Ltr.	40.85	38.47

B. CONSUMPTION PER UNIT OF PRODUCTION:

1. Steel Billets/Ingots			
Electricity	Kwh/MT	739	746
Furnace Oil/ L.D.O.	Ltr/ MT	9.72	9.94
2. Rolled Steel			
Electricity	Kwh/MT	98.34	87.82
Oil (F.O., L.D.O)	Ltr/MT	41.15	38.70

II. TECHNOLOGY ABSORPTION:

Efforts made in Technology Absorption are furnished in Form-B as under:

FORM B:

A) RESEARCH AND DEVELOPMENT (R&D):

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

Lot of work has been carried out for development of new products and improvement in the production processes in almost all the areas. Quality parameters have been improved to the extent possible. Various new products have been launched in the market. Some new R&D equipments have been purchased and some are ordered.

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

The quality of products has improved significantly and some new products have been launched in the market.

3. Future Course of action:

Management is fully committed to further strengthen the Research & Development activities. Even a Product Development Cell comprising of three Engineers has been constituted to focus on R&D activities.

4. Expenditure on R & D:

	(₹ in lac)	
	2012-13	2011-12
Capital	120.33	41.36
Recurring	141.93	136.45
Total	262.26	177.81
Total R & D expenditure as a Percentage of Turnover	0.53	0.30

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made:

The Company is continuously making efforts for adaptation of latest technology in the Unit. Some new machines /

equipments have been bought. Some are indigenous and some are imported. The standard operating practices for different processes are being thoroughly reviewed & improved, wherever required.

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

Technology imported:

Some equipments have been imported for Research & Development and Steel Melting Shop during the year under review.

The services from an overseas consulting firm - M/s. Inteco has been taken to improve the processes, develop new products, improve quality of products etc.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

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

- Exported 4,207 MT of rolled steel bars during the year for a consideration of ₹ 24.76 crore.
- Developed customers in countries like Thailand and Japan.
- Studies have been undertaken for markets like US and Turkey, so as to explore more business potential in exports for the year 2013-14.

Total Foreign Exchange earned and used:

	(₹ in lac)	
	2012-13	2011-12
a). Earnings (FOB value of Exports)	2,476.43	958.45
b). Outgo (CIF value of Imports and Expenditure in Foreign Currency)	16,526.44	8,108.16

STATEMENT OF PARTICULARS OF EMPLOYEES

INFORMATION REQUIRED AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 INCLUDING AMENDMENTS THEREON AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013.

PERSONS EMPLOYED THROUGHOUT THE FINANCIAL YEAR, WHO WERE IN RECEIPT OF REMUNERATION WHICH, IN THE AGGREGATE, WAS NOT LESS THAN ₹ 60,00,000/- PER ANNUM

S. No.	Name of Employee	Designation/Nature of duties	Remuneration (In ₹ lac)	Qualification	Age (Years)	Experience (Years)	Date of Employment	Particulars of last Employment
1.	Mr. Sachit Jain	Managing Director	43.00	B. Tech, M. B. A.	47	23	15.03.2011	Executive Director, VMT Spinning Company Limited

1. Total remuneration due to Mr. Sachit Jain in accordance with his remuneration approved by shareholders was ₹ 113.71 lac. However, the same was restricted to ₹ 43.00 lac in accordance with limits laid down under Part II, Section 1 of Schedule XIII. The Company has sought shareholders approval for making payment of remuneration to Mr. Sachit Jain in excess of said limits subject to approval of Central Government.

2. Mr. Sachit Jain is not related to any of the Directors of the Company except Mrs. Suchita Jain and Mr. Rajinder Kumar Jain.

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 Listing Agreement(s), gives an insight into the functioning of the Company.

1. COMPANY'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 and zero defect implementation.
- ❖ Integrated diversification/ product range expansion.
- ❖ 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:

i) Board Meetings:

During the Financial Year 2012-2013, the Board met 4 times on the following dates:

- 21st April, 2012
- 21st July, 2012
- 10th November, 2012
- 8th February, 2013

ii) Composition as on 31st March, 2013:

The Board of Directors comprises of a Managing Director and 8 Non-Executive Directors. Out of the total strength of 9 directors, 5 directors are independent, thus it meets the stipulated requirement.

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

Name of Director	Designation & Category	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in other Companies	No. of Committee Memberships in other Companies	Total No. of Board Chairmanship in other Companies	Total No. of Committee Chairmanship in other Companies
Mr. Prafull Anubhai	Non- Executive Independent Director	4	No	4	7	-	2
Mr. Rajinder Kumar Jain	Non- Executive Non-Independent Director	4	No	-	-	-	-
Mrs. Ramni Nirula	Non- Executive Independent Director	4	No	6	5	-	2
Mr. Rajeev Gupta	Non- Executive Independent Director	2	No	5	1	-	-
Mr. Mukund Choudhary	Non- Executive Independent Director	3	No	3	1	-	-
Mr. Sanjeev Pahwa	Non- Executive Independent Director	3	No	2	-	1	-
Mrs. Suchita Jain	Non- Executive Non-Independent Director	1	No	7	-	-	-
Mr. B. K. Choudhary	Non- Executive Non-Independent Director	4	No	2	1	-	-
Mr. Sachit Jain	Managing Director Non-Independent Director	4	Yes	13	4	1	3

Mr. Sachit Jain, Mrs. Suchita Jain and Mr. Rajinder Kumar Jain are related among themselves. None of the other Director is related to any other Director of the Company.

3. AUDIT COMMITTEE:

The Board of Directors in its meeting held on 10th November, 2012 reconstituted the Audit Committee of the Company. The Committee now comprises of 4 Directors i.e. Mr. Prafull Anubhai, Mr. Rajinder Kumar Jain, Mrs. Ramni Nirula and Mr. Mukund Choudhary with Mr. Prafull Anubhai as the Chairman of the Committee. Ms. Tanu Berry is the Secretary of the Committee. The terms of reference of the Audit Committee are as contained in section 292A of the Companies Act, 1956 and also as contained in Corporate Governance Clause of the Listing Agreement.

The Audit Committee met four times during the Financial Year 2012-2013 on the following dates:

-21st April, 2012
 -21st July, 2012
 -10th November, 2012
 -8th February, 2013.

The attendance of members of the Audit Committee during the Financial Year 2012-2013 is given below:

Committee Members	Category	No. of Audit Committee Meetings Attended
Mr. Prafull Anubhai	Non-Executive Director	4
Mr. Rajinder Kumar Jain	Non-Executive Director	4
Mrs. Ramni Nirula	Non- Executive Director	4
Mr. Mukund Choudhary	Non-Executive Director	1

4. DIRECTORS' REMUNERATION:

i) Managing Director :

The Company pays remuneration to Managing Director as approved by the Remuneration Committee of the Company subject to the approval of the Members of the Company in the General Meeting.

A detail of remuneration paid to the Managing Director during the year 2012-13 is as given below:

(₹ in lac)

Name	Designation	Salary	Perquisites	Commission	Gross remuneration
Mr. Sachit Jain	Managing Director	43.00	-	-	43.00

ii) Non-Executive Directors:

Mr. Prafull Anubhai, Non-Executive Director of the Company is entitled to remuneration by way of commission @ 0.5% of the Net Profit of the Company subject to maximum of ₹ 10 lac per annum. The remuneration due to Mr. Prafull Anubhai for the year 2012-13 is ₹ 2.45 lac.

The detail of sitting fees paid to all the Non-Executive Directors during the Financial Year 2012-2013 is given hereunder : -

S.No.	Name of Director	Sitting Fee (₹)
1.	Mr. Prafull Anubhai	1,00,000
2.	Mr. Rajinder Kumar Jain	1,00,000
3.	Mrs. Ramni Nirula	1,00,000
4.	Mr. Rajeev Gupta	30,000
5.	Mr. Mukund Choudhary	55,000
6.	Mr. Sanjeev Pahwa	55,000

5. SHAREHOLDING OF DIRECTORS AS ON 31ST MARCH, 2013:

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

<u>Name of Directors</u>	<u>Number of Shares held</u>
Mrs. Suchita Jain	52,265
Mr. Sachit Jain	8,001
Mr. Prafull Anubhai	710

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



6. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE:

The Investors' Grievance Committee constituted by the Company looks into the redressal of investors' complaints on various issues.

As at 31st March, 2013, the Investors' Grievance Committee comprised of Mr. B.K. Choudhary, Mr. Sanjeev Pahwa and Mrs. Suchita Jain. The Shareholders'/ Investors' Grievance Committee met once during the year on 25th March, 2013. The Compliance officer of this Committee is Ms. Tanu Berry, Company Secretary.

During the Financial Year 2012-2013, the Company received 22 investor complaints pertaining to Non- Receipt of Annual Reports.

7. REMUNERATION COMMITTEE:

As at 31st March, 2013, the Remuneration Committee comprised of 3 Directors i.e. Mr. Prafull Anubhai, Mr. Rajeev Gupta and Mr. B.K. Choudhary. Mr. Prafull Anubhai is the Chairman of the Committee and Ms. Tanu Berry is the Secretary of the Committee.

8. GENERAL BODY MEETINGS:

The details of General Body Meetings, apart from Statutory meeting, since the inception of the Company on 14th May, 2010 are given as under:-

Meeting	Day, Date and Time of the Meeting	Venue	No. of Special Resolutions
2 nd Annual General Meeting for the Financial Year ended 31 st March, 2012.	Saturday, 1 st September, 2012 at 10.00 a.m.	Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana- 141010.	1
1 st Annual General Meeting for the Financial Year ended 31 st March, 2011.	Saturday, 23 rd July, 2011 at 10.00 a.m.	Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana- 141010.	1
1 st Extra-ordinary General Meeting	Monday, 13 th December, 2010 at 3.00 p.m.	Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana- 141010.	1

The Company has not passed any resolution through postal ballot, during the financial year 2012-2013. No resolution is proposed to be passed by postal ballot in forthcoming Annual General Meeting.

9. DISCLOSURES:

There was no material/significant transaction with the directors or the management and their relatives etc. that have any potential conflict with interest of the Company at large. Also, 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 Exchange Board of India (SEBI) or any other Statutory Authority during the last three years.

Further, the Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement. The Company may also take up the non-mandatory requirements of Clause 49 in due course of time.

10. MEANS OF COMMUNICATION:

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

11. GENERAL INFORMATION FOR SHAREHOLDERS

i) 3rd Annual General Meeting:

Date : 31st August, 2013
 Time : 3.00 p.m.
 Venue : Regd. Office, Vardhman Premises, Chandigarh Road, Ludhiana-141 010.

ii) Financial Calendar 2013-2014 (Tentative)

First Quarter Results	: August, 2013
Second Quarter Results	: November, 2013
Third Quarter Results	: February, 2014
Annual Results	: May, 2014

iii) **Dates of Book Closure** : 19th August, 2013 to 31st August, 2013 (both days inclusive)

iv) **Dividend payment date** : The Board of Directors has not recommended any Dividend for the Financial Year 2012-13.

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

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

The Company has duly paid the listing fees to both the aforesaid Stock Exchanges for the Financial Year 2013-14.

vi) Stock Code :

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

vii) Stock Market Data:

The month-wise highest, lowest and closing stock prices at NSE and BSE during the Financial Year 2012-13 is given below:

Financial Year 2012-13	Share Price of Vardhman Special Steels Limited on NSE				Share Price 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
June	45.00	34.60	38.75	0.01	45.00	35.10	39.25	11.50
July	40.95	31.50	33.00	-14.84	44.00	31.00	32.60	-17.00
August	34.90	30.00	31.10	-5.75	33.90	30.10	32.00	-1.84
September	41.75	29.50	38.60	24.12	42.10	29.95	38.80	18.00
October	40.00	30.50	32.55	-15.67	40.65	30.30	32.45	-16.37
November	36.25	30.00	30.65	-5.84	34.60	29.05	31.70	0.00
December	32.40	29.05	29.95	-2.28	31.80	29.20	30.10	-5.05
January	32.50	25.40	28.00	-6.51	31.45	26.55	28.00	-7.00
February	30.75	24.65	28.85	3.06	29.70	24.15	26.00	-7.00
March	27.40	22.00	25.75	-10.75	27.00	24.00	25.95	0.00

The figures for the month of April and May are not included as the Company got listed on 17th May, 2012.

viii) 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, Unit-I)
2E/21, Alankit House, Jhandewalan Extension, New Delhi - 110 055.
Phone: (011) 41540060-63, Fax: (011) 41540064, E-mail: rta@alankit.com

ix) Share Transfer System:

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

The shares of the Company are traded on the Stock Exchanges compulsorily in De-mat 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**.



x) Distribution of Shareholding as on 31st March, 2013:

Range for No. of Shares	SHAREHOLDERS		SHARES	
	Numbers of Total Holders	% to Total Holders	Number of Shares Held	% to Total Shares
Upto-500	18,999	96.80	798,937	4.30
501-1000	244	1.24	181,896	0.98
1001-2000	137	0.69	200,946	1.08
2001-3000	52	0.26	129,214	0.69
3001-4000	26	0.13	90,094	0.48
4001-5000	17	0.08	77,164	0.41
5001-10000	48	0.24	331,355	1.78
10001- above	103	0.52	16,745,770	90.24
Total	19,626	100	18,555,376	100

xi) Dematerialisation of shares:

As on 31st March, 2013, 98.53 % of the capital comprising of 1,82,82,748 shares, out of total of 1,85,55,376 shares were dematerialized.

xii) Plant Location:

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

xiii) Address for correspondence:

Registered office : Vardhman Premises,
Chandigarh Road,
Ludhiana-141010.
Tel : 0161-2228943-48
Fax : 0161-6701435, 2601048, 2602710, 2222616
E-mail : secretarial.lud@vardhman.com
(Exclusively for redressal of investors' grievances)

DECLARATION UNDER CLAUSE 49

I, Sachit Jain, 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 and Senior Management Personnel' for the year ended 31st March, 2013.

PLACE : LUDHIANA
DATED : 10th May, 2013

SACHIT JAIN
(Managing Director)

AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT(S)

To
The Members of
Vardhman Special Steels Limited

We have examined the compliance of the conditions of Corporate Governance by Vardhman Special Steels Limited for the year ended on 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For S.S. Kothari Mehta & Co.
Chartered Accountants
(Firm Regn No.022150N)
(CA Dinesh K.Abrol)
Partner
M.No.087899

Place : LUDHIANA
Dated : 10th May, 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARDHMAN SPECIAL STEELS LIMITED

To
The Shareholders,
Vardhman Special Steels Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Vardhman Special Steels Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our **qualified** audit opinion.

Basis for Qualified Opinion

The Company's liability in respect of ECB was restated as on 30th June, 2012 for determining quarterly results. However, as at the year end, it has not been restated, which constitutes a departure from the Accounting Standards referred to in sub-

section (3C) of section 211 of the Act. The Company's records indicate that had management restated the ECB as at the end of the year, this would have resulted in gain of an amount of ₹ 2.20 crore for the financial year. Accordingly, liability in respect of ECB would have decreased by ₹ 2.20 crore and profit before tax would have been increased by ₹ 2.20 crore.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- b) in the case of the Statement of Profit and Loss of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) except for the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956



Vardhman

nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**For S. S. Kothari Mehta & Co.
Chartered Accountants
(Firm Regn. No. 022150N)**

**Place: LUDHIANA
Date: 10th May, 2013**

**(CA Dinesh K. Abrol)
Partner
Membership No.087899**

**THE ANNEXURE REFERRED TO IN PARAGRAPH 1 OF
OUR REPORT OF EVEN DATE TO THE MEMBERS OF
VARDHMAN SPECIAL STEELS LIMITED ON THE
ACCOUNTS OF THE COMPANY FOR THE YEAR
ENDED 31ST MARCH, 2013.**

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) As explained to us, Fixed Assets are verified by rotation every year. No discrepancies were observed in the Fixed Assets physically verified during the financial year.
- (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off substantial portion of fixed assets. Therefore, it has not affected the ability of Company to continue as going concern.
2. (a) As explained to us, inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been adequately dealt with in books of accounts.
3. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, there are no other transactions made in pursuance of contracts or arrangements that need to be entered into the register maintained under section 301.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder. We have been explained that no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any other tribunal against the Company during the year.
7. As per information & explanations given by the management, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we 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 said records with a view to determine whether they are accurate or complete.
9. (a) According to the records of the Company examined by us and the information and explanations given to us, in our opinion, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth tax,

service tax, sales tax, custom duty, excise duty, cess and other statutory dues applicable to it. According to the records of the Company examined by us and the information and explanations given to us, in our opinion, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth tax, service tax, sales tax, custom duty, excise duty, cess and other statutory dues were outstanding as at 31.03.2013 for a period of more than six months from the date they became payable.

- (b) According to the records of the Company examined by us and the information and explanations given to us, in our opinion, there are no dues of income-tax / sales tax / wealth tax / service tax / customs duty / excise duty / cess which have not been deposited on account of any dispute, except the following:

S. No.	Nature of dues	Amount due (₹)	Forum where pending
1.	PUNJAB SALE TAX	Basic & Penalty ₹ 1,86,500	JOINT DIRECTOR, ENFORCEMENT, PATIALA
2.	PUNJAB SALE TAX	Basic & Penalty ₹ 1,80,000	JOINT DIRECTOR, ENFORCEMENT, PATIALA
3.	CENVAT - DENIAL OF CENVAT	Basic & Penalty ₹ 4,15,723 Interest ₹ 4,05,723	CHIEF COMMISSIONER EXCISE, CHANDIGARH
4.	CENVAT - DENIAL OF CENVAT	Basic ₹ 45,450 Interest ₹ 45,450	CESTAT
5.	RULE 6 B OF VALUATION RULES- CENTRAL EXCISE	Basic & Penalty ₹ 27,78,084 Interest ₹ 17,39,042	COMMISSIONER APPEALS, CHANDIGARH
6.	DENIAL OF CENVAT	Basic & Penalty ₹ 7,51,035 Interest ₹ 7,41,035	CESTAT
7.	DENIAL OF CENVAT	Basic & Penalty ₹ 1,33,333 Interest ₹ 1,33,333	REMANDED BACK TO COMMISSIONER APPEALS BY CESTAT IN AUG'10
8.	DENIAL OF CENVAT	Basic & Penalty ₹ 26,938 Interest ₹ 1,820	ASSISTANT COMMISSIONER, LUDHIANA
9.	DENIAL OF CENVAT	Basic & Penalty ₹ 4,87,766 Interest ₹ 35,976	ASSISTANT COMMISSIONER, LUDHIANA
10.	DENIAL OF CENVAT	Basic & Penalty ₹ 7,09,984 Interest ₹ 1,16,545	ASSISTANT COMMISSIONER, LUDHIANA
11.	DENIAL OF CENVAT	Basic & Penalty ₹ 26,756 Interest ₹ 4,214	ASSISTANT COMMISSIONER, LUDHIANA
12.	DENIAL OF CENVAT	Basic & Penalty ₹ 8,01,248 Interest ₹ 95,160	ASSISTANT COMMISSIONER, LUDHIANA
13.	DENIAL OF CENVAT	Basic & Penalty ₹ 7,284 Interest ₹ 327	ASSISTANT COMMISSIONER, LUDHIANA
14.	DENIAL OF CENVAT	Basic & Penalty ₹ 9,70,642 Interest ₹ 1,68,655	ASSISTANT COMMISSIONER, LUDHIANA

10. The Company does not have any accumulated loss and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to a financial institution or bank during the year.
12. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
13. According to the records of the Company examined by us and the information and explanations given to us, no term loans have been taken by the Company during the year.
14. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
15. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
16. The company has not issued any debentures during the year covered by our audit report.
17. The Company has not raised any money by public issue during the year.
18. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
19. The other provisions of the Order do not appear to be applicable for the year under report.

For S. S. Kothari Mehta & Co.
Chartered Accountants
(Firm Regn. No. 022150N)

(CA Dinesh K. Abrol)
Partner

Membership No.087899

Place : LUDHIANA
Date : 10th May, 2013



BALANCE SHEET as at 31st March, 2013

(₹ in lac)

Particulars	Note No.	As at 31 st March, 2013	As at 31 st March, 2012
1. EQUITY AND LIABILITIES			
I. Shareholders' funds			
(a) Share capital	3	1,855.54	1,855.54
(b) Reserves and surplus	4	17,661.54	17,176.99
		<u>19,517.08</u>	<u>19,032.53</u>
II. Share application money pending allotment		-	-
III. Non-current liabilities			
(a) Long-term borrowings	5	9,264.63	8,846.46
(b) Deferred tax liabilities (net)	12	375.97	412.55
(c) Long-term trade payables		-	-
(d) Other long-term liabilities	6	16.39	22.64
(e) Long-term provisions	7	47.59	44.42
		<u>9,704.58</u>	<u>9,326.07</u>
IV. Current liabilities			
(a) Short-term borrowings	8	21,440.21	15,572.78
(b) Trade payables	9	3,299.26	1,088.62
(c) Other current liabilities	10	4,157.19	1,836.50
(d) Short-term provisions	7	174.16	234.29
		<u>29,070.82</u>	<u>18,732.19</u>
TOTAL		<u><u>58,292.48</u></u>	<u><u>47,090.79</u></u>
2. ASSETS			
I. Non-current assets			
(a) Fixed assets			
Tangible assets	19	4,123.98	4,306.12
Intangible assets		-	-
Capital work-in-progress		13,134.61	858.09
(b) Non-current investments	11	2,851.66	8,125.00
(c) Long-term loans and advances	13	1,996.22	1,308.88
(d) Other non-current assets	15	113.84	27.36
		<u>22,220.31</u>	<u>14,625.45</u>
II. Current assets			
(a) Current investments	16	9,300.00	1,800.00
(b) Inventories	17	11,370.31	9,582.89
(c) Trade receivables	14	10,226.02	10,548.59
(d) Cash and cash equivalents	18	3,027.49	8,711.26
(e) Short-term loans and advances	13	1,827.23	1,596.76
(f) Other current assets	15	321.12	225.84
		<u>36,072.17</u>	<u>32,465.34</u>
TOTAL		<u><u>58,292.48</u></u>	<u><u>47,090.79</u></u>
See accompanying notes forming part of the financial statements	1-46		

As per our report of even date
For S.S.Kothari Mehta & Co.
Chartered Accountants
(Firm Regn No.022150N)

(CA Dinesh K.Abral)
Partner
M.No.087899

Place : LUDHIANA
Dated : 10TH May, 2013

TANU BERRY
(Company Secretary)

NARESH BANSAL
(Chief Executive)

SUCHITA JAIN
(Director)

SACHIT JAIN
(Managing Director)

For and on behalf of the Board of Directors

Statement of Profit and Loss for the year ended 31st March, 2013

(₹ in lac)

Particulars	Note No.	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
INCOME			
Revenue from operations (Gross)	20	49,475.10	58,119.14
Less: Excise duty		4,951.23	5,429.11
Revenue from operations (Net)		44,523.87	52,690.03
Other income	21	559.66	222.93
Total income		45,083.53	52,912.96
EXPENSES			
Cost of materials consumed	22	28,044.58	30,573.03
Purchases of stock-in-trade		-	-
Changes in inventories of finished goods, work in progress and stock-in-trade	23	(2,548.18)	(171.35)
Employee benefits expense	24	2,131.59	2,251.65
Other expenses	25	14,644.34	14,792.56
Excise Duty on closing Stocks		487.07	246.41
Finance costs	26	1,086.71	659.80
Depreciation and amortization expense	27	398.28	405.92
Total expenses		44,244.39	48,758.02
Profit before exceptional items, extraordinary items and tax		839.14	4,154.94
Exceptional items:		-	-
Profit before extraordinary items and tax		839.14	4,154.94
Extraordinary items		-	-
Profit before tax		839.14	4,154.94
Tax expense			
Current tax		391.17	1,565.82
Deferred tax		(36.58)	(0.99)
Profit for the year after Tax		484.55	2,590.11
Earnings per share (₹)			
Basic - Par value of ₹ 10 per share		2.61	14.15
Diluted - Par value of ₹ 10 per share		2.61	14.15

See accompanying notes forming part of the financial statements 1-46

As per our report of even date
For S.S.Kothari Mehta & Co.
Chartered Accountants
(Firm Regn No.022150N)

(CA Dinesh K.Abrul)
Partner
M.No.087899

TANU BERRY
(Company Secretary)

NARESH BANSAL
(Chief Executive)

SUCHITA JAIN
(Director)

SACHIT JAIN
(Managing Director)

For and on behalf of the Board of Directors

Place : LUDHIANA
Dated : 10TH May, 2013



Cash Flow Statement for the year ended 31st March, 2013

(₹ in lac)

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
A Cash Flow From Operating Activities		
Net profit before tax and Extra Ordinary Items	839.14	4,154.92
Adjustments for:		
Depreciation	398.28	405.91
Provision for Doubtful Debts written back	(15.94)	(70.83)
Sundry Balances Written (back) / off	(33.71)	(21.81)
Interest Expense	1,663.79	900.83
Profit on sale of Investments	(201.83)	-
Exchange Rate Fluctuation (unrealised)	418.17	-
Interest income	(611.55)	(241.03)
Dividend Income	(8.33)	(3.62)
(Profit)/Loss on Sale of Fixed Assets (Net)	(75.97)	(27.63)
Operating Profit before working capital changes	1,532.91	941.82
Adjustments for:		
Decrease/(Increase) in Inventories	(1,787.42)	215.37
Increase / (Decrease) in liabilities and provisions	5,589.00	2,027.48
Decrease / (Increase) in other Current assets/Loans & advances	(443.55)	(2,601.86)
Decrease/ (Increase) in Trade Receivables	259.51	(1,606.38)
	3,617.54	(1,965.39)
	5,989.59	3,131.37
Income tax paid	(488.19)	(1,420.00)
Net cash flow from/(used in) operating activities	5,501.40	1,711.37
B Cash flow from investing activities		
Purchase of fixed assets and capital work in progress (including capital advances)	(13,969.49)	(3,316.91)
Proceeds from sale of Fixed Assets	80.90	64.97
Purchase of Investments	(8,726.66)	(7,925.00)
Proceeds from sale of Investments	6,701.83	-
Interest Received	516.27	25.33
Dividend Received	8.33	3.62
Net cash from/(used in) investing activities	(15,388.82)	(11,147.99)
C Cash flows from financing activities		
Inter-corporate deposits taken	-	3,371.66
Proceeds from Short Term Borrowings	5,867.43	6,302.07
Proceeds from Term loan	-	8,846.46
Interest paid	(1,663.79)	(900.83)
Net cash generated from financing activities	4,203.64	17,619.36
Net increase in cash and cash equivalents (A+B+C)	(5,683.78)	8,182.73
Cash and cash equivalents at the beginning of the period	8,711.26	528.53
Cash and cash equivalents at the end of the period	3,027.49	8,711.26
Components of cash and cash equivalents:		
Cash on hand & Others	10.01	17.24
Cheques on hand	82.83	277.16
Balances with scheduled banks:		
- in current accounts	423.09	392.36
- in fixed deposit accounts (under lien with banks)	850.00	8,019.20
- in fixed deposit accounts	1,661.56	5.30
	3,027.49	8,711.26

Note: The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 on Cash Flow Statement prescribed by the Companies (Accounting Standards) Rules, 2006.

As per our report of even date

For S.S.Kothari Mehta & Co.

Chartered Accountants

(Firm Regn No.022150N)

(CA Dinesh K.Abral)

Partner

M.No.087899

TANU BERRY
(Company Secretary)

NARESH BANSAL
(Chief Executive)

SUCHITA JAIN
(Director)

SACHIT JAIN
(Managing Director)

Place : LUDHIANA

Dated : 10TH May, 2013

Notes to the Financial Statements for the Year Ended 31st March, 2013

1. **CORPORATE INFORMATION:**

Vardhman Special Steel Limited is a Public Limited Company incorporated under the provisions of the Companies Act, 1956 on 14th May, 2010. The Company is engaged in the Manufacturing of Billet, Steel bars & rods and Bright bars of various categories of special and alloys steels.

2. **SIGNIFICANT ACCOUNTING POLICIES:**

a) **Accounting Convention:**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 and other relevant provisions of the said Act.

b) **Revenue Recognition:**

i) **Sales:**

a) Export sales are converted at negotiated rate, that approximates the actual rate prevailing on the date of the transaction and/or at the forward contract rate, if so applicable. The negotiated export sale at the end of the year has been recognised at the closing conversion rate.

b) Domestic Sales (Gross) include excise duty and freight and is recognized on dispatch of goods to customers.

ii) **Insurance and Other Claims:**

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

iii) **Benefit under Duty Entitlement Pass Book/Duty Drawback Scheme:**

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

c) **Retirement Benefits:**

a) **Gratuity:** Provision for gratuity liability to employees is made on the basis of Actuarial Valuation as per AS-15 issued by Institute of Chartered Accountants of India.

b) **Leave Encashment:** Provision for leave encashment is made on the basis of leaves accrued to the employees during the calendar year and has been determined on Actuarial Valuation as per AS-15 issued by Institute of Chartered Accountants of India.

c) **Provident Fund:** Contribution to Provident Fund is made in accordance with the provisions of the Provident Fund Act, 1952 and is treated as revenue expenditure.

d) **Superannuation:** The liability in respect of eligible employees covered as per Company policy is provided on accrual basis.

d) **Fixed Assets:**

Fixed Assets are stated at historical cost less depreciation.

e) **Depreciation:**

a) Depreciation on Plant & Machinery & Building is charged on Straight Line method. Depreciation on straight line method is calculated on the basis of circular No.1/86 dated 21.5.1986 issued by the Company Law Board i.e. on the basis of rates corresponding to rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules at the time of acquisition/purchase of assets upto 02.04.1987. However, for the assets purchased/acquired after 02.04.1987, depreciation is provided in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956. In respect of the assets purchased/acquired on or after 16.12.1993, depreciation has been provided in accordance with Notification No. GSR 756(E) dated 16.12.1993 issued by the Department of Company Affairs.

b) On the remaining assets, Depreciation is provided on straight line method in accordance with and in the manner specified in Schedule XIV to the Companies Act, 1956, except in case of computers, on which depreciation has been provided @ 25% on straight line basis.

c) Depreciation on assets costing ₹ 0.05 lac or below acquired during the year is charged @ 100% on proportionate basis.

f) **Inventories:**

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

- o In case of raw materials-at weighted average cost plus direct expenses.
- o In case of stores & spares-at weighted average cost plus direct expenses.
- o In case of finished goods-at raw material cost plus conversion cost, packing cost, excise duty and other overheads incurred to bring the goods to their present condition and location.

Notes to the Financial Statements for the Year Ended 31st March, 2013

g) Foreign Currency Conversion/Translation:

- o Foreign currency transactions are recorded on initial recognition at the rate prevailing on the date of the transaction. Where export bills are negotiated with the bank, the export sales are recorded at the rate on the date of negotiation as the said rate approximates the actual rate on the date of transaction.
- o Foreign Currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting the same at the closing rate as at the balance sheet date are recognised as income or expense in the period in which they arise.
- o The premium or discount arising at the inception of forward exchange contracts is amortised as an expense or income over the life of the contract.
- o Exchange differences on the aforesaid forward exchange contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Profit or loss arising on cancellation or renewal of such contracts is recognised as income or expense in the period in which such profit or loss arises.

h) Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as expense in the period in which they are incurred.

i) Expenditure incurred during construction period:

In respect of major expansion, the indirect expenses incurred during construction period upto the date of commercial production is capitalised on various categories of fixed assets on proportionate basis.

j) Provisions and contingencies:

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resource.

k) Employee benefits:

Short term benefits :

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences and bonus, etc. are recognized in the Statement of Profit and Loss in the period in which the employee renders the related service.

Gratuity (Defined benefit plan) :

Provision for gratuity, which is a defined benefit plan, is made on the basis of an actuarial valuation carried out by an independent actuary at the balance sheet date, 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 obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation is based on the market yields on Government securities as at the Balance Sheet date, having maturity period approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

Leave encashment (Other long term benefits) :

As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future period to either utilise during the service or encash. Encashment can be made during the service, on early retirement, on withdrawal of scheme, at resignation by employee or upon death of employee. The Company accounts for the liability for compensated absences payable in future based on an independent actuarial valuation carried out at the end of the period.

l) Earnings per share:

Basic earnings per share is calculated by dividing the net profit/(loss) for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of equity and dilutive potential equity shares outstanding during the period, except where the results would be anti-dilutive.

m) Accounting for Tax on Income:

The accounting treatment followed for taxes on income is to provide for Current Tax and Deferred Tax. Current Tax is the amount of income-tax determined to be payable in respect of taxable income for a period. Deferred Tax is the tax effect of all timing differences.

n) Impairment of Assets:

At each Balance Sheet date, an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of accounts.

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

3. SHARE CAPITAL

Particulars	As at 31 st March, 2013		As at 31 st March, 2012	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of ₹ 10 each	35,000,000	3,500.00	35,000,000	3,500.00
	35,000,000	3,500.00	35,000,000	3,500.00
Issued, subscribed and paid up				
Equity shares of ₹ 10 each fully paid up				
At the beginning of the year	18,555,376	1,855.54	5,825,000	582.50
Add: Issued during the year	-	-	12,730,376	1,273.04
At the end of the year	18,555,376	1,855.54	18,555,376	1,855.54

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

3(b) Equity Shares calls unpaid by directors and officers of the company is **NIL**.

3(c) Shares held by holding company or its ultimate holding company or subsidiaries or associates of the holding company or the ultimate holding company in aggregate.

Particulars	As at 31 st March, 2013		As at 31 st March, 2012	
	Number of shares	Amount	Number of shares	Amount
Equity shares of ₹10/- each fully paid up held by				
Ultimate holding Company	-	-	-	-
Holding Company	-	-	-	-
Subsidiary of ultimate holding Company or holding Company	-	-	-	-
Associate of ultimate holding Company or holding Company	-	-	-	-
Total	-	-	-	-

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

Particulars	As at 31 st March, 2013		As at 31 st March, 2012	
	Number of shares	% holding in the class	Number of shares	% holding in the class
Equity shares of ₹ 10/-each fully paid up held by				
- Vardhman Textiles Limited	5,825,000	31.39	5,825,000	31.39
- Vardhman Holdings Limited	3,080,517	16.60	3,080,517	16.60
- Adinath Investment & Trading Company	2,522,655	13.60	2,522,655	13.60
- Devakar Investment & Trading Company (P) Ltd.	1,108,175	5.97	1,108,175	5.97
Total	12,536,347	67.56	12,536,347	67.56

Note : The Steel Business undertaking namely 'Vardhman Special Steels' was a unit of M/s. Vardhman Textiles Limited (VTXL) till 31.12.2010, and consequent to the order of the Hon'ble High court of Punjab and Haryana dated 12.01.2011, said undertaking was demerged from Vardhman Textiles Limited and got vested in the Company from the Appointed Date i.e. 01.01.2011. As a result, accounting treatment was given to assets and liabilities of the said undertaking based on the scheme of Arrangement and Demerger approved by the Hon'ble High Court. In consideration of the assets, liabilities and reserves being vested in Vardhman Special Steels Limited (VSSL), VSSL issued 1,27,30,376 equity shares of ₹10/- each during the previous year credited as fully paid-up to the shareholders of VTXL in proportion of 1 share of VSSL for every 5 shares of VTXL held by shareholders.



Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

4. RESERVES AND SURPLUS

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
a) General reserve	13,890.62	13,890.62
b) (Deficit)/ surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	3,286.37	696.26
Add/ (less): Profit/ (loss) for the year	484.55	2,590.11
Balance at the end of the year	3,770.92	3,286.37
Total	17,661.54	17,176.99

5. LONG-TERM BORROWINGS

Particulars	Non-current portion		Current maturities	
	As at 31 st March, 2013	As at 31 st March, 2012	As at 31 st March, 2013	As at 31 st March, 2012
Banks - Foreign currency denominated loans (ECB) Secured	9,264.63	8,846.46	-	-
Total	9,264.63	8,846.46	-	-

The above mentioned ECB is secured by mortgage created or to be created on all the immovable assets of the Company, both present and future and hypothecation of all the movable assets including movable machinery, machinery parts, tools and accessories and other movables both present and future (except book debts), subject to charges created or to be created in favour of the Bankers for securing the working capital limits.

6. OTHER LONG-TERM LIABILITIES

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Securities Received	10.73	16.69
Superannuation Payable	5.66	5.95
Total	16.39	22.64

7. PROVISIONS

Particulars	Long-term		Short-term	
	As at 31 st March, 2013	As at 31 st March, 2012	As at 31 st March, 2013	As at 31 st March, 2012
Provision for employee benefits				
Gratuity	-	-	42.28	18.47
Compensated absences -Leave Encashment (unfunded)	47.59	44.42	11.01	7.98
Bonus	-	-	64.21	60.35
Pension	-	-	5.12	4.34
Provident Funds	-	-	20.15	15.32
Welfare Funds	-	-	0.83	0.34
ESI	-	-	5.21	5.12
	47.59	44.42	148.81	111.92
Other Provisions				
Provision for Taxes (net of Advance Tax)	-	-	25.35	122.37
	-	-	25.35	122.37
Total	47.59	44.42	174.16	234.29



Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Bonds / Debentures (UNQUOTED)		
IIFL Real Estate Fund (Domestic) Series-I	351.66	125.00
	<u>2,851.66</u>	<u>8,125.00</u>
Total	<u>2,851.66</u>	<u>8,125.00</u>
Aggregate book value of quoted investments	2,500.00	8,000.00
Aggregate Market value of quoted investments	2,743.49	8,180.15
Aggregate book value of unquoted investments	351.66	125.00
Aggregate provision for dimunition in the value of investments	-	-

* Lien Marked in Favour of Deutsche Bank AG against the overdraft facility sanctioned by it.

12. DEFERRED TAX ASSETS LIABILITY (NET)

Deferred tax asset	53.68	44.70
Gross deferred tax asset	<u>53.68</u>	<u>44.70</u>
Deferred tax liability	429.65	457.25
Gross deferred tax liability	<u>429.65</u>	<u>457.25</u>
Deferred tax Liability (Net)	<u>(375.97)</u>	<u>(412.55)</u>

13. LOANS AND ADVANCES

Particulars	Long-term		Short-term	
	As at 31 st March, 2013	As at 31 st March, 2012	As at 31 st March, 2013	As at 31 st March, 2012
Capital Advances				
Secured, considered good	1,410.12	935.86	-	-
	<u>1,410.12</u>	<u>935.86</u>	-	-
Security Deposits				
Secured, considered good	553.68	340.43	12.15	5.97
	<u>553.68</u>	<u>340.43</u>	<u>12.15</u>	<u>5.97</u>
Other Loans and Advances				
<i>Unsecured considered good, unless stated otherwise</i>				
Loans to Employees	28.62	30.06	36.10	25.45
Other Current Assets	-	-	306.43	78.90
Balance with Statutory/ Government authorities	-	-	1,096.63	170.38
Prepaid Expenses	3.80	2.53	17.35	27.52
Others :-				
Advances to Suppliers and Contractors	-	-	358.57	1,288.54
	<u>32.42</u>	<u>32.59</u>	<u>1,815.08</u>	<u>1,590.79</u>
Total	<u>1,996.22</u>	<u>1,308.88</u>	<u>1,827.23</u>	<u>1,596.76</u>

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

14. TRADE RECEIVABLES

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Debts outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	202.51	49.63
Unsecured, considered doubtful	-	-
	202.51	49.63
Less: Provision for doubtful debts	-	-
	202.51	49.63
Other debts		
Unsecured, considered good	10,023.51	10,498.96
Less: Provision for doubtful debts	-	-
	10,023.51	10,498.96
Total	10,226.02	10,548.59

15. OTHER CURRENT ASSETS

(Unsecured considered good, unless otherwise stated)

Particulars	Non-current		Current	
	As at 31 st March, 2013	As at 31 st March, 2012	As at 31 st March, 2013	As at 31 st March, 2012
Long term trade receivables :-				
Debts outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	113.84	27.36	-	-
Unsecured, considered doubtful	38.00	12.97	-	-
	151.84	40.33	-	-
Less: Provision for doubtful debts	38.00	12.97	-	-
	113.84	27.36	-	-
Other Assets:-				
Interest accrued on fixed deposits	-	-	321.12	225.84
Total	113.84	27.36	321.12	225.84

16. CURRENT INVESTMENTS

(valued at cost or market value whichever is lower)

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Other than Trade		
Equity Linked Mutual Funds / Liquid Funds (QUOTED)*		
1,698,037 units (Previous Year 1,698,037) of ₹ 10/- each of Birla Sun Life Dynamic Bond Fund (Growth Plan)*	300.00	300.00
1,614,974 units (Previous Year 1,614,974) of ₹ 10/- each of UTI Short Term Income Fund- Institutional Growth Option*	200.00	200.00



Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
8,828,385 units (Previous Year 8,828,385) of ₹ 10/- each of HDFC Medium Term Opportunities Fund- Growth Fund *	1,000.00	1,000.00
2,305,965 units (Previous year 2,305,965) of ₹ 10/- each of State Bank of India Dyanamic Bond Fund (Growth) *	300.00	300.00
3,798,065 units (Previous year Nil) of ₹ 10/- each of IDFC Bond Fund (Growth) *	500.00	-
9,878,495 units (Previous year Nil) of ₹ 10/- each of JP Morgan India Active Bond Fund (Growth) *	1,000.00	-
1,550,210 units (Previous year Nil) of ₹ 10/- each of Kotak Bond Fund Regular -Plan A (Growth) *	500.00	-
20,000,000 (Previous Year Nil) of ₹ 10/- each of Reliance Fixed Horizon Fund XXI Series 18 Growth Option *	2,000.00	-
19,999,990 (Previous Year Nil) of ₹ 10 each of ICICI Prudential Fixed Maturity Plan Series 63-384 Days *	2,000.00	-
5,000,000 (previous Year Nil) of ₹ 10/- each of Kotak Mutual Fund as (Kotak FMP Series 77 - Growth)	500.00	-
9,733,118 units (Previous year Nil) of ₹ 10/- each of DWS Premier Bond Fund (Growth)	1,000.00	-
	9,300.00	1,800.00
Aggregate book value of quoted investments	9,300.00	1,800.00
Aggregate Market value of quoted investments	10,208.56	1,822.83
Aggregate book value of unquoted investments	-	-
Aggregate provision for Dimunition in the value of investments	-	-

* Lien Marked in Favor of Deutshe Bank AG against the overdraft facility sanction by it.

17. INVENTORIES

(At cost or net realizable value whichever is lower)

Raw materials	683.63	1,292.42
Raw materials in Transit	533.63	975.55
Stores and spares	1,006.44	884.76
Stores and spares in Transit	177.47	9.20
Finished goods		
- Own manufactured	8,969.14	6,420.96
Total	11,370.31	9,582.89

18. CASH AND BANK BALANCES

Cash and Cash Equivalents

Balance with banks in		
Current accounts	423.10	392.36
Fixed deposits	1,656.46	3.20
Fixed Deposits (under lien)	850.00	-
Cheques/drafts on hand	82.83	277.16
Cash on hand	6.22	15.02
Others (Imprest)	3.78	2.22
	3,022.39	689.96

Other bank balances

Fixed Deposits with maturity of more than 12 months (under lien)	-	7,910.00
Fixed Deposits with maturity of more than 12 months	5.10	2.10
Balance in banks for margin money	-	109.20
	3,027.49	8,711.26

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

19. TANGIBLE ASSETS

Description	Cost			Depreciation			Net Block	
	As at 1 st April, 2012	Additions	Deletions/ adjustments	As at 1 st April, 2012	For the year	Deletions/ adjustments	As at 31 st March, 2013	As at 31 st March, 2012
Land Freehold	844.94	-	-	-	-	-	844.94	844.94
Buildings	1,737.02	9.18	-	822.49	53.45	-	875.94	914.53
Plant and machinery	6,609.75	145.60	110.65	4,356.94	308.11	110.23	4,554.82	2,252.81
Furniture and fixtures	65.49	27.85	0.38	45.27	2.42	0.38	47.31	20.22
Vehicles	251.70	19.19	5.28	25.74	24.51	2.08	48.17	225.96
Office equipment	130.42	19.25	21.65	82.76	9.79	20.34	72.21	47.66
Total	9,639.32	221.07	137.96	5,333.20	398.28	133.03	5,598.45	4,306.12
Previous year	8,540.56	1,533.09	434.33	5,324.27	405.92	396.99	5,333.20	3,216.28

- Depreciation for the year includes net depreciation of ₹ (-) 2.89 lac (Previous Year ₹ Nil) pertaining to earlier years.



Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
20. REVENUE FROM OPERATIONS		
Sale of products		
Own manufactured		
Steel Bars	49,123.63	57,355.70
Billets	-	67.17
By Products/Waste	41.32	464.61
Miscellaneous Sales	209.37	181.49
Other operating Revenue : Export Incentives	100.78	50.17
Revenue from operations (Gross)	49,475.10	58,119.14
21. OTHER INCOME		
Interest income on		
Others	34.47	38.03
Net Gain on Account of Foreign Exchange Fluctuation (Refer Note-32)	74.10	-
Dividend Income From Current Investments	8.33	3.62
Interest income from current Investments	21.43	-
Interest income from current Investments (Tax Free)	13.15	-
Profit on sale of Investments		
-Current Investments	2.95	-
-Long Term Investments	198.88	-
Net Gain on sale of Fixed assets	75.97	27.63
Other income	48.75	37.98
Provision for Doubtful Debts written back	15.94	70.83
Sundry Balances Written Back	33.71	26.22
Prior Period Income	31.98	18.62
Total	559.66	222.93
22. COST OF MATERIALS CONSUMED		
Raw Material Scrap & Ferro Alloys	28,044.58	30,573.03
Total	28,044.58	30,573.03
23. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK-IN-TRADE		
Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Opening stock		
Work-in-progress	-	-
Finished goods		
- Own manufactured	6,420.96	6,249.61
- Traded	-	-
	6,420.96	6,249.61
Less :		
Closing stock		
Work-in-progress	-	-
Finished goods		
- Own manufactured	8,969.14	6,420.96
- Traded	-	-
	8,969.14	6,420.96
Net (Increase)/Decrease	(2,548.18)	(171.35)
24. EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and Bonus	1,908.29	2,069.89
Contribution to provident and other funds	188.94	149.32
Staff welfare expense	34.36	32.44
Total	2,131.59	2,251.65

25. OTHER EXPENSES

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Consumption of stores and spare parts	3,193.08	3,148.28
Power and fuel	6,878.15	6,634.43
Rent	31.87	16.96
Repairs to Building	138.97	189.17
Repairs to Machinery	726.59	883.29
Insurance	23.56	33.12
Rates and taxes, excluding taxes on income	17.74	14.61
Directors Travelling	11.14	37.86
Payment to Auditors **	3.14	2.39
Net loss on account of foreign exchange fluctuation (Refer Note-32)	-	106.41
Miscellaneous expenses	138.74	86.42
Packing material	118.47	78.70
Processing Charges	1,438.62	1,735.85
Repairs and maintenance - others	28.70	37.23
Employee training expenses	26.13	25.65
Legal and professional	43.78	35.14
Bad Debts/Other Assets Written Off	67.20	4.42
Travelling and conveyance	99.55	93.68
Printing and Stationery	27.46	25.17
Communication expenses	49.21	25.36
Prior period expenses	12.61	5.23
Freight & Cartage On Domestic Sale	899.02	1,078.13
Freight & Cartage On Exports Sale	138.34	48.02
Cash and Other Discount, Commission	474.39	401.77
Advertisement	8.44	11.46
Others Selling Expenses	49.44	33.81
	14,644.34	14,792.56

** Payment to Auditors

As Auditor		
Audit fee	1.50	1.50
Tax audit fee	0.50	0.50
Cost Audit Fees	0.31	0.23
In other capacity		
For other services	0.05	-
For reimbursement of expenses	0.78	0.16
Total	3.14	2.39

26. FINANCE COSTS

Interest expense (Net of Interest Received from Banks)	970.44	581.28
Other borrowing cost	34.70	15.88
Bank charges	81.57	62.64
	1,086.71	659.80

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

27. DEPRECIATION AND AMORTIZATION EXPENSE

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Depreciation on tangible assets	398.28	405.92
Total	398.28	405.92

28. Notes to Financial Statements**i) There are contingent liabilities in respect of:**

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
a) Bank Guarantees and Letters of Credit outstanding	4,220.11	7,615.74
b) Other contingent liabilities	241.40	90.37
c) Claims Against the Company Not Acknowledged as Debts	109.81	112.77

ii) Estimated amount of capital contracts remaining to be executed is ₹ 9,560.97 lac (previous year ₹10,150.91 lac).

iii) Claims against the Company not acknowledged as debts include additional demands in respect of Excise Duty/ Service Tax /Sale Tax amounting to ₹ 109.81 lac (Previous year ₹ 112.77 lac) in different cases, which have been contested by the Company and various appeals have been filed with the Appellate Authorities. No provision has been made in the books of account in respect thereof.

iv) The Steel Business undertaking namely 'Vardhman Special Steels' was a unit of Vardhman Textiles Limited (VTXL) till 31.12.2010, and consequent to the order of the Hon'ble High court of Punjab and Haryana dated 12.01.2011, said undertaking was demerged from Vardhman Textiles Limited and got vested in the Company from the appointed date i.e. 01.01.2011. As a result, accounting treatment was given to assets and liabilities of the said undertaking based on the scheme of Arrangement and Demerger approved by the Hon'ble High Court. In consideration of the assets, liabilities and reserves being vested in VSSL, VSSL issued 1,27,30,376 equity shares of ₹ 10/- each credited as fully paid-up to the shareholders of VTXL in proportion of 1 share of VSSL for every 5 shares of VTXL held by Shareholders during the Previous year.

29. Leases

The Company has leased facilities under cancellable operating lease arrangements with a lease term ranging from one to five years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expenses recognised during the year amounts to ₹ 31.87 lac (Previous Year ₹ 16.95 lac).

30. In the opinion of the Board, Current Assets, Loan & Advances have a value in the ordinary course of business at least equal to that stated in the Balance Sheet.

31. Balances of Sundry Debtors and Sundry creditors are subject to reconciliation and confirmation.

32. The Liability in respect of External Commercial Borrowing (ECB) was restated as on 30th June, 2012 for determining quarterly results. As on 31st March, 2013, the Company, while following the conservative approach, has decided to carry the liability in respect of ECB at a level as determined on 30th June, 2012 and has not provided for notional foreign exchange gains amounting to ₹ 220 lac (Previous Year ₹ 370 lac) arising on restatement of ECB as at 31st March, 2013. This has resulted in under-statement of profit to that extent for the financial year 2012-13.

33. Sundry creditors include amount of ₹ Nil owed to Small Scale Industries Undertakings, to the extent such enterprises have been identified, out of which amount outstanding for a period of more than 30 days is ₹ Nil. The Company has not made any delays in settlement of balance due to Small Scale Industrial undertakings and hence no provision for interest on delayed payment is required. Further, there are no outstanding amount payable beyond the agreed period to Micro, Small and Medium Enterprises as on the Balance Sheet date to the extent such enterprises have been identified, based on the information available with the Company.

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

34. Employee Benefits :

The summarized position of Post-employment benefits and long term employee benefits recognized in the Statement of Profit & Loss and Balance Sheet as required in accordance with Accounting Standard (AS) 15 are as under:-

Particulars	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
(a) Changes in the present value of the obligations :				
Present value obligation as at beginning of the year	44.42	36.04	244.22	224.21
Interest cost	3.31	3.02	19.33	19.05
Past Service cost	-	-	-	-
Current service cost	14.56	24.54	32.18	25.30
Curtailement cost	-	-	-	-
Settlement cost	-	-	-	-
Benefits Paid	(8.18)	(3.07)	(17.17)	(12.88)
Actuarial (gain)/ loss on Obligations	(6.52)	(16.11)	27.74	(11.46)
Present value obligation as at end of the year	47.59	44.42	306.30	244.22
(b) Changes in Fair Value of Plan Asset :				
Fair value of Plan Assets as at beginning of the year	-	-	225.75	184.43
Expected return on Plan Assets	-	-	19.34	11.84
Contributions	-	-	18.97	25.87
Benefits Paid	-	-	-	-
Actuarial (gain)/ loss on Obligations	-	-	(0.78)	(3.61)
Fair value of Plan Assets as at end of the year	-	-	264.84	225.75
(c) Amount recognized in Balance Sheet :				
Present value obligation as at end of the year	47.59	44.42	306.30	244.22
Fair value of Plan Assets as at end of the year	-	-	264.84	225.75
Funded Status	(47.59)	(44.42)	(41.46)	(18.47)
Present value of unfunded obligation as at end of the year	-	-	-	-
Unfunded Actuarial (gains)/ losses	-	-	-	-
Unfunded Net Asset/ (Liability) recognised in Balance Sheet.	(47.59)	(44.42)	(41.46)	(18.47)
(d) Expenses Recognized in Statement of Profit and Loss				
Current service cost	14.56	24.54	32.18	25.30
Past Service cost	-	-	-	-
Interest cost	3.31	3.02	19.33	19.05
Expected return on Plan Assets	-	-	(19.34)	(11.84)
Curtailement cost	-	-	-	-
Settlement cost	-	-	-	-
Net Actuarial (gain)/ loss recognised during the year	(6.52)	(16.11)	26.96	(15.07)
Total Expenses recognised in Statement of Profit and Loss	11.35	11.45	59.13	17.44
(e) Investment details of Fund: During the year, gratuity fund for the Company has been got constituted and funds have been invested with Banks to the tune of ₹ 264.84 lac.				
(f) Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average)				

Particulars	Leave (Unfunded)		Gratuity (Funded)	
	Current Year	Previous Year	Current Year	Previous Year
Discount Rate (per annum)	8.20%	8.75%	8.20%	8.75%
Rate of increase in compensation levels (per annum)	6.50%	6.00%	6.00%	6.00%
Rate of return on plan assets (per annum)	N.A.	N.A.	8.23%	6.00%
Expected Average remaining working lives of employees (years)	22.08	22.52	22.08	22.54
Method Used	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit



Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in employee market.

- (g) Other short term employee's benefits (Un-Funded)

Particulars	Short term Leave		Leave Travel Encashment		Ex-Gratia	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Liability	7.98	7.16	6.20	5.23	10.63	8.77
Closing Liability	11.01	7.98	8.90	6.20	13.26	10.63
Benefits Paid during the year	-	1.98	5.43	4.03	22.52	8.77
Amount debited to Statement of Profit and Loss	3.03	2.80	8.13	5.00	25.15	10.63

- (h) During the year, the Company has recognized an expense of ₹ 87.07 lac (Previous year ₹ 80.68 lac) in respect of Contribution to Provident Fund and ₹ 5.66 lac (Previous year ₹ 5.95 lac) in respect of Contribution to superannuation Scheme being continued from VTXL, in due course a new superannuation fund shall be got incorporated separately for the company.

35. Segment Reporting:

The Company operates only in one business segment viz. "Steel" which is the reportable segment in accordance with the requirements of Accounting Standard (AS)-17 on Segment Reporting issued by The Institute of Chartered Accountants of India.

36. Related Party Disclosure:

Details of transactions entered into with related parties during the year as required by Accounting Standard (AS) - 18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are as under :

Particulars	Key Management Personnel (KMP)		Enterprises over which KMP is able to exercise significant influence		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Purchase/Processing of goods	-	-	43.59	60.63	43.59	60.63
Purchase of DEPB licences	-	-	1,144.05	1,099.77	1,144.05	1,099.77
Logo Charges (Inc. Service Tax)	-	-	14.05	-	14.05	-
Common Corporate Expenses (Inc. Service Tax)	-	-	92.14	-	92.14	-
Interest received	-	-	-	-	-	-
Managerial Remuneration	43.00	163.19	-	-	43.00	163.19
Loan Given Including opening balance	-	-	-	-	-	-
Loan Repayment	-	-	-	-	-	-
Closing Balance of Loan	-	-	-	-	-	-
Interest Paid	-	-	463.91	586.19	463.91	586.19
Loan taken including opening balance	-	-	94,665.98	46,000.71	94,665.98	46,000.71
Loan Repayment	-	-	94,665.98	39,427.05	94,665.98	39,427.05
Closing Balance of Loan	-	-	-	6,573.66	-	6,573.66

Note :

Particulars	Current Year	Previous Year
1. Holding Company	Nil	Nil
2. Fellow Subsidiary Companies	Nil	Nil
3. Key Management Personnel	Mr. Sachit Jain	Mr. Sachit Jain
4. Enterprises over which Key Management Personnel (KMP) is able to exercise significant influence	Vardhman Textiles Limited Vardhman Holdings Limited Vardhman Acrylics Limited Vardhman Nishinbo Garments Company Limited Vardhman Yarns & Threads Limited VTL Investments Limited VMT Spinning Company Limited	Vardhman Textiles Limited Vardhman Holdings Limited Vardhman Acrylics Limited Vardhman Nishinbo Garments Company Limited Vardhman Yarns & Threads Limited VTL Investments Limited VMT Spinning Company Limited

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

37. Earnings Per Share :

The calculation of Earnings Per Share (EPS) as disclosed in the Statement of Profit & Loss has been made in accordance with the requirements of Accounting Standard (AS)-20 on Earnings Per Share issued by the Institute of Chartered Accountants of India.

38. Deferred Tax:

Accounting entries for deferred tax have been passed in accordance with the provisions of Accounting Standard (AS)-22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India.

Deferred tax Asset/(Liability) (Net) is as follows :

Particulars	As at 31 st March, 2013	As at 31 st March, 2012
Difference between Depreciation as per Companies Act, 1956 and Income Tax Act, 1961	(429.65)	(457.25)
Less: Deferred Tax Asset arising on account of expenses allowable for tax purposes when paid	53.68	44.70
Net Deferred Tax Asset/(Liability)	(375.97)	(412.55)
Deferred Tax Asset / (Liability) provided during the year and charged to Statement of Profit and Loss	36.58	0.99

39. No asset qualifies for impairment for the current year according to AS-28 issued by The Institute of Chartered Accountants of India

40. Figures in brackets indicate deductions.

41. Figures have been rounded off to nearest lakhs. Figures for previous period have been recast/regrouped, wherever necessary to make them comparable with current year's figures.

42. Sales

Particulars	For the year ended 31 st March, 2013		For the year ended 31 st March, 2012		
	UNIT	QUANTITY	VALUE	QUANTITY	VALUE
Billet	MT	Nil	Nil	158	67.17
Steel Bars	MT	76,412	49,123.63	93,169	57,355.70
By Products/Waste	MT	123.47	41.32	1475	464.61
Miscellaneous			209.37		181.49
Export Incentives			100.78		50.17
Total			49,475.10		58,119.14

43. CIF Value of Imports:

Particulars	For th year ended 31 st March, 2013	For the year ended 31 st March, 2012
Components & Spare Parts	640.26	407.67
Capital Goods	6,467.26	158.14
Raw Material	8,958.12	7,203.20
Total	16,065.64	7,769.01

44. Expenditure in Foreign Currency

Particulars	2013	2012
Travelling out of India*	20.48	20.45
Membership Fees	-	1.33
Technical Know how	5.32	34.64
Processing Fees to Bank	-	162.74
Interest on ECB*	435.00	120.27
Total	460.80	339.43

*Interest on ECB Includes ₹145 lac (Previous Year ₹ 7.70 lac) being capitalised and Travelling Outside India includes ₹ 2.28 lac (Previous Year ₹ Nil) being Capitalised.

Notes to the Financial Statements for the Year Ended 31st March, 2013

(₹ in lac)

45. FOB Value of Exports

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
FOB Value of Exports	2,476.43	958.45

46. Value of Raw Materials, Components and Spare Parts Consumed

Particulars	For the year ended 31 st March, 2013		For the year ended 31 st March, 2012	
	Amount	%	Amount	%
1. Raw Material				
Imported	7,990.24	28.49	9,948.60	32.54
Indigenous	20,054.34	71.51	20,624.43	67.46
Total	28,044.58	100.00	30,573.03	100.00
2. Components & Spare Parts				
Imported	401.93	11.22	418.73	7.67
Indigenous	3,179.79	88.78	5,038.60	92.33
Total	3,581.72	100.00	5,457.33	100.00

As per our report of even date
For S.S.Kothari Mehta & Co.
Chartered Accountants
(Firm Regn No.022150N)

(CA Dinesh K.Abrol)
Partner
M.No.087899

Place : LUDHIANA
Dated : 10TH May, 2013

For and on behalf of the Board of Directors

TANU BERRY
(Company Secretary)

NARESH BANSAL
(Chief Executive)

SUCHITA JAIN
(Director)

SACHIT JAIN
(Managing Director)

VARDHMAN SPECIAL STEELS LIMITED

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



PROXY FORM

I/We.....
of.....
in the Districtbeing a Member/Members
of **Vardhman Special Steels Limited** hereby appoint.....
of.....in the
Districtfailing him/her
.....of.....
.....in the District

as my/our proxy to vote for me/us on my/our behalf at the 3rd Annual General Meeting of the Company to be held at Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, at 3.00 p.m., on Saturday, the 31st day of August, 2013 and at any adjournment thereof.

Signed this.....day of.....2013.

Affix
Revenue
Stamp here

Signature.....
Address.....
Folio No./Client-ID

- NOTES :
1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself.
 2. The Proxy Form duly signed across Revenue Stamp should reach the Company's Registered Office at least 48 hours before the time of meeting.

(TEAR HERE)

VARDHMAN SPECIAL STEELS LIMITED

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



SUGGESTIONS

In case you have any suggestion for the betterment of your Company, please do write to us.

Suggestion.....
.....
.....

Name.....Folio No./Client-ID

Address.....

Pin Code

(TEAR HERE)

VARDHMAN SPECIAL STEELS LIMITED

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



ATTENDANCE SLIP

I hereby record my presence at the 3rd Annual General Meeting of the above named Company being held at Registered Office of the Company situated at Vardhman Premises, Chandigarh Road, Ludhiana, at 3.00 p.m., on Saturday, the 31st day of August, 2013.

Full Name of the Member
(IN BLOCK LETTERS)

Signature

Folio No./ Client-ID No.

No. of Shares held.....

Full Name of the Proxy
(IN BLOCK LETTERS)

Signature

NOTE: Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

(TEAR HERE)



An overview of cooling bed of newly erected Rolling Mill.



Newly erected vertical stand of Rolling Mill.

FORM B

Format of covering letter of the annual audit report to be filed with the Stock Exchanges

1.	Name of the Company	Vardhman Special Steels Limited
2.	Annual Financial Statements for the year ended	31 st March , 2013
3.	Type of Audit Observation	Qualified
4.	Frequency of observation	It appeared in the Financial Year 2011-12 & 2012-13.
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors' report.	<p>Audit Qualification: In the Auditors report, Auditors have given a qualified opinion so far as re-instatement of liability in respect of ECB is concerned (Refer Note 32, page no. 30 to Financial Statements). The Company had raised ECB of US\$ 16.66 million in December, 2011 and drawdown of the same happened at conversion rate of Rs. 52.48 per US\$. As on 30th June, 2012 the liability in respect of the said ECB was reinstated as the rupee had depreciated to a level of Rs. 55.61 per US\$ on that date.</p> <p>Management Response: As on 31st March, 2013, while following the conservative approach, the management of the Company did not provide for notional foreign exchange gains amounting to Rs. 220 lac arising because of appreciation of rupee and decided to carry the liability in respect of ECB at a level determined as on 30th June, 2012.</p>
6.	Additional comments from the Board/ Audit committee chair	No
7.	To be signed by: <ul style="list-style-type: none">• CEO/Managing Director• CFO• Auditor of the Company• Audit Committee Chairman	