

**BOARD OF DIRECTORS**

Chairman and Managing Director  
Mr. Krishan Kumar Goyal,

Mr. D.S. Gill, Independent Director  
Dr. Priyavrat Thareja, Independent Director  
Prof. Satish Kumar Kapoor, Independent Director  
Dr. Meena Sharma, Independent Director

**GM(SECT.) & COMPANY SECRETARY**

Mr. Ashish Kumar Sharma

**CHIEF FINANCIAL OFFICER**

Mr. Divnain Singh Chowdhary

**AUDITORS**

M/s. Aaryaa & Associates  
Chartered Accountants

**LENDERS**

Edelweiss Asset Reconstruction Company Ltd.  
Punjab National Bank

**CORPORATE OFFICE**

SCO 98-99, Sub City Centre,  
Sector 34, Chandigarh-160 022, India

**REGISTERED OFFICE & WORKS**

G.T. Road, Mandi Gobindgarh,  
Distt. Fatehgarh Sahib, Punjab - 147 301, India

**REGISTRARS & SHARE TRANSFER AGENTS**

M/s. MCS Share Transfer Agent Limited  
F-65, First Floor, Okhla Industrial Area, Phase 1,  
New Delhi-110 020

**CONTENTS**

Director's Report .....	2
Corporate Governance Report .....	14
Independent Auditor's Report .....	24
Balance Sheet .....	30
Statement of Profit & Loss.....	31
Cash Flow Statement .....	32
Notes .....	33

**DIRECTORS' REPORT**

Dear Members,

Your Directors hereby present their 46<sup>th</sup> Annual Report and Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2020.

**FINANCIAL SUMMARY**

Rs. in Lakhs

Particulars	Year Ended 31.03.2020	Year Ended 31.03.2019
Net Sales & Income from Operations	21184	32342
Operating Profit/(Loss)	(4553)	(1827)
Finance Cost	39	177
Cash Profit/(Loss)	(4592)	(2004)
Depreciation & Amortisation	486	517
Profit/(Loss) before Tax	(5078)	(2521)

**PERFORMANCE**

During the year under review, the company achieved net sales of Rs. 21184 Lakhs as against Rs. 32342 Lakhs in the previous year and resulting into net loss of Rs. 5078 Lakhs against the net loss of Rs. 2521 Lakhs in the previous year.

The fiscal year witnessed slow-down in the Auto sector. Further, as the members are aware that the Company is facing liquidity crunch, therefore we could not pick up the volumes and profits could not be achieved. In view of acute liquidity crunch, the production got drastically reduced making the operations un-economical. However, to OEMs, where we are committed, we were able to supply them so that their production line doesn't get hampered.

In view of low volume purchase & financial difficulties, the input cost also got affected.

**DIVIDEND**

Due to the difficult financial position and the losses suffered by the Company, the Directors have not recommended any dividend for the year.

**CURRENT OPERATIONS**

The year started with a huge challenge before humanity with the onset of COVID-19 which lead to lockdown throughout the Country. Due to the same, the company's operations also came to a standstill. The first quarter was completely washed out. In the second quarter, though the Company was getting orders but the operations could be started at minimal

quantity due to inherent problem of liquidity/ financial difficulty.

The current half year sales is Rs.22,94 Lacs against last half yearly sales of Rs.1,38,41 Lacs.

**STATUS OF COMPANY'S ACCOUNTS WITH LENDERS I.E. EDELWEISS ASSET RECONSTRUCTION COMPANY (EARC) AND PUNJAB NATIONAL BANK**

The members are aware that the Account of the Company became NPA and the Company has been trying to find out resolution with the lenders.

**Business Transfer Agreement (BTA) / Slump Sale Execution**

The management of the Company has been able to reach at a common understanding with the purchaser for sale of its assets on "Slump Sale basis" to M/s Arjas Steels Private Limited having its registered office at Tadipatri Mandal, Ananthpur Village Jambulapadu, Andhra Pradesh for a consideration of Rs.86 Crores.

On 15<sup>th</sup> November 2020, the BTA had been executed between M/s Arjas Steel Private Limited / Arjas Modern Steel Private Limited (purchaser), Modern Steels Limited (seller), Promoters (Mr. Krishan Kumar Goyal and Mr. Aditya Goyal).

The whole transaction is expected to be completed on or before 15<sup>th</sup> March, 2021.

**Edelweiss Asset Reconstruction Company (EARC)**

The Company was in prolonged discussion with EARC for the settlement of its debt. Finally, the Company had given its proposal for One Time settlement (OTS). This is to further inform that Edelweiss Asset Reconstruction Company (EARC), lead lender has given its final approval for the OTS. As per the lenders requirement, the Company was able to mobilize funds from purchaser and deposited Rs. 8 crores with EARC as upfront amount.

**Punjab National Bank**

The Company has also given its proposal for One Time Settlement to Punjab National Bank (PNB) which is under their consideration. As per commitment, the Company has deposited Rs. 1 Crore in the Bank's no lien account from the purchaser.

**KAIZEN & TS 16949 ACCREDITATION**

Your company has updated the accreditation of Quality Management System on 30th November,2018. Now we are IATF 16949:2016, accredited by DNV – GL, Netherlands.

**DEPOSITS**

The Company has neither accepted nor invited any deposit from the public and hence directives issued by Reserve Bank of India and the provisions of Chapter V (Acceptance of deposits by Companies) of the Companies Act, 2013 and rules framed there under are not applicable for the year.

**CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSIONS & ANALYSIS**

A separate report on Corporate Governance and Management Discussions & Analysis is attached herewith and forms part of this report.

**DIRECTORS**

Mr. Krishan Kumar Goyal (DIN: 00482035), Chairman & Managing Director of the Company was appointed for a period of three years w.e.f 1<sup>st</sup> April, 2017 and is to be re-appointed for a further period of three years w.e.f. 1<sup>st</sup> April, 2020 in terms of the provisions of Companies Act, 2013.

Mr. Krishan Kumar Goyal, Chairman & Managing Director, (DIN: 00482035), shall retire by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. Rajesh Kumar Sinha (DIN: 00556694) was appointed for a period of five years w.e.f 28<sup>th</sup> May, 2015 and his tenure expired on 27<sup>th</sup> May, 2020. The Board expressed its appreciation for the services rendered by him during his tenure.

Pursuant to provisions of Section 161 and Section 149 of the Companies Act, 2013, Prof. Satish Kumar Kapoor (DIN: 00009122) is appointed as an Additional Independent Director by the Board of Directors w.e.f 14<sup>th</sup> October, 2020 upto this Annual General Meeting. In this AGM, he is to be appointed for a period of three years upto the conclusion of AGM to be held in the year 2023.

Pursuant to provisions of Section 149 of the Companies Act, 2013, Mr. DS Gill (DIN: 00211236) and Dr. Priyavrat Thareja (DIN: 06984057) were appointed as Independent Directors of the Company w.e.f 29<sup>th</sup> September, 2014 and were further re-appointed for a further period of three years w.e.f 9<sup>th</sup> September, 2017 and hence their tenure is expiring in this Annual General Meeting.

The board placed on record its appreciation for the valuable contribution and the services rendered by Mr. DS Gill and Dr. Priyavrat Thareja during their tenure as Directors. The Board expressed its gratitude for their able guidance during their association with the company.

**KEY MANAGERIAL PERSONNEL**

Mr. Krishan Kumar Goyal (Chairman and Managing Director), Mr. Rajesh Kumar Sinha (Whole time Director), Mr. Sanjeev Kumar Verma\* (Chief Financial Officer) and Mr. Ashish Kumar Sharma (Company Secretary) are the Key Managerial Personnel of your Company in accordance with the provisions of Section 2(51), 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

During the year under review, Mr. Ashish Kumar Sharma, Company Secretary and Compliance Officer joined again the Company w.e.f 1<sup>st</sup> October, 2019.

\*Mr. Sanjeev Kumar Verma has resigned from the Company. Mr. Divnain Singh Chowdhary has been appointed as Chief Financial Officer w.e.f 1<sup>st</sup> October, 2020.

**DECLARATION BY INDEPENDENT DIRECTORS**

The Company has received the necessary declaration from each Independent Director in accordance with Section 149(7) of the Companies Act, 2013 read with the rules made thereunder and Regulation 25 (8) of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, that they meet the criteria of independence as laid out in Subsection (6) of Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**BOARD DIVERSITY AND REMUNERATION POLICY**

The Company has a policy for formation of the Board to have Executive Directors and Independent Directors of diverse background to maintain the independence of the Board. As on 31<sup>st</sup> March, 2020, the Board consists of five directors out of which two are Executive Directors, and three are Independent Directors.

The Board periodically evaluates the need for change in its composition and size.

We affirm that the remuneration paid to the Directors is as per the terms approved by the Nomination and Remuneration Committee of the Company.

With reference to the provisions of Section 136(1) of the Companies Act, 2013, information required under Section 197(2) read with rule 5(1) not forms part of this report. However, no employees were employed throughout the Financial Year or part thereof drawing remuneration pursuant to the provision of 197(2) read with rule 5(2).

**HUMAN RESOURCES**

The Company is having motivated work force. Harmonious employee relations prevailed throughout the year.



Your Directors place on record their appreciation for all employees for their hard work and dedication.

**BOARD MEETINGS**

During the year, five Board Meetings were convened and held, the details of which are given in the Corporate Governance Report.

**ANNUAL EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS**

In pursuance of Section 134 (3) (p) of the Companies Act, 2013 read with rules made thereunder, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors carried out the performance evaluation of the Board as a whole, its Committees and individual directors. Led by the Nomination & Remuneration Committee ('NRC'), the evaluation was carried out using individual questionnaires covering composition of Board, conduct as per Company values & beliefs, contribution towards development of strategy & business plan, risk management, receipt of regular inputs and information, codes & policies for strengthening governance, functioning, performance & structure of Board Committees, skill set, knowledge & expertise of Directors, preparation & contribution at Board meetings, leadership etc.

As part of the evaluation process, the performance of Non Independent Directors, the Chairman and the Board was conducted by the Independent Directors. The performance evaluation of the respective Committees and that of Independent and Non Independent Directors was done by the Board excluding the Director being evaluated.

**RELATED PARTY TRANSACTIONS**

All contracts or arrangements entered into by the Company with Related Parties have been done at arm's length and are in the ordinary course of business. Related Party disclosures as per AS-18 have been provided in the Notes to the Financial Statements. Pursuant to Section 134 of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of such transactions are provided in Form AOC-2 which is annexed as Annexure "A" to this report. Related Party disclosures as per AS-18 have been provided in the Notes to the financial statements.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts)

Rules, 2014 is annexed herewith as Annexure "B" to this report.

**RISK MANAGEMENT**

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and efficient manner. The Company has formulated Risk Management Policy to identify and then manage threats/risks that could have impact on the goals and objectives of the Company.

**VIGIL MECHANISM/ WHISTLE BLOWER POLICY**

Your Company is committed to highest standards of ethical, moral and legal business conduct. Accordingly, the Board of Directors have formulated Vigil Mechanism/ Whistle Blower Policy which provides a robust framework for dealing with genuine concerns & grievances.

Specifically, employees can raise concerns regarding any discrimination, harassment, victimization, any other unfair practice being adopted against them or any instances of fraud by or against your Company. During financial year 2019-20, no complaints were received.

**INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Modern Steels Limited has aligned its current systems of internal financial control with the requirement of Companies Act, 2013.

Modern Steels Limited's internal controls are commensurate with its size and nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorisation and ensuring compliance of corporate policies.

The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) as of 31<sup>st</sup> March, 2020. The assessment involved self-review and external audit.

M/s Aaryaa & Associates, the statutory auditors of Modern Steels Limited have audited the financial statements including in this annual report and has issued an attestation report on our internal control over financial reporting (as defined in Section 143).

The Audit Committee reviews reports submitted by the management and audit reports submitted by internal auditors and statutory auditors. Suggestions for improvement are considered and the audit committee follows up on corrective action.

Based on its evaluations (as defined in Section 177 of Companies Act, 2013 and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015), the Audit Committee has concluded that, as of 31<sup>st</sup> March, 2020, the internal financial controls were adequate and operating effectively.

#### **AUDIT COMMITTEE**

The Audit Committee of your Company comprises of the following Directors:

1. Mr. D.S. Gill-Chairman
2. Prof. Priyavrat Thareja-Member
3. Mr. R.K. Sinha-Member (Ceased to be the member w.e.f 27<sup>th</sup> May, 2020)
4. Dr. Meena Sharma-Member (Appointed as the member w.e.f 28<sup>th</sup> May, 2020)
5. Prof. Satish Kumar Kapoor-Member (Appointed as the member w.e.f 14<sup>th</sup> October, 2020)

Further, details of the Audit Committee and its terms of reference etc. have been furnished in Corporate Governance Report which forms part of this report.

During the Financial Year 2019-20 under review, all recommendations of the Audit Committee were accepted by the Board of Directors of the Company.

#### **AUDITORS**

##### **Statutory Auditors**

Pursuant to Section 139 and 142 and other applicable provisions of Companies Act, 2013, if any and the rules framed thereunder, M/s. Aaryaa & Associates, Chartered Accountants, (Registration No. 015935N), were re-appointed as Statutory Auditors of the Company at 45<sup>th</sup> Annual General Meeting for a period of three years till the conclusion of the 48<sup>th</sup> Annual General Meeting to be held in the year 2022 at a remuneration mutually agreed between the Board of Directors of the Company and the Statutory Auditors.

##### **Cost Auditors**

The Board of Directors have approved the appointment and remuneration of M/s. V. Kumar & Associates as Cost Auditors of the Company to conduct the cost audit for the year 2020-21 on the recommendations of the Audit Committee subject to the ratification of the remuneration by the shareholders.

#### **Secretarial Auditors**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with rules made thereunder, the Board of Directors had appointed M/s. B.K. Gupta & Associates, Company Secretaries as Secretarial Auditor of the Company for the financial year 2019-20 for conducting the Secretarial Audit as required under the provisions of Companies Act, 2013.

The Secretarial Audit Report issued by M/s. B.K. Gupta & Associates, Company Secretaries in Form MR-3 for the financial year ended 31<sup>st</sup> March, 2020 is annexed herewith as Annexure "C" to this report.

#### **AUDITOR'S REPORT**

The Statutory Auditors of the Company, M/s. Aaryaa & Associates, Chartered Accountants, have submitted the Auditor's Report which has observation on Standalone Financial Statements for the period ended March 31, 2020 as follows:

Director's remuneration is not admissible as prescribed in Sec-197 of Companies Act, 2013 except in accordance with the provision of Schedule V and if it is not able to comply with such provisions, the prior approval of lenders is required.

The Company is not eligible to pay director remuneration for non-compliance of conditions prescribed in schedule V of the companies Act, 2013. During the year, the company has given the director remuneration to Mr. Krishan Kumar Goyal (Managing Director) amounting to Rs. 17,83,328 and Mr. R.K Sinha (Director) amounting to Rs. 35,15,350.

Apart from the managerial remuneration for year ended 31<sup>st</sup> March, 2020, as mentioned above the company has paid director remuneration of Rs. 1,66,56,048 till 31<sup>st</sup> March, 2019 without complying the provisions of Schedule V of the companies Act, 2013.

#### **Management's Reply:**

The company has paid Managerial Remuneration amounting to Rs.52,98,678/-, to directors for which the company is yet to receive approval from the competent authority/agency. Directors undertake that in case the approval is not received from the competent authority/ agency, they shall refund the remuneration paid to them by the company. Profitability of the company shall affect to the same extent.

#### **Secretarial Auditors' Qualification in Secretarial Audit Report**

- The Company also not Complied with Section 197 of Companies Act 2013 in respect of remuneration paid to Managerial Personal of the Company.

**Management's Reply:**

Directors undertake that in case the approval is not received from the competent authority/agency, they shall refund the remuneration paid to them by the company. Profitability of the company shall affect to the same extent.

**EXTRACT OF ANNUAL RETURN**

In compliance with Section 92(3), Section 134(3)(a) and Rule 12 of the Companies (Management and Administration) Rules, 2014 the extract of the annual return in Form No. MGT-9 is annexed as ANNEXURE D with this report.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

Particulars of Loans, Guarantees and Investments covered under Section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in the Annual Report.

**MATERIAL CHANGES AND COMMITMENTS, IF ANY AFFECTING FINANCIAL POSITION OF THE COMPANY**

The material changes and commitments occurring after 31<sup>st</sup> March, 2020 have been given under status of company's accounts with lenders on page 2.

**SIGNIFICANT AND MATERIAL ORDERS**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

**DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013**

Your Company has in place a policy on Prevention of Sexual Harassment at workplace. This policy is in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees are covered under this Policy.

As per the said Policy, an Internal Complaints Committee is also in place to redress complaints received regarding sexual harassment. No complaints were received during financial year 2019-20.

**COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company is compliant with the applicable Secretarial Standards (SS) viz. SS-1 & SS-2 on Meetings of the Board of Directors and General Meetings respectively.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to requirements under Section 134(3)(c) of the Companies Act, 2013 with respect to Directors Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and 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 31<sup>st</sup> March, 2020 and of the loss of the Company for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts for the year ended 31<sup>st</sup> March, 2020, on a 'going concern' basis;
- v) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- vi) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

**APPRECIATION**

The Directors also wish to place on record its appreciation for the commitment displayed by all employees at all levels during the year.

The Directors also take this opportunity to express its deep gratitude for the continued co-operation and support received from its valued stakeholders.

By order of the Board of Directors  
For Modern Steels Limited

Krishan Kumar Goyal

Place: Chandigarh Chairman and Managing Director

Dated: 25<sup>th</sup> November, 2020

DIN: 00482035

**MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT**

The Company is secondary producer of special and alloy steel through steel scrap as its main raw material and caters mainly to Automotives and Engineering sector.

### 1. Industry's Structure and Developments

There has been massive push by the Government to every connectivity avenue including industrial corridor, dedicated freight corridors, Bharat Mala, Sagar Mala towards achieving the goal of becoming 5 trillion \$ economy by 2024. The infrastructure and construction industry are the biggest consumer of steel. The auto sector is very important consumer of special and alloy steel. The other industry like power, aerospace, defense have started using more and more special steel thereby giving big boost.

### 2. Opportunities & Threats

Key Opportunities include:

- Infrastructure sector is going to rebound in view of focused investment by the government.
- High special steel requirement for aerospace and defense application.

Key Threats include:

- Scrap prices are prone to volatility

### 3. Risks and concerns, the management perceives

- Raw material volatility

### 4. Internal control system and their adequacy

To provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements, management maintains a system of accounting and controls including an internal audit process. Internal controls are supported by Management reviews.

The Board of Directors have an Audit Committee that is chaired by an Independent Director. The Committee meets periodically with Management, Internal Auditor, Statutory Auditors to review the Company's program of internal controls, audit plans and results, recommendations of the auditors and management's responses to those recommendations.

### 5. Performance

During the year under review, the company achieved net sales of Rs. 21184 Lakhs as against Rs. 32342 Lakhs in the previous year and resulting into net loss of Rs. 5078 Lakhs against the net loss of Rs. 2521 Lakhs in the previous year.

The fiscal year witnessed slow-down in the Auto sector. Further, as the members are aware that the Company is facing liquidity crunch, therefore we could not pick up the volumes and profits could not be achieved. In view of acute liquidity crunch, the production got drastically reduced making the operations un-economical. However, to OEMs, where we are committed, we were

able to supply them so that their production line doesn't get hampered.

In view of low volume purchase & financial difficulties, the input cost also got affected.

### 6. Human Resources

Human resources are the most valuable assets of the Company and the Company recognizes employees' contributions to the growth of the Company. The Company is having professionalized and motivated work force. Company's manpower was rationalized keeping in view of less equipment utilization. As on 31st March, 2020, the Company has a total workforce of 817 persons.

### 7. Cautionary statement

The Management Discussion and Analysis Report may contain statements that might be considered forward looking. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statement as important factors could influence the Company's operations such as Government policies, political and economic developments and such other factors are risk inherent to the Company's growth.

By order of the Board of Directors

For Modern Steels Limited

Krishan Kumar Goyal

Place: Chandigarh Chairman and Managing Director

Dated: 25<sup>th</sup> November, 2020

DIN: 00482035

## ANNEXURE 'A' TO DIRECTORS' REPORT

### Form No. AOC-2

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

**Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis
  - No such contract or arrangement.



2. Details of material contracts or arrangement or transactions at arm's length basis:

(a) Name(s) of the related party and nature of relationship	Nabha Commerce Private Limited Mr. Krishan Kumar Goyal (Managing Director) and his relatives are shareholders of Nabha Commerce Private Limited.
b) Nature of contracts/ arrangements/ transactions	(Purchase / Sale of scrap, rolled products)
c) Duration of the contracts / arrangements/ transactions	During the year
d) Salient terms of the contracts or arrangements or transactions including the value, if any:	The Company is engaged in the sale / purchase of scrap, rolled products in the normal course of business at arm's length basis.
e) Date(s) of approval by the Board, if any:	At quarterly board meetings
f) Amount paid as advances, if any:	Nil

By order of the Board of Directors  
For Modern Steels Limited

Krishan Kumar Goyal

Place: Chandigarh Chairman and Managing Director

Dated: 25<sup>th</sup> November, 2020

DIN: 00482035

**ANNEXURE 'B' TO DIRECTORS' REPORT**

Information as per Section 134(3)(m) of the Companies Act, 2013 read with rule 8 of the Companies (Accounts) Rules, 2014 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2020.

**FORM 'A'**

	Current Year 2019-20	Previous Year 2018-19
<b>A) Power and Fuel Consumption</b>		
1. Electricity		
Purchased Units (kwh)	4,11,83,990	5,60,64,000
Total Amount Rs.	31,94,70,406	40,47,21,779
Rate Per unit Rs.	7.76	7.22
2. Fuel		
Quantity (Kgs)/kl	9,71,782	13,56,243
Total Amount Rs.	4,10,21,651	5,62,63,247

Rate Per Unit Rs.	42.21	41.48
3. Steam Coal(Gasifire)		
Quantity (Kgs)	45,35,419	81,48,716
Total Amount Rs.	4,89,27,262	9,13,56,945
Rate Per Unit Rs.	10.79	11.21
<b>B) Consumption Per Unit of Production</b>		
1. Production (Concast Billets) MT	26,866	38,227
a. Electricity Units	850	851
b. Furnace Oil (Kgs)	21.19	21
2. Production (Ingots) MT	6,750	11,559
a. Electricity Units	769	768
b. Furnace Oil (Kgs)	5.51	5
3. Production (Rolled Products with Oil) MT	-	1,406
4. Production (Rolled Products with Coal) MT	28,608	44,315
a. Electricity Units	87	86
b. Steam Coal(Kgs)-Gasifire	159	178
c. Furnace Oil (Kgs)	-	52

**FORM 'B'**

**1. RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company is regularly working on the continual improvement of its products looking at its customers/ market requirements.

**2. FOREIGN EXCHANGE EARNING AND OUTGO**

Particulars with regard to Foreign Exchange earnings and outgo appear on the relevant note of the Balance Sheet.

By order of the Board of Directors  
For Modern Steels Limited

Krishan Kumar Goyal

Place: Chandigarh Chairman and Managing Director

Dated: 25<sup>th</sup> November, 2020

DIN: 00482035

**ANNEXURE 'C' TO DIRECTORS' REPORT**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2020**

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

To  
The Members  
MODERN STEEL LTD.  
G T ROAD MANDI GOBINDGARH  
PUNJAB PB IN

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by MODERN STEEL LTD. (hereinafter called the Company). Secretarial Audit was



conducted in a manner that provided to us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2020 complied with the statutory provisions listed here under and also that the company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Company for the financial year ended on 31<sup>st</sup> March, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 - Not Applicable during audit period;
  - e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - Not applicable during the audit period;
  - f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008-Not applicable during the audit period;
  - g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009-

Not Applicable during the audit period; and

- i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - Not Applicable during the audit period;
- (vi) We have relied on the representation made by the Company & its Officers for system and mechanism formed by the Company for compliances under other applicable Acts as Environmental Laws & Labour Laws as per list attached herewith.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with BSE Limited (BSE);

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

#### **We further report that**

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

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

As required under Section 149 (8) read with Para VII (1) of Schedule IV of Companies Act, 2013 as well as Regulation 25 (3) of SEBI (LODR) Regulation 2015, The independent directors of the company/listed entity shall hold at least one meeting in a financial year without the presence of non-independent directors and members of the management.

In respect of meeting of Independent Directors, Company availed relaxation from holding Independent Director's Meeting during F.Y. 2019-20, as per General Circular No. 11/2020 issued by Ministry of Corporate Affairs (MCA) dated 24<sup>th</sup> March 2020.

#### **Observation:**

- The Company also not Complied with Section 197 of Companies Act 2013 in respect of remuneration paid to Managerial Personnel of the Company.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance



with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the company has not made any decisions which are having major bearing in the Company's affair in pursuance of above referred laws, rules, regulation, guidelines, standards, etc.

**Place: Chandigarh For B.K. Gupta & Associates**  
**Date: 18<sup>th</sup> November, 2020 Company Secretaries**

(CS Bhupesh Gupta)

FCS No.:4590

C P No.:5708

UDIN: F004590B001246479

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

## **LIST OF LABOUR LAWS AND ENVIRONMENTAL LAWS WHICH HAVE BEEN VERIFIED DURING AUDIT PERIOD**

### **List of Labour Laws**

Factories Act, 1948  
Industrial Disputes Act, 1947  
The Payment of Wages Act, 1936  
The Minimum Wages Act, 1948  
Employee's State Insurance Act 1948  
The Payment of Bonus Act, 1972  
The Contract Labour (Regulation and Abolition) Act, 1970  
The Apprentices Act, 1961

### **List of Environmental Laws**

Environment (Protection) Act, 1986  
The Public Liability Insurance Act, 1991  
Water (Prevention and Control of Pollution) Act, 1974  
Air (Prevention and Control of Pollution) Act, 1981  
Hazardous Waste (Management, Handling and Transboundary Movements) Rules, 2008

## **ANNEXURE:-A**

To  
THE MEMBERS  
MODERN STEELS LIMITED  
G.T. ROAD,  
MANDI GOBINDGARH  
PUNJAB

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Place: Chandigarh For B.K. Gupta & Associates**  
**Date: 18<sup>th</sup> November, 2020 Company Secretaries**

(CS Bhupesh Gupta)

FCS No.:4590

C P No.:5708

## ANNEXURE 'D' TO DIRECTORS' REPORT

Form No. MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March, 2020

(Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014)

## I. REGISTRATION AND OTHER DETAILS:

i) CIN	L27109PB1973PLC003358
ii) Registration Date	19 <sup>th</sup> November, 1973
iii) Name of the Company	Modern Steels Limited
iv) Category / Sub-Category of the Company	Public Limited/Listed Company
v) Address of the Registered office and contact details	GT Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab - 147301 Tel: 01765-257991
vi) Whether listed Company	Yes
vii) Name, Address and Contact details of Registrar and Transfer Agent	MCS Share Transfer Agent Limited F- 65, First Floor, Okhla Industrial Area Phase-I, New Delhi - 110 020. Tel.No. : +91-11- 41406149, Fax No.: +91-11- 41709881, E-mail : admin@mcsregistrars.com, Website: www.mcsregistrars.com

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and Description of main products / services	NIC Code of the Product / Service	% to total turnover of the Company
1	Alloy Bars / Rounds	24105	70%
2.	Non Alloy Bars / Rounds	28140	30%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES - NIL

## IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of total Equity)

i) Category-wise Shareholding									
Category of Shareholders	No. of shares held at the beginning of the year (as on 1 <sup>st</sup> April, 2019)				No. of shares held at the end of the year (as on 31 <sup>st</sup> March, 2020)				% change during the year
	Demat	Physical	Total	%	Demat	Physical	Total	%	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual /HUF	6885859	-	6885859	50.03	6885859	-	6885859	50.03	-
b) Bodies Corporate	2133077	-	2133077	15.50	2133077	-	2133077	15.50	-
<b>Sub Total (A):-</b>	<b>9018936</b>	<b>-</b>	<b>9018936</b>	<b>65.53</b>	<b>9018936</b>	<b>-</b>	<b>9018936</b>	<b>65.53</b>	<b>-</b>
<b>Total shareholding of Promoter (A)</b>	<b>9018936</b>	<b>-</b>	<b>9018936</b>	<b>65.53</b>	<b>9018936</b>	<b>-</b>	<b>9018936</b>	<b>65.53</b>	<b>-</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	3600	2400	6000	0.04	3600	2400	6000	0.04	-
b) Banks / FI	-	1000	1000	0.01	-	1000	1000	0.01	-
<b>Sub Total (B)(1):-</b>	<b>3600</b>	<b>3400</b>	<b>7000</b>	<b>0.05</b>	<b>3600</b>	<b>3400</b>	<b>7000</b>	<b>0.05</b>	<b>-</b>
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	163986	43300	207286	1.51	58912	43300	102212	0.74	-0.76
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs 1 lakhs	1752158	748905	2501063	18.17	1784010	738205	2522215	18.33	0.15
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakhs.	1978555	21000	1999555	14.53	2064517	21000	2085517	15.15	0.62
c) Others (Specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	28519	-	28519	0.21	26479	-	26479	0.19	-0.01
<b>Sub Total (B)(2):-</b>	<b>3923218</b>	<b>813205</b>	<b>4736423</b>	<b>34.42</b>	<b>3933918</b>	<b>802505</b>	<b>4736423</b>	<b>34.42</b>	<b>-</b>



# MODERN STEELS LIMITED

Category of Shareholders	No. of shares held at the beginning of the year (as on 1 <sup>st</sup> April, 2019)				No. of shares held at the end of the year (as on 31 <sup>st</sup> March, 2020)				% change during the year
	Demat	Physical	Total	%	Demat	Physical	Total	%	
Total Public Shareholding (B) = (B)(1) + (B) (2)	3926818	816605	4743423	34.47	3937518	805905	4743423	34.47	-
C. Shares held by custodian for CDRs and ADRs	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>12945754</b>	<b>816605</b>	<b>13762359</b>	<b>100.00</b>	<b>12956454</b>	<b>805905</b>	<b>13762359</b>	<b>100.00</b>	<b>-</b>

## (ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (as on 1 <sup>st</sup> April, 2019)			Shareholding at the end of the year (as on 31 <sup>st</sup> March, 2020)			% change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged / encumbered to total shares held	No. of shares	% of total shares of the Company	% of shares pledged / encumbered to total shares held	
1.	Krishan Kumar Goyal	2496179	18.14	100	2496179	18.14	100	-
2.	Alka Goyal	1488840	10.82	100	1488840	10.82	100	-
3.	Amarjit Goyal	1189250	8.64	100	1189250	8.64	100	-
4.	Nabha Commerce Pvt Ltd.	837750	6.09	100	837750	6.09	100	-
5.	Aditya Goyal	795590	5.78	100	795590	5.78	100	-
6.	Chandigarh Finance Pvt Ltd	380625	2.77	100	380625	2.77	100	-
7.	Krishan Kumar Goyal (HUF)	546000	3.97	100	546000	3.97	100	-
8.	Amarjit Goyal (HUF)	370000	2.69	100	370000	2.69	100	-
9.	Times Finvest & Commerce Limited	234702	1.71	100	234702	1.71	100	-
10.	Indo Pacific Finlease Limited	680000	4.94	100	680000	4.94	100	-
<b>Total</b>		<b>9018936</b>	<b>65.53</b>	<b>100</b>	<b>9018936</b>	<b>65.53</b>	<b>100</b>	<b>-</b>

## iii. Change in Promoters Shareholding (please specify if there is any change)

There is no change in the Promoter's shareholding during the year.

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	Name of the shareholder	Shareholding at the beginning of the year (as on 1 <sup>st</sup> April, 2019)		Date on which purchase/sale made	Purchase during the year	Sale during the year	Cumulative shareholding at the end of the year (as on 31 <sup>st</sup> March, 2020)	
		No. of shares	% of total shares of the Company				No. of shares	% of total shares of the Company
1.	Ajay Goyal	469135	3.41	-	-	-	469135	3.41
2.	Veenu Garg	366707	2.66	-	-	-	366707	2.66
3.	Laven Kumar Goyal	195672	1.42	-	-	-	195672	1.42
4.	Vijay Garg	187921	1.37	-	-	-	187921	1.37
5.	Jaynali Khetan	46870	0.34	06.12.2019	41999	-	88869	0.65
6.	Ajay Goyal	45000	0.33	-	-	-	45000	0.33
7.	Hina Dhirajjal Ambani	44000	0.32	-	-	-	44000	0.32
8.	Kamal Leasing Limited	40750	0.30	-	-	-	40750	0.30
9.	Ashadevi Rajendrakumar Agarwal	38835	0.28	06.12.2019	-	40	38795	0.28
10.	Nitin Garg*	-	-	27.12.2019	33003	-	33003	0.24
11.	Karvy Stock Broking Limited#	84614	0.61	12.07.2019	-	1000	1600	0.01
				06.12.2019	-	41999		
				13.12.2019	-	40015		

\*Not in the list of top 10 shareholders as on 01/04/2019. The same has been reflected above since the shareholders were one of the top 10 shareholders as on 31/03/2020.

#Ceased to be in the list of top 10 shareholders as on 31/03/2020. The same has been reflected above since the shareholder was one of the top 10 shareholders as on 01/04/2019

## (v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Name of the shareholder	Shareholding at the beginning of the year (as on 1st April, 2019)		Purchase during the year	Sale during the year	Cumulative Shareholding at the end of the year (as on 31 <sup>st</sup> March, 2020)	
		No. of shares	% of total shares of the Company	No. of shares	No. of shares	No. of shares	% of total shares of the Company
1.	Mr. Krishan Kumar Goyal	2496179	18.14	-	-	2496179	18.14
2.	Mr. D.S. Gill	500	-	-	-	500	-
3.	Mr. Priyavrat Thareja	250	-	-	-	250	-

No other Director / KMP / Company Secretary is holding any shares in the Company during the year.

**V. INDEBTEDNESS**

**Indebtedness of the Company including interest outstanding/accrued but not due for payment (Amount in Rs.)**

	Secured Loans excluding deposits	Working Capital Loans	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year (as on 1<sup>st</sup> April, 2019)</b>					
i) Principal Amount	76,24,67,913	1,06,61,46,754	1,31,35,931	-	1,84,17,50,598
ii) Interest due but not paid	1,35,65,974	-	-	-	1,35,65,974
iii) Interest accrued but not due	1,37,71,193	-	-	-	1,37,71,193
<b>Total (i+ii+iii)</b>	<b>78,98,05,080</b>	<b>1,06,61,46,754</b>	<b>1,31,35,931</b>	<b>-</b>	<b>1,86,90,87,765</b>
<b>Change in indebtedness during the financial year</b>					
- Addition	-	-	1,75,97,353	-	1,75,97,353
- Reduction	1,37,71,193	2,05,61,966	60,00,000	-	4,03,33,159
<b>Net change</b>	<b>1,37,71,193</b>	<b>2,05,61,966</b>	<b>1,15,97,353</b>	<b>-</b>	<b>-2,27,35,806</b>
<b>Indebtedness at the end of the financial year (as on 31<sup>st</sup> March, 2020)</b>					
i) Principal Amount	76,24,67,912	1,04,55,84,788	2,47,33,284	-	1,83,27,85,984
ii) Interest due but not paid	1,35,65,974	-	-	-	1,35,65,974
iii) Interest accrued but not due	-	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>7,76,033,886</b>	<b>1,04,55,84,788</b>	<b>2,47,33,284</b>	<b>-</b>	<b>1,84,63,51,958</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The remuneration of Directors and Key Managerial Personnel appears in the Corporate Governance Report.

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

The penalty as imposed by BSE appears in the Corporate Governance Report.

For and on behalf of the Board

Place: Chandigarh  
Dated: 25<sup>th</sup> November, 2020

Krishan Kumar Goyal  
Chairman and Managing Director  
DIN: 00482035

**CORPORATE GOVERNANCE REPORT**

In line with the requirement for providing a “Report on Corporate Governance” as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchanges as applicable, given below is a report on the Company’s Corporate Governance norms.

**1. COMPANY’S PHILOSOPHY ON CODE OF GOVERNANCE**

Modern Steels Limited is committed in adopting the best practices of Corporate Governance. The Company endeavors to act on the principles of transparency, accountability, trusteeship, integrity and passion. The ultimate objective being of realizing long term shareholder value, while taking into account the interest of other stakeholders.

**2. BOARD OF DIRECTORS****A. Composition and category of the Board of Directors**

A list of Directors including the Chairman of the Board and their status as Executive / Non-Executive and Independent / Non-Independent during the year ended 31<sup>st</sup> March, 2020 is set out below:

Name of the Director	Category of the Director	No. of Board meetings attended	Last AGM attended	No. of other Directorships in Public Company	No. of Committee positions held		Relationship between Directors inter se
					Chairman	Member	
<b>Mr. Krishan Kumar Goyal*</b>	Chairman & Managing Director, Executive – Non Independent Director	5	Yes	1	-	-	NA
<b>Mr. D.S. Gill</b>	Non-Executive – Independent Director	5	Yes	-	2	-	NA
<b>Dr. Priyavrat Thareja</b>	Non-Executive – Independent Director	5	Yes	-	-	2	NA
<b>Dr. Meena Sharma</b>	Non-Executive – Independent Director	5	Yes	-	-	-	NA
<b>Mr. R.K. Sinha **</b>	Director (Operations) Executive – Non Independent Director	3	Yes	-	-	2	NA

\* Mr. Krishan Kumar Goyal is also a Chairman and Managing Director in Modern Dairies Limited.

\*\* Mr. R.K. Sinha (DIN: 00556694) was appointed for a period of five years w.e.f 28<sup>th</sup> May, 2015 and his tenure expired on 27<sup>th</sup> May, 2020.

Prof. Satish Kumar Kapoor is appointed as an Additional Independent Director by the Board of Directors w.e.f 14<sup>th</sup> October, 2020.

**Note:** In accordance with provisions of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 membership/ chairmanship of the Audit Committee and Stakeholders Relationship Committee in all Public Limited Companies (listed / unlisted) have been considered.

**B. Board Meeting and Attendance**

During the financial year ended 31<sup>st</sup> March, 2020, five meetings of Board of Directors were held. The details of Board Meetings held during the year are as under:

Date of Board Meeting	Board’s Strength	No. of Directors Present
30 <sup>th</sup> May, 2019	5	5
13 <sup>th</sup> August, 2019	5	5
30 <sup>th</sup> September, 2019	5	5
13 <sup>th</sup> November, 2019	5	4
14 <sup>th</sup> February, 2020	5	4

Mr. D.S. Gill is holding 500 equity shares in the Company and Dr. Priyavrat Thareja is holding 250 equity shares in the Company. No other Non-Executive Director is holding any shares in the Company.

**C. The Board has identified the following skills/expertise/ competencies fundamental for the effective functioning of the Company which are available with the Board:**

Industry knowledge and Experience	Understanding of the relevant laws, rules, regulation, policies applicable to the organisation.
	Understanding of the best Corporate Governance practices, relevant governance codes, governance structure, processes and practices followed by the organisation.
	Understanding of business ethics, ethical policies, codes and practices of the organisation.
	Understanding of the structures and systems which enable the organisation to effectively identify, assess and manage risk and crisis.

D. All the Directors on the Board have the above mentioned skills/expertise/ competencies.

E. The Board hereby confirms that the independent directors fulfill the conditions specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and are independent of the management.

**3. AUDIT COMMITTEE**

**a. Terms of reference of Audit Committee**

- (1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (2) recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - (b) changes, if any, in accounting policies and practices and reasons for the same;
  - (c) major accounting entries involving estimates based on the exercise of judgment by management;
  - (d) significant adjustments made in the financial statements arising out of audit findings;
  - (e) compliance with listing and other legal requirements relating to financial statements;
  - (f) disclosure of any related party transactions;
  - (g) modified opinion(s) in the draft audit report;
- (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- (6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (8) approval or any subsequent modification of transactions of the listed entity with related parties;
- (9) scrutiny of inter-corporate loans and investments;
- (10) valuation of undertakings or assets of the listed entity, wherever it is necessary;
- (11) evaluation of internal financial controls and risk management systems;
- (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (14) discussion with internal auditors of any significant findings and follow up there on;
- (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (18) to review the functioning of the whistle blower mechanism;
- (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (20) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;



(21) carrying out any other function as is mentioned in the terms of reference of the audit committee.

**The audit committee shall mandatorily review the following information:**

- (1) management discussion and analysis of financial condition and results of operations;
- (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
- (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- (6) statement of deviations:
  - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
  - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

**b. Composition of Audit Committee**

1. The Company has an Audit Committee as per provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and under Section 177 of the Companies Act, 2013.

The constitution of the Audit Committee is as under:

Name of Director	Member / Chairman
Mr. D.S. Gill	Chairman
Dr. Priyavrat Thareja	Member
Mr. R.K. Sinha (Ceased to be the member w.e.f 27 <sup>th</sup> May, 2020)	Member
Dr. Meena Sharma (Appointed as the member w.e.f 28 <sup>th</sup> May, 2020)	Member
Prof. Satish Kumar Kapoor (Appointed as the member w.e.f 14 <sup>th</sup> October, 2020)	Member

2. The Chairperson of the Audit Committee, Mr. D.S. Gill is a Non-Executive Independent Director.
3. All of the above Directors are financially literate and have accounting and related financial management expertise.
4. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer the shareholders queries.
5. The Company Secretary of the Company is the Secretary of the Audit Committee.

**c. Meetings and attendance of Audit Committee**

The Committee met four times during the year on 30<sup>th</sup> May 2019, 13<sup>th</sup> August 2019, 13<sup>th</sup> November 2019 and 14<sup>th</sup> February 2020. The status of attendance of members at the Audit Committee meetings held during the year is as under:

Name of Director	No. of Meetings held during 2019–20	No. of Meetings attended during 2019–20
Mr. D.S. Gill	4	4
Dr. Priyavrat Thareja	4	4
Mr. R.K. Sinha	4	2

**4. NOMINATION AND REMUNERATION COMMITTEE**

The Company has constituted a Nomination and Remuneration Committee as per Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**a. The terms of reference of the Committee are as follows-**

- (1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (2) formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (3) devising a policy on diversity of board of directors;
- (4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- (5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;



(6) recommend to the board, all remuneration, in whatever form, payable to senior management.

**b. Composition of Nomination and Remuneration Committee**

The constitution of the Nomination and Remuneration Committee is as under:

Name of Director	Member / Chairman
Dr. Priyavrat Thareja	Chairman
Mr. D.S. Gill	Member
Dr. Meena Sharma	Member
Prof. Satish Kumar Kapoor (Appointed as the member w.e.f 14 <sup>th</sup> October, 2020)	Member

**c. During the year, the meeting of this Committee was held on 13<sup>th</sup> August 2019 and 30<sup>th</sup> March 2020.**

Name of Director	No. of Meetings held during 2019–20	No. of Meetings attended during 2019–20
Dr. Priyavrat Thareja	2	2
Mr. D.S. Gill	2	2
Dr. Meena Sharma	2	2

**d. Performance evaluation criteria:** A formal evaluation of the performance of the Board, its Committees, the Chairman and the individual Directors was carried out for FY 2019-20. Led by the Nomination & Remuneration Committee ('NRC'), the evaluation was carried out using individual questionnaires covering composition of Board, conduct as per Company values & beliefs, contribution towards development of strategy & business plan, risk management, receipt of regular inputs and information, codes & policies for strengthening governance, functioning, performance & structure of Board Committees, skill set, knowledge & expertise of Directors, preparation & contribution at Board meetings, leadership etc.

**5. REMUNERATION OF DIRECTORS**

The Executive Directors are paid remuneration as per the terms approved by the Board of Directors and confirmed by the shareholders of the Company. Service contracts are entered into in terms of regulations governing their appointment and terms of remuneration. The remuneration is fixed considering various factors such as qualification, experience, expertise, prevailing remuneration in the competitive industries, financial position of the Company etc. The remuneration structure comprises Basic Salary, Perquisites and allowances, contribution to Provident Fund and other funds in accordance with various related provisions of the Companies Act, 2013. The Non-Executive Directors are paid sitting fee of Rs.20,000 per Board Meeting and Rs.10,000 for Committee Meetings attended by them.

**Details of Remuneration paid to the Directors during the financial year ended 31<sup>st</sup> March, 2020:**

Amount in Rs.

Name of the Director	Salary	Benefits/PF	Perquisites	Stock Option	Sitting Fee	Total
Mr. Krishan Kumar Goyal	12,50,000	9,000	5,24,328	–	–	17,83,328
Mr. D.S. Gill	–	–	–	–	1,90,000	1,90,000
Dr. Priyavrat Thareja	–	–	–	–	1,90,000	1,90,000
Dr. Meena Sharma	–	–	–	–	1,10,000	1,10,000
Mr. R.K. Sinha	30,00,000	2,71,600	2,43,750	–	–	35,15,350

**6. STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Company has formed a Stakeholders Relationship Committee as per Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**a. The role of the committee shall inter-alia include the following:**

- (1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- (2) Review of measures taken for effective exercise of voting rights by shareholders.
- (3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.



- b. The list of members and the Chairman of the Committee is as follows:

Name of Director	Member / Chairman
Mr. D.S. Gill	Chairman
Dr. Priyavrat Thareja	Member
Mr. R.K. Sinha (Ceased to be the member w.e.f 27 <sup>th</sup> May, 2020)	Member
Dr. Meena Sharma (Appointed as the member w.e.f 28 <sup>th</sup> May, 2020)	Member
Prof. Satish Kumar Kapoor (Appointed as the member w.e.f 14 <sup>th</sup> October, 2020)	Member

- c. The Chairman of the Committee Mr. D.S. Gill is a Non-Executive Independent Director nominated by the Board.  
d. The Chairperson of the Stakeholders Relationship Committee was present at the last Annual General Meeting to answer the Shareholders queries.  
e. Mr. Ashish Sharma, GM (Secretarial) & Company Secretary is Compliance Officer of the Company, w.e.f. 1<sup>st</sup> October, 2019.  
f. During the financial year ended 31<sup>st</sup> March, 2020, four meetings of the Stakeholders Relationship Committee were held on 30<sup>th</sup> May 2019, 13<sup>th</sup> August 2019, 13<sup>th</sup> November 2019 and 14<sup>th</sup> February 2020.

Name of Director	No. of Meetings held during 2019-20	No. of Meetings attended during 2019-20
Mr. D.S. Gill	4	4
Dr. Priyavrat Thareja	4	4
Mr. R.K. Sinha	4	2

- g. During the year 2019-2020, the Company has not received any complaint from the shareholders.

## 7. GENERAL BODY MEETINGS

Financial Year	Location	Date	Time
2016-17	Regd. Office: G.T. Road, Mandi Gobindgarh (Pb.)	09.09.2017	11.00 A.M.
2017-18	Regd. Office: G.T. Road, Mandi Gobindgarh (Pb.)	29.09.2018	11.00 A.M.
2018-19	Regd. Office: G.T. Road, Mandi Gobindgarh (Pb.)	30.09.2019	11.00 A.M.

Special Resolutions passed in previous three AGMs:

- (i) In the 43<sup>rd</sup> AGM dated 09.09.2017 the following Special resolutions were passed:  
a) Re-appointment of Mr. D.S. Gill (DIN: 00211236) as an Independent Director.  
b) Re-appointment of Dr. Priyavrat Thareja (DIN: 06984057) as an Independent Director.  
c) Re-appointment of Mr. Amarjit Goyal (DIN: 00219943) as Chairman and Whole Time Director of the Company.  
d) Re-appointment of Mr. Krishan Kumar Goyal (DIN: 00482035) as Managing Director of the Company.
- (ii) In the 44<sup>th</sup> AGM dated 29.09.2018, the following Special resolutions were passed:  
a) Re-appointment of Dr. Meena Sharma (DIN: 07241589) as an Independent Non- Executive Director.  
b) Review of remuneration paid to Mr. R.K. Sinha (DIN: 00556694) as Director (Operations) of the Company.
- (iii) In the 45<sup>th</sup> AGM dated 30.09.2019, the following Special resolutions were passed:  
a) To continue the directorship of Mr. Dildar Singh Gill (DIN: 00211236) as an Independent Non-Executive Director who has attained the age of 75 years above.  
b) To adopt new set of Memorandum of Association/ Articles of Association as per Companies Act, 2013  
c) Approval of remuneration paid to Mr. Krishan Kumar Goyal, as Managing Director from 1<sup>st</sup> April, 2017 pursuant to amended Section 197 of the Companies Act, 2013  
d) Approval of remuneration paid to Mr. Rajesh Kumar Sinha, as Director (Operations) from 28<sup>th</sup> May, 2018 pursuant to amended Section 197 of the Companies Act, 2013

During the year, the Company has not passed any resolution through postal ballot and as of now there is no proposal to pass any resolution through Postal Ballot.

## 8. MEANS OF COMMUNICATION

**Quarterly results:** The Quarterly /Half yearly/ Yearly results of the Company, Notice of Board Meeting and information relating to Annual General Meeting, Book Closures is published in The Financial Express and Rozana Spokesman i.e. in English and regional language newspaper and is also notified to the Stock Exchange as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In addition, the Company also files quarterly results, Shareholding Pattern etc. in such form so as to enable Stock Exchange to put it on their website.

**Website:** [www.modernsteels.com](http://www.modernsteels.com)

**Annual Report:** The Annual Report containing Audited Financial Statements, Directors' Report, Auditors' Report, Corporate Governance Report is circulated to the members by email or by post.

**BSE Corporate Compliance & Listing Centre (the 'Listing Centre'):** BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

**SEBI Complaints Redress System (SCORES):** The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

**Designated email-id:** The Company has designated following email ID exclusively for Investor Servicing: [secretarial@modernsteels.com](mailto:secretarial@modernsteels.com)

**Management Discussion and Analysis forms part of the Annual Report, which is e-mailed to the shareholders.**

## GENERAL SHAREHOLDER INFORMATION

### 1. Annual General Meeting:

Day, Date & Time: Monday, the 28<sup>th</sup> day of December, 2020 at 11.00 a.m.  
Venue: Through Video Conferencing/other Audio Visual means.

### 2. Financial Calendar for:

Adoption of Results for the quarter ended:	In the Month of (tentative)
30 <sup>th</sup> June, 2020	September, 2020 (2 <sup>nd</sup> week)
30 <sup>th</sup> September, 2020	November, 2020 (2 <sup>nd</sup> week)
31 <sup>st</sup> December, 2020	February, 2021 (2 <sup>nd</sup> Week)
31 <sup>st</sup> March, 2021	May, 2021
Annual General Meeting	September, 2021

### 3. Book Closure Date:

From 21<sup>st</sup> December, 2020 to 28<sup>th</sup> December, 2020 (both days inclusive)

### 4. Listing on Stock Exchanges:

Your Company is listed at the BSE Limited (BSE).

### 5. Stock Code:

BSE: 513303  
ISIN No. in NSDL & CDSL: INE001F01019

### 6. Stock Data:

Month	MODERN STEELS LTD. ON BSE				BSE SENSEX		
	High Rs.	Low Rs.	Close Rs.	Volume	High	Low	Close
<b>2019</b>							
April	-	-	-	-	39487.45	38460.25	39031.55
May	11.00	11.00	11.00	100	40124.96	36956.10	39714.20
June	-	-	-	-	40312.07	38870.96	39394.64



# MODERN STEELS LIMITED

July	-	-	-	-	40032.41	37128.26	37481.12
August	-	-	-	-	37807.55	36102.35	37332.79
September	-	-	-	-	39441.12	35987.80	38667.33
October	-	-	-	-	40392.22	37415.83	40129.05
November	-	-	-	-	41163.79	40014.23	40793.81
December	10.45	8.97	8.97	540	41809.96	40135.37	41253.74
<b>2020</b>							
January	-	-	-	-	42273.87	40476.55	40723.49
February	-	-	-	-	41709.30	38219.97	38297.29
March	8.53	7.50	7.50	443	39083.17	25638.90	29468.49

## 7. Registrars and Share Transfer Agents (For Physical as well as for Demat Segment):

M/s. MCS Share Transfer Agent Limited

F- 65, First Floor, Okhla Industrial Area Phase-I, New Delhi - 110 020.

Tel. No.: +91-11- 41406149 , Fax No.: +91-11- 41709881,

E-mail: admin@mcsregistrars.com, Website: www.mcsregistrars.com.

All shareholders of the Company can avail online services from our Registrars & Share Transfer Agents M/s. MCS Share Transfer Agent Limited, with regard to Investor Grievances. Please login on the site of M/s. MCS Share Transfer Agent Limited at www.mcsregistrars.com and click on Investors Services and you can register your queries / grievances and details as required by you. The registered queries/grievances on the site will be responded by M/s. MCS Share Transfer Agent Limited on priority basis.

## 8. Share transfer System:

94.14% of the equity shares of the Company are in the electronic form. Transfers of these shares are done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with M/s. MCS Share Transfer Agent Limited or with Company at above mentioned addresses.

## 9. Distribution of Shareholding as on 31<sup>st</sup> March, 2020:

SHAREHOLDING		SHAREHOLDERS		NO. OF SHARES	
From	To	Number	% of total	Number	% of total
1	500	5824	87.74	1289630	9.37
501	1000	388	5.84	313551	2.28
1001	2000	214	3.22	313162	2.27
2001	3000	47	0.71	115925	0.84
3001	4000	33	0.50	117696	0.86
4001	5000	24	0.36	112634	0.82
5001	10000	49	0.74	343607	2.50
10001	50000	40	0.60	828914	6.02
50001	100000	1	0.02	88869	0.65
100001	And Above	18	0.27	10238371	74.39
<b>TOTAL</b>		<b>6638</b>	<b>100.00</b>	<b>13762359</b>	<b>100.00</b>

**Shareholding Pattern of the Company as on 31<sup>st</sup> March, 2020:**

Category	No. of shares held	%age of shareholding
Promoters & Promoter Group	9018936	65.53
Mutual Funds & Banks	7000	0.05
Bodies Corporate (not included above)	102212	0.75
Indian Public	4607732	33.48
NRIs/OCBs	26479	0.19
<b>TOTAL</b>	<b>13762359</b>	<b>100.00</b>

**10. Dematerialisation of Shares:**

The trading in Company's shares is permitted only in dematerialised form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Share Dematerialisation record: The following data indicates the extent of Dematerialization of Company's shares as on 31<sup>st</sup> March, 2020.

No. of Shares : <b>1,29,56,454</b>	<b>94.14%</b> of the total equity.
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**11. Commodity price risk or foreign exchange risk and hedging activities:**

The Company does not deal in commodities and hence the disclosure pursuant to SEBI Circular dated November 15, 2018 is not required to be given.

**12. Plant Location of the Company:**

Registered Office & Works: G.T. Road, Mandi Gobindgarh, Distt. Fatehgarh Sahib, Punjab – 147 301

**13. Correspondence Address:**

All queries of investors regarding the Company's shares in Physical / D'mat form may be sent at the following addresses:

## i) Modern Steels Limited

Corporate Office: SCO 98-99, Sub City Centre, Sector 34, Chandigarh-160022

Tel.: +91-172- 2609001, 2609002, 2609003, Fax: +91-172- 2609000

E-mail:secretarial@modernsteels.com, Company's Website: www.modernsteels.com

## ii) M/s. MCS Share Transfer Agent Limited

F- 65, First Floor, Okhla Industrial Area Phase-I, New Delhi 110 020.

Tel. No.: +91-11- 41406149, Fax No.: +91-11- 41709881,

E-mail: admin@mcsregistrars.com, Website: www.mcsregistrars.com

**14. Other Disclosures:**

## a) Disclosure on materially significant related party transactions:

All material transactions with related parties as defined under the Act and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business. They have been approved by the Audit Committee, Board of Directors and Shareholders.

## b) Details of non-compliance by listed Company, penalties: BSE Ltd. imposed a penalty of Rs. 2,15,940/- for non-compliance with Regulation 6(1) of SEBI(LODR) Regulations, 2015 during the year 2019-20. The Company has duly complied with the regulation and has paid the said amount.

## c) Detail of establishment of vigil mechanism, whistle blower policy:

The Company has established a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for Directors and employees to report concerns about unethical behavior. No person is denied access to the Chairman of the Audit Committee.



d) Details of compliance with mandatory requirements:

The Company is complying with all the mandatory requirements as given by Stock Exchange / Registrar of Companies.

e) The Company is not having any subsidiary, therefore no policy for determining material subsidiaries.

f) A certificate from a Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority.

The Certificate of Company Secretary in practice is annexed herewith as a part of the report.

g) Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

Details relating to fees paid to the Statutory Auditors are given in Relevant Note to the Financial Statements.

h) Your Company has in place a policy on Prevention of Sexual Harassment at workplace. This policy is in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

All employees are covered under this Policy.

As per the said Policy, an Internal Complaints Committee is also in place to redress complaints received regarding sexual harassment. No complaints were received during financial year 2019-20.

**Declaration regarding compliance by Board members and Senior management personnel with the Company's code of conduct.**

The Shareholders,

I, Krishan Kumar Goyal, Chairman & Managing Director of the Company do hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct adopted by the Board of Directors, as applicable to the Board of Directors and Senior Management of the Company.

Place: Chandigarh  
Dated: 25<sup>th</sup> November, 2020

Krishan Kumar Goyal  
Chairman & Managing Director  
DIN: 00482035

**Pursuant to Regulation 34(3) and Schedule V Part C clause (10) (i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

To  
The Members  
MODERN STEEL LTD.,  
G T ROAD MANDI GOBINDGARH  
PUNJAB IN

In terms of the provisions of sub clause (i) of clause 10 of Part C of Schedule V of the Securities and Exchange Board of India (SEBI) (Listing Obligation and Disclosure Requirement) Regulations, 2015 for the financial year ended March 31, 2020, We B.K. Gupta & Associates, Company Secretaries in Practice confirm that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the companies by the Board/ Ministry of Corporate Affairs or any such statutory authority.

For B.K. Gupta and Associates  
Company Secretaries

(CS BHUPESH GUPTA)  
FCS- 4590  
CP-5708

Place: Chandigarh  
Date: 18<sup>th</sup> November, 2020

UDIN:- F004590B001249878

**Certificate on Compliance with the conditions of Corporate Governance under Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

To,  
The Members of  
MODERN STEEL LIMITED  
G T ROAD MANDI GOBINDGARH PUNJAB IN

We have examined the compliance of conditions of Corporate Governance by Modern Steel Limited (the company) for the year ended on 31st March 2020 as per the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. 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, we certify that the Company has complied with the conditions of Corporate Governance as per the Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We 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 B K Gupta & Associates  
Company Secretaries

Place: Chandigarh  
Dated: 18<sup>th</sup> November, 2020

(CS Bhupesh Gupta)  
FCS No: - 4590  
C.P. No: - 5708  
UDIN: -F004590B001249891

**INDEPENDENT AUDITORS' REPORT**

To

THE MEMBERS OF MODERN STEELS LIMITED

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Modern Steels Limited, which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows for the year ended, and a summary of significant accounting policies and other explanatory information.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

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

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act. Those Standards require that

we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

**OPINION**

We have audited the standalone financial statements of Modern Steels Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, and the statement of Profit and Loss, (statement of changes in equity) and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the **Basis for Qualified Opinion** section of our report and Emphasis of Matters, these quarterly financial results as well as the year to end results are presented in accordance with requirements of Regulation 33 of the SEBI (listing obligation and disclosure requirement) Regulations, 2015 in this regard and give a true and fair view of total comprehensive income comprising of net profit and other comprehensive income and financial information for the quarter ended 31<sup>st</sup> March, 2020 and for the year ended March 31<sup>st</sup>, 2020.

**BASIS FOR QUALIFIED OPINION**

1. *Director's remuneration is not admissible as prescribed in Sec-197 of companies Act, 2013 except*



*in accordance with the provision of Schedule V and if it is not able to comply with such provisions, the prior approval of lenders is required.*

*The Company is not eligible to pay director remuneration for non-compliance of conditions prescribed in schedule V of the companies Act, 2013. During the year, the company has given the director remuneration to Mr. Krishan Kumar Goyal (Managing Director) amounting to Rs. 17,83,328 and Mr. R.K Sinha (Director) amounting to Rs. 35,15,350.*

*Apart from the managerial remuneration for year ended 31<sup>st</sup> March, 2020, as mentioned above the company has paid director remuneration of Rs. 1,66,56,048 till 31<sup>st</sup> March, 2019 without complying the provisions of Schedule V of the companies Act, 2013.*

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **EMPHASIS OF MATTER**

##### **(A) Assignment of debt of SBI and Canara Bank to ARC**

Two lender banks of the company viz. State Bank of India (SBI) and Canara Bank have assigned their loans and other facilities along with underlying financial documents together with all the rights, title and interest to Edelweiss Asset Reconstruction Company Limited, acting in its capacity as trustee of the EARC Trust- SC 306 for the benefits of the holders of the Security Receipts issued by the trustee there under.

During the reporting period there has been no written agreement between the Company and Edelweiss Asset Reconstruction Company Limited to crystallize the amount payable and interest thereon to them, hence the said debt till then is continued to be shown as payable to SBI and Canara Bank instead of Edelweiss Asset Reconstruction Company Limited.

##### **(B) One Time Settlement (OTS) with PNB**

Punjab National Bank had approved One Time Settlement for its credit facilities, the terms of which, the company had failed to comply, hence the OTS stands failed. The interest provided on the OTS amount for the period ended **31<sup>st</sup> March 2020** amount to **Rs. 1.71 Crore** and for the period ended **31<sup>st</sup> March 2019** amount to **Rs. 1.38 Crore** has been reversed in quarter ending **31<sup>st</sup> March 2020**. As regards the interest on the outstanding amount, the same has not been provided in accordance with the reasons as specified in **Point C** below.

##### **(C) Interest provisioning on facilities from Consortium banks:**

The Company's various credit facilities have been declared "Non-Performing Assets" by its respective banks. There is a usual practice that banks discontinue to account for as "income" in respect to the accrued interest on such assets, subsequent to the declaration of these as "Non-performing assets". The bankers of the company too have not accounted as "income" in respect to the interest subsequent to NPA declaration date. In order to achieve the desired congruency on this issue & uncertainty of the amount liable to be paid, the management of the company has not provided for such interest i.e. interest on credit facilities (including on assigned debts of SBI and Canara Bank) subsequent to the date of declaration of these credit facilities as non-performing. Such interest amounts to **Rs. 30.93 Crores** for year ended **31<sup>st</sup> March 2020** which has resulted in the understatement of current liabilities and losses to that extent. Even though the debts of SBI and Canara Bank have been assigned to Edelweiss Asset Reconstruction Company Limited, in absence of any express agreement between the company and Edelweiss Asset Reconstruction Company Limited, no interest has been accounted for in this respect. This interest is not recorded in Profit & Loss Account.

##### **(D) Material Uncertainty related to Going-Concern**

The preparation of the financial statements is done on going concern basis, consequently assets and liabilities are being carried at their book value. We draw attention to the financial statements, which indicates that the company had accumulated losses and has also incurred losses during the financial year ended 31<sup>st</sup> March 2020. As on date, the Company's current liabilities exceeded its current assets and the Company's net worth has also been



eroded. There are negative operating cash flows indicated by historical financial statements, adverse key financial ratios, and inability to comply with the term loan agreements. These conditions indicate the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern.

**(E) Provision for Doubtful Debts**

The audit committee in its meeting dated 14-10-2020 and the board of directors in its meeting dated 14-10-2020 approved to make a provision for doubtful debts in books of accounts for a total amount of Rs.24,19,28,882 (Rupees Twenty Four Crore Nineteen Lacks Twenty Eight Thousand Eight Hundred and Eight Two) considering the uncertainty of the recoverability due to respective circumstances of each recoverables (Refer note- 2.12).

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e. On the basis of the written representations received from the directors as on March 31, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020, from being appointed as a director in terms of Section 164(2) of the Act.

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

- The Company has disclosed the impact of pending litigations on its financial position in its financial statements;
- The Company has made provision, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;
- There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For AARYAA & ASSOCIATES**

Chartered Accountants

**CA Harsharanjit Singh Chahal  
(Partner)**

Membership No. 091689

(Firm Registration No. 015935N)

UDIN: 20091689AAAAS9465

Place: Chandigarh

Date: 14<sup>th</sup> October, 2020**ANNEXURE TO THE AUDITORS' REPORT**

The Annexure referred to in our report to the members of the company for the year ended 31 March, 2020. To the best of our knowledge and belief and information & explanation given to us, we further report that:

1. a) The company has maintained proper records to show full particulars including quantitative details & situation of its fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals which in our opinion is appropriate having regards to size of the company and nature of its assets. No material discrepancies have been noticed during the year.
- c) The title deeds of immovable properties are held in the name of the Company.

2. a) The inventory of the company has been physically verified by the management at reasonable intervals during the year.  
b) No material discrepancies were noticed.
3. The company has not granted loans, secured or unsecured to Companies, Firms or other parties covered in the Register maintained u/s 189 of the Company Act 2013 during the year.
4. In respect of loans, investments, guarantee and security the provisions of section 185 and 186 of the Companies Act 2013 have been complied with.
5. The company has accepted loans from directors amounting to ₹ 1.00 crore. The company has complied with the directives issued by the Reserve Bank of India & with the provisions of Section 73 to 76 of the Companies Act, 2013 and the rules framed there under with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
6. On the basis of records produced to us, we are of the opinion that prima facie the cost records prescribed by the Central Government of India under section 148(1) of the Act have been made & maintained & also cost audit will be conducted in due course of time. We have not carried out any detailed examination of such Account & records.
7. (a) According to the books and records as produced and examined by us in accordance with generally accepted auditing practices in India and also based on Management representations, undisputed statutory dues in respect of Provident Fund, Employee's State Insurance dues, Investor Education and Protection Fund, Income Tax, Service Tax, Cess, Goods and Services Tax and other material statutory dues have generally been regularly deposited by the Company during the year with the appropriate authorities in India and there were no arrear outstanding in respect of above for a period of more than six month as on 31.03.2020.  
(b) According to the records of the Company examined by us and the information and explanations given to us, there are no dues of Goods and Service Tax, sales tax, income tax, customs duty, service tax, excise duty and cess which have not been deposited on account of any dispute other than the following amounting to ₹1.03 crore. The details are as under:

NATURE OF DUES/NAME OF STATUTES	FORUM WHERE DISPUTE IS PENDING	YEAR	DISPUTED AMOUNT (₹)
<b>EXCISE DUTY</b>			
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08	2,56,533
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2007-08 to 2008-09	2,59,085
CENTRAL EXCISE ACT 1944	COMMISSIONER (APPEALS), CHANDIGARH	2004-05 to 2006-07	89,56,212
CENTRAL EXCISE ACT 1944	CHANDIGARH	2008-09 to 2009-10	8,50,927

8. During the year ended 31 March 2020, the Company has defaulted on timely payment of principal and payment of interest on term loans and cash credits. During the current financial year 2019-20, The Company has not provided any provision for interest payable in the books of accounts. The lender wise details with respect to interest and principal in default as on 31.03.2020 is as under:

₹ in lakhs

S.No	Particulars	Amount in lakhs	Nature of Due	Date of Default
1.	State Bank of India	12080	Principal	01/02/2016
		31	Interest	
2.	Punjab National Bank	4110	Principal	01/04/2016
		219	Interest	
3.	Canara Bank	1890	Principal	30/09/2016
		24	Interest	

**\*It does not include Interest amounting to ₹10361 lakhs not provided for in books**

The debts of SBI and Canara has however been assigned to ARC i.e, Edelweiss Asset Reconstruction Company Limited as there is no written agreement between the company and ARC, therefore the above debts has been recorded in books with respective banks.

The Company did not raise money by way of initial public offer or further public offer (including debt instruments and term loans during the year).



9. As per the information and explanation given to us and on the basis of examination of records, no material fraud on or by the Company was noticed during the course of our audit.
10. The Company has not paid managerial remuneration in accordance with the requisite approval mandated by the provisions of section 197 read with schedule V to the Companies Act. The details of the same have been mentioned in the Basis of Qualified opinion section of Audit Report.
11. In our opinion, considering the nature of activities carried on by the Company during the year, the provisions of any special/statute applicable to Nidhi Company are not applicable to it.
12. All transactions with related parties are in accordance with section 177 and 188 of the Companies Act 2013 and details have been disclosed in the financial statements as required by the applicable accounting standards.
13. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
14. The Company has not entered into any non cash transactions with directors or persons connected with him during the year under review.
15. The Company is not required to be registered under section 45-IA of the Reserve Bank of India 1934.

**For Aaryaa Associates**

Chartered Accountants  
Firm Registration No. 015935N

**CA Harsharanjit Singh Chahal**

Partner  
M. No.091689

Place: Chandigarh

Dated: 14<sup>th</sup> October 2020

**ANNEXURE 2****Annexure to the Independent Auditor's Report of even date to the members of Modern Steels Limited, on the financial statements for the year ended 31<sup>st</sup> March, 2020****Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

1. In conjunction with our audit of the financial statements of Modern Steels Limited ("the Company") as of and for the year ended 31st March 2020, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as of that date.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

**Meaning of Internal Financial Controls over Financial Reporting**

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

acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

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

**For AARYAA & ASSOCIATES**  
Chartered Accountants  
(Firm Registration No. 015935N)

**CA HARSHARANJIT SINGH CHAHAL**

Place: Chandigarh (Partner)  
Date: 14<sup>th</sup> October, 2020 Membership No. 091689



# MODERN STEELS LIMITED

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2020

Particulars	Notes	31 <sup>st</sup> March 2020 ₹ in Lakhs	31 <sup>st</sup> March 2019 ₹ in Lakhs
<b>A ASSETS</b>			
<b>1 Non-currents assets</b>			
<b>a) Fixed Assets</b>			
	III		
(i) Property, plant and equipment		54,48	59,04
(ii) Capital work-in-progress		28	28
(iii) Other Intangible Assets		9	9
b) Investments	IV	3	3
c) Other non-current assets	V	5,31	6,31
		<u>60,19</u>	<u>65,75</u>
<b>2 Current assets</b>			
a) Inventories	VI	19,77	41,07
<b>b) Financial assets</b>			
(i) Trade Receivables	VII	25,17	56,14
(ii) Cash and cash equivalents	VIII	20	1,11
(iii) Bank balances	IX	-	-
(iv) Short Term advances	X	2,25	2,54
c) Other current assets	XI	5,08	3,80
		<u>52,47</u>	<u>3,80</u>
		<u>1,12,66</u>	<u>1,70,41</u>
<b>B EQUITY AND LIABILITIES</b>			
<b>1 Equity</b>			
(a) Equity share capital	XII	14,40	14,40
(b) Other equity	XIII	(1,32,01)	(82,65)
<b>Sub-total-Shareholders funds</b>			
		(1,17,61)	(68,25)
<b>2 LIABILITIES</b>			
<b>Non-current-liabilities</b>			
(a) Provisions	XIV	2,32	1,92
(b) Other non-current liabilities	XV	2	4
<b>Sub-total-Non current liabilities</b>		2,34	1,96
<b>3 Current Liabilities</b>			
<b>(a) Financial liabilities</b>			
(i) Trade payables	XVI	30,08	35,15
(ii) Other financial liabilities	XVII	1,84,63	1,86,91
(b) Other current liabilities	XVIII	12,48	13,61
(c) Short term provisions	XIX	74	1,03
<b>Sub-total- Current liabilities</b>		<u>2,27,93</u>	<u>2,36,70</u>
		<u>1,12,66</u>	<u>1,70,41</u>
Significant Accounting Policies	II		
The Notes I to XXXIX form an integral part of the Financial Statements			

For and on behalf of Board of Directors

**For AARYAA & ASSOCIATES**

Chartered Accountants  
Firm Registration No 015935N

**DIVNAIN SINGH CHOWDHARY**  
Chief Financial Officer

**KRISHAN KUMAR GOYAL**  
Chairman & Managing Director  
(DIN: 00482035)

**CA HARSHARANJIT SINGH CHAHAL**

Partner  
M.No 091689  
Place: Chandigarh  
Dated: 14<sup>th</sup> October, 2020

**ASHISH KUMAR SHARMA**  
GM(Sect.) & Company Secretary

**D.S. GILL**  
Director  
(DIN: 00211236)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020

Particulars	Notes	31 <sup>st</sup> March 2020 ₹ in Lakhs	31 <sup>st</sup> March 2019 ₹ in Lakhs
<b>INCOME</b>			
Revenue from Operations	XX	2,11,46	3,21,57
Other Income	XXI	38	1,85
<b>Total Revenue</b>		<u>2,11,84</u>	<u>3,23,42</u>
<b>EXPENSES</b>			
Cost of material consumed	XXII	1,10,90	1,92,21
Changes in inventories of finished goods, work-in-progress and stock-in-trade	XXIII	13,64	3,40
Employee benefits expense	XXIV	23,54	23,36
Finance Cost	XXV	39	1,77
Depreciation and Amortisation expenses	III	4,86	5,17
Other Expenses	XXVI	1,09,29	1,22,72
<b>Total Expenses</b>		<u>2,62,62</u>	<u>3,48,63</u>
<b>Profit / (Loss) Profit Before Exceptional Items</b>		<b>(50,78)</b>	<b>(25,21)</b>
<b>Exceptional Items</b>		<b>1,38</b>	<b>-</b>
<b>Profit / (Loss) Profit After Exceptional Items</b>		<b>(49,40)</b>	<b>(25,21)</b>
<b>Other Comprehensive Income</b>			
a) Items that will not be reclassified to profit or loss	XXVII	1	(5)
b) Items that will be reclassified to profit or loss		-	-
<b>Total Other Comprehensive Income (net)</b>		<b>1</b>	<b>(5)</b>
<b>Total Other Comprehensive Income for the year (net)</b>		<b>(49,39)</b>	<b>(25,26)</b>
Earning per share		<b>(35.90)</b>	<b>(18.32)</b>

Significant Accounting Policies

The Notes I to XXXIX form an integral part of the Financial Statements

For and on behalf of Board of Directors

**For AARYAA & ASSOCIATES**Chartered Accountants  
Firm Registration No. 015935N**DIVNAIN SINGH CHOWDHARY**  
Chief Financial Officer**KRISHAN KUMAR GOYAL**  
Chairman & Managing Director  
(DIN: 00482035)**CA HARSHARANJIT SINGH CHAHAL**Partner  
M.No 091689  
Place: Chandigarh  
Dated: 14<sup>th</sup> October, 2020**ASHISH KUMAR SHARMA**  
GM(Sect.) & Company Secretary**D.S. GILL**  
Director  
(DIN: 00211236)



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2020

Particulars	31 <sup>st</sup> March 2020 ₹ in Lakhs	31 <sup>st</sup> March 2019 ₹ in Lakhs
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit/(Loss) after tax	(50,78)	(25,26)
Adjusted for :		
i. Depreciation	4,86	5,17
ii. Profit on Sale of Fixed Assets	-	-
iii. Prior period adjustments	1,41	(3)
iv. Finance Cost	39	1,77
v. Interest Income	(36)	(1,52)
<b>Operating profit before working Capital Changes</b>	<b>(44,48)</b>	<b>(19,87)</b>
Adjusted for :		
i. Inventories	21,29	1,11
ii. Trade & Other receivables	30,85	13,43
iii. Trade Payable & Other Liabilities	(6,48)	8,62
<b>Cash Generated from Operations</b>	<b>1,18</b>	<b>3,31</b>
i. Taxes Paid	11	17
<b>Net Cash outflow from Operating Activities (A)</b>	<b>1,29</b>	<b>3,48</b>
<b>B. Cash Flow from Investing Activities</b>		
i. Purchase of Fixed Assets	(31)	(1,78)
ii. Sale/Adjustments of Fixed Assets	1	-
iii. Purchase/Sale of Investment	-	10
iv. Interest Income	36	1,52
v. Increase/(Decrease) in Bank balances not considered as cash and cash equivalents	-	5
<b>Net Cash used In Investing Activities (B)</b>	<b>6</b>	<b>(11)</b>
<b>C. Cash Flow from Financing Activities</b>		
i. Net Increase/(Decrease) in Long Term Borrowings	(2,27)	(90)
ii. Net Increase/(Decrease) in Liabilities/Provisions	38	1,38
iii. Net Increase (Decrease) in Short Term Borrowings	-	(2,77)
iv. Finance Cost	(38)	(1,77)
<b>Net Cash from Financing Activities (C)</b>	<b>(2,27)</b>	<b>(4,06)</b>
<b>Net increase/decrease in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(92)</b>	<b>(69)</b>
<b>Cash &amp; Cash Equivalents as on 1<sup>st</sup> April 2019</b>	<b>1,11</b>	<b>1,80</b>
<b>Cash &amp; Cash Equivalents as on 31<sup>st</sup> March 2020</b>	<b>19</b>	<b>1,11</b>
<b>Reconciliation of Cash and Bank balances with Balance Sheet</b>		
Cash and Bank balances as per Balance Sheet	19	1,11
Less Bank balances not considered as Cash and Cash equivalents	-	-
<b>Cash &amp; Cash equivalents as on 31<sup>st</sup> March 2020</b>	<b>19</b>	<b>1,11</b>

For and on behalf of Board of Directors

**For AARYAA & ASSOCIATES**  
Chartered Accountants  
Firm Registration No. 0015935N

**DIVNAIN SINGH CHOWDHARY**  
Chief Financial Officer

**KRISHAN KUMAR GOYAL**  
Chairman & Managing Director  
(DIN: 00482035)

**CA HARSHARANJIT SINGH CHAHAL**  
Partner  
M.No 091689

**ASHISH KUMAR SHARMA**  
GM(Sect.) & Company Secretary

**D.S. GILL**  
Director  
(DIN: 00211236)

Place: Chandigarh  
Dated: 14<sup>th</sup> October, 2020



Notes to Financial Statements for the year ended 31<sup>st</sup> March, 2020**NOTE : I CORPORATE INFORMATION**

Modern Steels Limited (the Company) is a public listed company incorporated under the provisions of the Companies Act 1956 on 19<sup>th</sup> November 1973. The Company is engaged in manufacturing of Steel Rolled products.

**NOTE : II SIGNIFICANT ACCOUNTING POLICIES****2.1) Basis of preparation of Financial Statements****i) Statement of Compliance**

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind-AS) under historical cost convention on the accrual basis, the provisions of the Companies Act 2013 (the Act) (to the extent notified) and guidelines issued by Securities and Exchange Board of India (SEBI). The Ind AS prescribed under Section 133 of the Act 2013 read with rule 3 of the Companies (Indian Accounting Standards) Rules 2015 and relevant amendment rules issued thereafter.

**ii) Basis of Preparation**

Effective from 1 April 2017, the Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind-AS 101, "First Time Adoption of Indian Accounting Standards, with 1 April 2016 as the transition date. The transition was carried out from Indian Accounting principles generally accepted in India as prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), which was the previous GAAP.

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

**iii) Classification of Assets and liabilities as Current and Non-Current.**

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of its assets and liabilities.

**2.2) Use of Estimates**

The preparation of financial statements, in conformity with Ind-AS require estimates and assumptions to be made by management, that may affect the reported amount of assets and liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Changes in the estimates are reflected in the financial statements in the period changes are made, and if material their effects are disclosed in the notes to the financial statements.

**2.3) Property, Plant and Equipment and Depreciation**

Under the Indian GAAP, Property, plant and equipment were carried in the balance sheet on historical cost. The company has elected to regard those values as deemed cost under Ind-AS as on transition date i.e. 1<sup>st</sup> April, 2016.

All tangible fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and other expenses directly incidental to acquisition, bringing the asset to the location and installation including site restoration up to the time when the asset is ready for intended use. Such Costs also include Borrowing Cost if the recognition criteria are met. When a major inspection/repair occurs, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

As per the provision of IND AS-16, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period and the company has elected to do the same.

Depreciation on tangible fixed assets has been provided on straight-line method according to the Schedule II of the Companies Act 2013.

**Assets held for Disposal**

Assets held for disposal are valued at lower of cost or Net realizable value in accordance with IND AS-105.

**2.4) Intangibles and Amortization**

Intangible assets are recognized if it is probable that the future economic benefits attributable to that assets will flow to the enterprise. Intangibles assets are amortized on straight line basis over their useful lives, which range from 1-5 years, determined on the basis of expected future economic benefits. The amortization period and method would be reviewed at the end of each financial year.

**2.5) Inventories**

- The cost in respect of various items of inventory is computed as under:
  - i) In case of raw-material on FIFO Basis (net of GST, MODVAT, Service Tax & VAT).
  - ii) In case of work in progress - rolling mill raw material are valued at monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.
  - iii) In case of Finished Goods at cost plus all appropriate allocable overheads and Excise Duty/GST thereon. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads and Excise Duty/GST thereon.
- Fresh Stock of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT/GST, Service tax, VAT). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and used Stocks is valued at net realizable value.

**2.6) Foreign Exchange Transaction**

The transactions in Foreign exchange are accounted for at the exchange rates prevailing on the date of the transactions. The current assets and current liabilities are converted at the exchange rate prevailing at the last working day of the accounting year. The resultant gains/losses are recognized in the profit & loss account relating to current assets & current liabilities. Exchange differences on foreign currency transactions relating to fixed assets acquired from a country outside India have been adjusted to revenue.

**Forward Exchange contracts not intended for trading or speculation purpose**

In case of forward exchange contract, the premium or discount arising at the inception of such contract is amortized as income or expense over the life of contract as well as exchange difference on such contract i.e. Difference between the exchange rate at the reporting/ settlement date and the exchange rate on the date of inception/ the last reporting date, is recognized as income/ expense for the year.

**2.7) Investments****(a) Classification**

The company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit & loss) and
- Those measured at amortized cost

The classification depends upon the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses arising from fair valuation will either be recorded in profit and loss or other comprehensive income. For investments in equity instruments, this will depend on whether the company has made any irrevocable election at the time of initial recognition to account for the equity investment for fair value through other comprehensive income.

**(b) Measurement**

The company measures a financial asset at its fair value and in the case of financial assets not at fair value through profit and loss, at fair value including transaction cost that is directly attributable to the acquisition of the financial asset. Transaction cost of financial assets carried at fair value through profit and loss are expensed in profit or loss.

**2.8) Employees Benefits****(a) Short Term Obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the financial reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**(b) Post Employment obligations**

The company operates the following post-employment schemes

Defined benefit plan such as gratuity, provident fund

**(c) Defined benefit obligations**

The defined benefit obligations (other than provident fund) are calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of related obligation.

The liability or asset recognized in the balance sheet in respect defined benefit obligations (except provident fund) is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, if any.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost

**(d) Provident Fund**

Retirement benefits in the form of provident fund and family pension fund whether in pursuance of law or otherwise is accounted on accrual basis and charged to statement of profit and loss of the year.

**2.9) Borrowing Costs**

To capitalize the borrowing costs that is directly attributable to the acquisition or Construction of that Capital asset. Other borrowing Costs are recognized as an expense in the year in which they are incurred.

**2.10) Assignment of debts to Asset Reconstruction Company**

Two lenders of the company viz. State Bank of India (SBI) and Canara Bank have assigned their loans and other facilities along with underlying financial documents together with all the rights, title and interest to an ARC i.e. Edelweiss Asset Reconstruction Company Limited, acting in its capacity as trustee of the EARC Trust- SC 306 for the benefits of the holders of the Security Receipts issued by the trustee there under.

During the reporting period there has been no written agreement between the Company and Edelweiss Asset Reconstruction Company Limited to crystallise the amount payable and interest thereon to them, hence the said debt till then is continued to be shown as payable to SBI and Canara Bank instead of Edelweiss Asset Reconstruction Company Limited.

**2.11) One Time Settlement (OTS) with PNB**

The company has proposed its OTS offer to Punjab National Bank (PNB). The bank has approved the same. The company has complied with all the terms and conditions except for the repayment period. The company has, however, requested to the bank for extension of the period of repayment of OTS amount.

**2.12) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of Excise duty. Revenue is recognized net of returns, trade allowances, rebates, value added taxes and net of amount collected on behalf of the third parties.

**Revenue from Goods**

Revenue from goods comprise of value of sales of products (net of returns) excluding VAT and cash and trade discounts. Sales are recognized with the transfer of significant risk and rewards of ownership of the goods, with the company losing effective control and the recovery of the consideration is probable.

**Revenue from Services**

Revenue from services are recognized in proportion to the stage of completion of transaction at the end of reporting period, and cost incurred in the transaction including same to complete the transaction and revenue (representing economic benefit associated with the transaction) can be measured reliably.

**Interest**

Interest income is recognized on a time proportion basis (accrual basis) taking into account the amount outstanding and the rate applicable.



## **Bad debts written off**

The Company has written off its receivables to the tune of Rs.695 lakhs which was declared as doubtful of recovery in the previous year ended 31 March 2018 and appropriate provision for doubtful was made in the books.

## **Provision for Doubtful Debts**

Further an amount of ₹ 2419 lakhs has been provided as provision for doubtful debts as its recoverability in the opinion of the Board has become doubtful. The party wise details are as follows:- GSA Inds. Rs. 0.8 Lacs, Kesari Nandan Rs. 16.94 Lacs, NRB bearings Rs. 0.01 Lacs, L.N.M Auto Rs. 0.4 Lacs, Mamta Engg. Corp. Rs. 0.73, Vikas Forging (P) Ltd Rs. 1.41 Lacs, Venus Inds. Corp. Rs. 7.48 Lacs, Embross Forging P Ltd Rs. 0.03 Lacs, Forge India P Ltd Rs. 45.12 Lacs, Him Techno Forge Rs. 1.26 Lacs, Advance Forging p Ltd Rs. 0.49 Lacs, Fitwell Tools & Forging p Ltd Rs. 2.02 Lacs, Varroc Engg. Pvt Ltd Rs. 0.64 Lacs, Warm Forging P Ltd Rs. 128.81 Lacs, Sona BLW Precision Forging Ltd Rs. 23.51 Lacs, CHW Forge P Ltd Rs. 9.08 Lacs, Angan Ferro Rs. 131.64 Lacs, Nabha Commerce P Ltd Rs. 1622.44 Lacs, Nabha Steels Ltd Rs. 44.99 Lacs, Pushpanjali Steels Rs. 65.52 Lacs, Unique Ispat P Ltd Rs. 76.49 Lacs, Arawali Steels Trading Company Rs. 239.45 Lacs.

## **2.13) Taxes on Income**

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of tax to extent the timing differences are expected to crystallize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of deferred tax asset to the extent that is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax assets can be realized. Any such right-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

## **2.14) Impairment of Assets**

As at 31<sup>st</sup> March 2020 the company has reviewed the future earning of its cash generating unit in accordance with Ind AS 109. As per the Company's said review the carrying amount of the assets does not exceed the future recoverable amount consequently, no adjustment is considered necessary by the management.

## **2.15) Provisions for Contingent liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be outflow of resources. Contingent liabilities are disclosed by way of notes.

## **2.16) Earning Per Share**

Basic earning per share is computed by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earning per share is computed by taking into the account the aggregate of the weighted average number of equity shares outstanding during the period and weighted average number of equity shares which would be issued on conversion of all the dilutive potential equity shares into equity shares.

## **2.17) Cash Flow Statement**

The cash flow statement has been in accordance with the Ind AS-7 on "Cash Flow Statements" issued by the Companies (Accounting Standard) Rules, 2013.

## **2.18) Accounting policies not specifically referred to above are consistent with Ind Accounting Standards.**

**NOTE:III****Property, Plant and Equipment**

₹ in Lakhs

Particulars	Land	Buildings	Plant and Machinery	Office Equipment	Furniture and Fixtures	Vehicles	Total	Capital work in progress
<b>Gross carrying value as at 31 March 2018</b>	25	15,09	1,10,52	1,58	1,20	1,84	1,30,47	28
Additions during the year	-	-	1,62	8	1	-	1,71	-
Sales/Adjustments during the year	-	-	-	-	-	-	-	-
<b>As at 31 March 2019</b>	25	15,09	1,12,14	1,66	1,21	1,84	1,32,18	28
Additions during the year	-	1	21	4	1	-	28	-
Deletions during the period	-	-	-	-	-	22	22	-
<b>As at 31 March 2020</b>	25	15,10	1,12,35	1,70	1,22	1,62	1,32,24	28
<b>Accumulated depreciation as at 31 March 2018</b>	-	5,74	58,24	1,34	1,11	1,57	68,00	-
Depreciation for the year	-	41	4,58	8	1	5	5,13	-
Sales/Adjustments during the year	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 31 March 2019</b>	-	6,15	62,82	1,42	1,12	1,62	73,13	-
Depreciation for the year	-	41	4,29	7	1	5	4,83	-
Sales/Adjustments during the year	-	-	-	-	-	21	21	-
<b>Accumulated depreciation as at 31 March 2020</b>	-	6,56	67,11	1,49	1,13	1,46	77,75	-
<b>Carrying value as at 31 March 2018</b>	25	9,35	52,28	24	9	27	62,46	28
<b>Carrying value as at 31 March 2019</b>	25	8,94	49,32	24	9	22	59,04	28
<b>Carrying value as at 31 March 2020</b>	25	8,54	45,23	21	9	16	54,48	28

**Intangible Assets**

Particulars	Computer Software
<b>Gross carrying value as at 31 March 2018</b>	1,30
Additions during the year	6
Sales/Adjustments during the year	-
<b>As at 31 March 2019</b>	1,36
Additions during the year	3
Sales/Adjustments during the year	-
<b>As at 31 March 2020</b>	1,39
<b>Accumulated depreciation as at 31 March 2018</b>	1,23
Depreciation for the year	3
Sales/Adjustments during the year	-
<b>As at 31 March 2019</b>	1,26
Depreciation for the year	4
Sales/Adjustments during the year	-
<b>As at 31 March 2020</b>	1,30
<b>Net carrying value</b>	
<b>As at 31 March 2018</b>	7
<b>As at 31 March 2019</b>	10
<b>As at 31 March 2020</b>	9

**NOTE: IV  
INVESTMENTS**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March 2019 ₹ in Lakhs</b>
<b>OTHER INVESTMENT (at cost,unquoted)</b>		
28125 (28125) No. of Equity Shares of ₹10 each fully paid up in Nimbua Green Field (Punjab) Ltd.	3	3
<b>Total</b>	<u>3</u>	<u>3</u>

**NOTE: V  
OTHER NON CURRENT ASSETS**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March 2019 ₹ in Lakhs</b>
(Unsecured, Considered Good)		
Security Deposits	5,28	6,28
<b>Other Loans &amp; Advances</b>		
Amount paid (under protest) on account of ESI	3	3
<b>Total</b>	<u>5,31</u>	<u>6,31</u>

**NOTE: VI  
INVENTORIES**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March 2019 ₹ in Lakhs</b>
<b>Inventories</b>		
a) Raw Materials	4,53	8,55
b) Raw Materials in transit	1,22	2,17
c) Work in Process	3,01	6,67
d) Finished Goods	2,62	12,60
e) Stores, Spares & Fuel (includes disposable stores)	8,39	11,08
<b>Total</b>	<u>19,77</u>	<u>41,07</u>

**Method of Valuation:**

1. The cost in respect of various items of inventory is compared as under:
  - a. In case of Raw- material on FIFO Basis ( net of MODVAT/GST, Service Tax & VAT).
  - b. In Case of Work in Progress- Rolling Raw Material are Valued at Monthly average cost basis. Cost for this purpose includes direct cost and all appropriate allocable overheads.
  - c. In Case of Finished Goods at Cost plus all appropriate allocable overheads. Cost for this purpose includes direct cost on monthly average cost basis, all appropriate allocable overheads.
2. Fresh Stocks of Stores, spares & Fuel are valued at cost or net realizable value, whichever is lower and cost is computed on FIFO Basis (net of MODVAT, Service tax, VAT and GST). Stocks in working condition are valued at depreciated value or realizable value whichever is less. Disposable and Used Stocks is valued at net realizable value.

**NOTE: VII****TRADE RECEIVABLES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
Unsecured, Considered good	25,17	54,91
Unsecured, Considered doubtful	27,79	3,45
<b>Total</b>	<b>52,96</b>	<b>58,36</b>
Less Provision for Doubtful Debts	(27,79)	(2,22)
<b>Total</b>	<b>25,17</b>	<b>56,14</b>

**NOTE: VIII****CASH AND BANK BALANCES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
<b>Cash and Cash Equivalents</b>		
Balances with Banks		
In Current Accounts	19	94
Cash in hand	1	17
<b>Total</b>	<b>20</b>	<b>1,11</b>

**NOTE: IX****OTHER BANK BALANCES**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March, 2019 ₹ in Lakhs</b>
In Fixed Deposits Accounts Inclusive of interest accrued thereon	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**NOTE: X****SHORT TERM LOANS AND ADVANCES**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March, 2019 ₹ in Lakhs</b>
<b>Unsecured, Considered Good</b>		
<b>OTHERS</b>		
Advance Tax and TDS	11	17
Old Income Tax	69	51
Balance with Statutory Authorities	1,24	1,10
Advances to Employees	4	7
Prepaid Expenses	16	58
Other Recoverables	1	11
<b>Total</b>	<b>2,25</b>	<b>2,54</b>

**NOTE: XI****OTHER CURRENT ASSETS**

<b>Particulars</b>	<b>As at 31st March 2020 ₹ in Lakhs</b>	<b>As at 31st March, 2019 ₹ in Lakhs</b>
<b>Unsecured, Considered Good</b>		
Advances to Suppliers	76	1,94
Advance against interest	4,00	1,50
Amount receivable from PSPCL	32	35
Amount receivable from Banks and Others	-	1
<b>Total</b>	<b>5,08</b>	<b>3,80</b>



## NOTE: XII

## SHARE CAPITAL

Particulars	As at 31st March 2020		As at 31st March 2019	
	Number	₹ in Lakhs	Number	₹ in Lakhs
<b>Authorised</b>				
Equity Shares of ₹10/- each	249,00,000	24,90	249,00,000	24,90
9.5% Redeemable Cumulative Preference Shares of ₹100/- each	10,000	10	10,000	10
		25,00		25,00
<b>Issued, Subscribed and Fully Paid Up</b>				
Equity Shares of ₹ 10/- each	1,37,62,359	13,76	1,37,62,359	13,76
	A	13,76		13,76
Forfeited Shares (Amount paid up)		0		0
Forfeited Warrants (Amount paid up)		64		64
	B	64		64
	(A+B)	14,40		14,40

## a) Reconciliation of number and amount of equity shares

	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Number and amount of equity shares at the beginning	1,37,62,359	13,76	1,37,62,359	13,76
Add: Number and amount of equity shares Issued during the period	-	-	-	-
Number and amount of equity shares at the end	1,37,62,359	13,76	1,37,62,359	13,76

## b) Rights, Preferences, restrictions attached to equity shareholders:-

The company has two classes of shares referred to as Equity Shares having par value of Rs.10/- each and 9.5% Redeemable cumulative Preference Shares of Rs.100/- each

The Company has issued equity shares only. Hence rights / preferences applicable for Redeemable cumulative Preference capital are not disclosed separately.

Each Equity Shareholder is entitled to one vote per share.

The Company declares and pays dividend in Indian Rupees. In respect to Equity Shares, the dividend if any, proposed by the Board Of Directors will be subject to approval of shareholders in Annual General Meeting.

In the event of liquidation of company, the holders of Equity Shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of Equity Shares held by the shareholders.

- c) Share held by holding Company or its ultimate holding company or subsidiary or associates of the holding company or the ultimate holding in aggregate Nil (Nil)
- d) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without being received in cash Nil(Nil), bonus shares and shares back for the period of five years immediately preceding the reporting date Nil (Nil).



# MODERN STEELS LIMITED

## e) Shareholders holding more than 5% shares as at balance sheet date

<u>Name of Equity Share Holders</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
1 Krishan Kumar Goyal	24,96,179	18.14	24,96,179	18.14
2 Alka Goyal	14,88,840	10.82	14,88,840	10.82
3 Amarjit Goyal	11,89,250	8.64	11,89,250	8.64
4 Nabha Commerce Pvt. Ltd.	8,37,750	6.09	8,37,750	6.09
5 Aditya Goyal	7,95,590	5.78	7,95,590	5.78
	<u>68,07,609</u>	<u>49.47</u>	<u>68,07,609</u>	<u>49.47</u>

## f). Forfeiture of share warrants

In the F.Y. 2011-12, the amount paid up on 771641 warrants @ Rs.8.25/- (per warrant) of Rs.63.66 lacs stands forfeited.

## NOTE: XIII OTHER EQUITY

<u>Particulars</u>	<u>As at 31st March 2020 ₹ in Lakhs</u>	<u>As at 31st March 2019 ₹ in Lakhs</u>
Securities Premium Account	13,42	13,42
General Reserve	24,97	24,97
(Balance at the beginning and at the end of the year)		
<b>Surplus/(Deficit) in the Statement of Profit and Loss</b>		
- Balance at the beginning of year	(1,21,04)	(95,75)
Prior period items	3	(3)
Add/Less: Transferred from Statement of Profit & Loss	(49,39)	(25,26)
- Balance at the end of the year	(1,70,40)	(1,21,04)
	<u>(1,32,01)</u>	<u>(82,65)</u>

## NOTE: XIV LONG TERM PROVISIONS

<u>Particulars</u>	<u>As at 31st March 2020 ₹ in Lakhs</u>	<u>As at 31st March 2019 ₹ in Lakhs</u>
<b>Provision for employee benefits</b>		
Gratuity	2,32	1,92
	<u>2,32</u>	<u>1,92</u>

The company has adopted Indian Accounting Standard AS 19 on employment benefit on 1<sup>st</sup> April 2017, the liability in respect of the same of benefit have been reworked as on 31.03.2020, based on the following assumptions.

(Actuarial valuation has been done by Sh A.D.Gupta vide Actuarial Valuation Certificate dated 12 June 2020.

	<u>As at 31st March 2020 ₹ in Lakhs</u>	<u>As at 31st March, 2019 ₹ in Lakhs</u>
<b>A) Actuarial Assumptions</b>		
Discount Rate (per annum)	6.80%	7.65%
Rate of increase in compensation levels	3.50%	3.50%
Rate of return on plan assets	-	-
Expected average remaining working {Lives of employees (year)}	21.42	21.42

**B) Table showing changes in present value of obligations:**

Present Value of Obligation as at the beginning of the year	2,95	2,77
Acquisition adjustment	-	-
Interest Cost	23	21
Past Service Cost-vested	-	-
Current Service Cost	33	32
Curtailement Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Benefits Paid	(43)	(41)
Actuarial (gain)/loss on obligations	(1)	5
Present Value of Obligation as at the end of the year	3,07	2,95

**C) Actuarial Gain/Loss Recognized:**

Actuarial (gain)/loss for the year – Obligation	(1)	5
Actuarial (gain)/loss for the year – Plan Assets	-	-
Total (gain)/loss for the year	(1)	5
Actuarial (gain)/loss recognized in the year	(1)	5
Unrecognized actuarial (gains)/losses at the end of year	-	-

**D) The amounts to be recognized in Balance Sheet and Statements of Profit & Loss:**

Present Value of Obligation as at the end of the year	3,07	2,95
Fair Value of Plan Assets as at the end of the year	-	-
Funded Status	(3,07)	(2,95)
Unrecognized Actuarial (gains)/losses	-	-
Net Asset/(Liability) recognized in Balance Sheet	(3,07)	(2,95)

**E) Expenses recognized in the statement of Profit & Loss:**

Current Service Cost	33	32
Past Service Cost –vested	-	-
Interest Cost	23	21
Expected Return on Plan Assets	-	-
Curtailement Cost/(Credit)	-	-
Settlement Cost/(Credit)	-	-
Net actuarial (gain)/Loss recognized in the year	-	-
Expenses Recognized in the statement of Profit & Loss	56	53

**F) Bifurcation of PBO at the end of year**

Current Liability (Amount due within one year)	75	1,03
Non -Current Liability (Amount due over one year)	2,32	1,92
Total PBO at the end of year	3,07	2,95

**NOTE: XV****NON-CURRENT LIABILITIES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
Securities Received	2	4
<b>TOTAL</b>	<b>2</b>	<b>4</b>

**NOTE: XVI****TRADE PAYABLES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
- Dues to Micro, Small & Medium Enterprises	1,66	85
- Dues to Others	28,42	34,30
<b>Total</b>	<b>30,08</b>	<b>35,15</b>

According to communication received from suppliers regarding the applicability of the act to them by the Company, dues to Micro, Small and Medium Enterprises pursuant to Section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED).

Principal amount remaining unpaid under MSMED Act 2006	166	85
Interest accrued and remaining unpaid has been shown under schedule "other current liabilities" as expenses payable	15	5
<b>Total</b>	<b>181</b>	<b>90</b>

**NOTE: XVII****OTHER FINANCIAL LIABILITIES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
<b>Dues to :</b>		
Secured loan		
- Banks	1,82,16	1,85,60
Unsecured loan		
- Related parties	1,26	20
- Others	1,21	1,11
<b>Total</b>	<b>1,84,63</b>	<b>1,86,91</b>

**NOTE: XVIII****OTHER CURRENT LIABILITIES**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
a Cheques issued but not presented	3,16	4,90
b Other Payables		
Advances from Customer	75	38
Expenses payables	5,22	4,03
Employee Related Payables	1,26	1,28
Statutory dues payables	2,09	3,02
<b>Total</b>	<b>12,48</b>	<b>13,61</b>

**NOTE: XIX****SHORT TERM PROVISIONS**

Particulars	As at 31st March 2020 ₹ in Lakhs	As at 31st March, 2019 ₹ in Lakhs
<b>Provision for Employee benefits</b>		
Gratuity	74	1,03
<b>Total</b>	<u>74</u>	<u>1,03</u>

**NOTE: XX****REVENUE FROM OPERATIONS**

Particulars	Year ended 31st March 2020 ₹ in Lakhs	Year ended 31st March, 2019 ₹ in Lakhs
Sale of Products	2,02,31	3,03,25
Sale of scrap	5,47	17,14
Other Operating Revenue	3,68	1,18
Revenue from Operations	<u>2,11,46</u>	<u>3,21,57</u>

**NOTE: XXI****OTHER INCOME**

Particulars	Year ended 31st March 2020 ₹ in Lakhs	Year ended 31st March, 2019 ₹ in Lakhs
a) Interest Income	36	1,52
b) Other Non-Operating Incomes	2	12
c) Provision for doubtful debtors written back	-	
d) Bad debts recovered	-	21
<b>TOTAL</b>	<u>38</u>	<u>1,85</u>

**NOTE: XXII****COST OF MATERIAL CONSUMED**

Particulars	Year ended 31st March 2020 ₹ in Lakhs	Year ended 31st March, 2019 ₹ in Lakhs
Consumption of Scrap	90,75	1,50,15
Goods in Trades	4,15	15,81
Consumption of Additives	16,00	26,25
<b>TOTAL</b>	<u>1,10,90</u>	<u>1,92,21</u>

**NOTE: XXIII****CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS**

<b>Particulars</b>	<b>Year ended 31st March 2020 ₹ in Lakhs</b>	<b>Year ended 31st March, 2019 ₹ in Lakhs</b>
<b>Opening Stock</b>		
Finished Goods	12,60	11,54
Work-in-progress	6,67	11,13
<b>A</b>	<b>19,27</b>	<b>22,67</b>
<b>Closing Stock</b>		
Finished Goods	2,62	12,60
Work-in-progress	3,01	6,67
<b>B</b>	<b>5,63</b>	<b>19,27</b>
<b>TOTAL A-B</b>	<b>13,64</b>	<b>3,40</b>

**NOTE: XXIV****EMPLOYEE BENEFITS EXPENSES**

<b>Particulars</b>	<b>Year ended 31st March 2020 ₹ in Lakhs</b>	<b>Year ended 31st March, 2019 ₹ in Lakhs</b>
Salary, Wages and Bonus	18,94	18,64
Contributions to Provident and Other Fund	1,75	1,77
Gratuity	56	53
Staff & Workers Welfare	2,29	2,42
<b>Total</b>	<b>23,54</b>	<b>23,36</b>

**NOTE: XXV****FINANCE COST**

<b>Particulars</b>	<b>Year ended 31st March 2020 ₹ in Lakhs</b>	<b>Year ended 31st March, 2019 ₹ in Lakhs</b>
<b>Interest Expense</b>		
<b>- Banks</b>		
Term Loans	-	1,38
Bank & Others	21	9
<b>- Others</b>		
Unsecured Loans	18	30
<b>Total</b>	<b>39</b>	<b>1,77</b>

**NOTE: XXVI****OTHER EXPENSES**

<b>Paticulars</b>	<b>Year ended 31st March 2020 ₹ in Lakhs</b>	<b>Year ended 31st March, 2019 ₹ in Lakhs</b>
Consumption of Stores and Spares parts	21,11	37,68
Power and Fuel	41,21	56,45
Other Manufacturing Expenses	9,42	12,87
Conversion Charges	2,79	2,18
Rent	41	48
<b>Repairs and Maintenance</b>	-	-
- Building	7	8
- Machinery	40	62
- Others	3	7
Insurance	33	36
Rate & Taxes	5	6
Fees	13	15
Travelling and Conveyence	90	84
Forwarding Expenses	3,58	5,79
Bad Debt written off	5	-
Provision for Doubtful Debts	25,57	2,22
Miscellaneous Expenses	3,24	2,87
	-	-
<b>Total</b>	<b>1,09,29</b>	<b>1,22,72</b>

**NOTE: XXVII****OTHER COMPREHENSIVE INCOME**

<b>Paticulars</b>	<b>Year ended 31st March 2020 ₹ in Lakhs</b>	<b>Year ended 31<sup>st</sup> March, 2019 ₹ in Lakhs</b>
Remeasurement of the net defined benefit liability/asset	1	(5)



## XXVIII) Contingent Liabilities & Commitments

(₹ in lakhs)

### Contingent Liabilities:

	As at 31 <sup>st</sup> March 2020	As at 31 <sup>st</sup> March 2019
a) Claim against the Company not acknowledged as debts	1,91	1,89
b) Other money for which Company is contingent liable	-	1,14

**XXIX)** The Company's all credit facilities have been declared "Non-Performing Assets" by its respective banks. There is a usual practice that banks discontinue to account for as "income" in respect to the accrued interest on such assets, subsequent to the declaration of these as "Non-performing assets". The bankers of the company too have not accounted as "income" in respect to the interest subsequent to NPA status. In order to achieve the desired congruency on this issue & uncertainty of the amount liable to be paid, the company has not provided for interest on all credit facilities subsequent to the date of declaration of these credit facilities as non-performing.

For the year 2019-20 interest accrued on long term and short-term borrowings amounting to ₹ 3093 lakhs (₹ 1979 lakhs to SBI, ₹ 595 lakhs accrued to PNB and ₹ 519 lakhs to Canara Bank) has not been provided in the statement of profit and loss account as these loans have been categorized as NPA as on 31 March 2020.

### XXX) Earnings per share:

	31.03.2020	31.03.2019
Profit / (Loss) after taxation as per Statement of profit and Loss (₹ in lakhs)	(49,41)	(25,20)
Equity shares outstanding	1,37,62,359	1,37,62,359
Basic earnings per share in rupees (face value ₹ 10/- each)	(35.90)	(18.31)
Diluted earnings per share in rupees (face value ₹ 10/- each)	-	-

### XXXI) Payment to Auditors \*

	31.03.2020 ₹ in lakhs	31.03.2019 ₹ in lakhs
Audit Fees	9.44	9.26
Tax Audit fees	0.29	0.29

\*inclusive of GST

### XXXII) Statement of Turnover and Closing Stock.

₹ in lakhs

	Turnover	Finished Goods		Work in Process	
		Closing Stock	Opening Stock	Closing Stock	Opening Stock
<b>Concast Billets this year</b>	<b>5,86</b>	-	-	-	-
Previous year	1,14	-	-	-	-
<b>Rolled Product this year</b>	<b>1,41,23</b>	<b>1,01</b>	<b>9,78</b>	-	-
Previous year	2,35,98	9,78	7,75	-	-
<b>Induction Ingots this year</b>	<b>7,09</b>	-	-	-	-
Previous year	7,29	-	-	-	-
<b>Auto Components this year</b>	<b>47,95</b>	<b>1,61</b>	<b>2,82</b>	-	-
Previous year	58,84	2,82	3,79	-	-
<b>Others this year</b>	<b>5,65</b>	-	-	-	-
Previous year	17,14	-	-	-	-



Current year	2,07,78	2,62	12,60	-	-
Previous year	3,20,38	12,60	11,54	-	-
<b>Rolling Mills Material –</b>	-	-	-	-	-
<b>Billet – Current Year</b>	-	-	-	1,44	2,95
Billet – Previous Year	-	-	-	2,95	6,09
<b>Ingot – Current Year</b>	-	-	-	-	3,35
Ingot – Previous Year	-	-	-	3,35	2,60
<b>Round – Current Year</b>	-	-	-	15	37
Round – Previous Year	-	-	-	37	2,18
<b>ACD – Current Year</b>	-	-	-	1,43	-
ACD – Previous Year	-	-	-	-	26
<b>Total – Current Year</b>	-	-	-	3,02	6,67
Total – Previous Year	-	-	-	6,67	11,13

XXXIII) The Information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per schedule III of Companies Act, 2013

a) Value of Imports (CIF Basis)

	Year Ended 31st March, 2020 (₹ in lakhs)		Year Ended 31st March, 2019 (₹ in lakhs)	
1) Raw Material	19,05		27,80	
2) Stores & Spares	1,99		1,52	

b) Value of Raw Material Consumed

	Year Ended 31st March, 2020		Year Ended 31st March, 2019	
	%age	Value	%age	Value
	₹ in lakhs		₹ in lakhs	
Cost of Materials Consumed				
Imported	17.52	19,44	15.74	30,26
Indigenous	82.47	91,46	84.26	1,61,95
		<u>1,10,90</u>		<u>1,92,21</u>
Store & Spares				
Imported	10.99	2,32	16.69	6,29
Indigenous	89.00	18,79	83.31	31,39
		<u>21,11</u>		<u>37,68</u>

**XXXIV) Sales Incentive and Excise duty***Sales Incentive*

The Company provides to its customer cash discount to get prompt payment and rebate for commercial settlements. Under previous GAAP, these discounts and rebates were shown as expenses under the head "other expenses". Under Ind AS, revenue from sales of goods shall be measured at the fair value of the consideration received or receivable. Therefore, these discounts and rebates have been netted off from revenue from sales of goods. This has resulted in an decrease in the revenue from operations and expenses for the year ended 31 March 2020. The total comprehensive income for the year ended and equity as at 31 March 2019 has remained unchanged.

**XXXV) SEGMENT REPORTING**

The Company is engaged only in the business of Steel Manufacturing which is the reportable segment in accordance with the requirements of Indian Accounting Standards (IndAS) – 108 on operating segments as prescribed under the Companies (Indian Accounting Standards) rules 2015 as prescribed under section 133 of The Companies Act 2013.

**XXXVI) GOING CONCERN**

The Company has incurred losses during the quarter and year ended 31 March 2020 and the year-end current liabilities exceeded current assets as on 31 March 2020 which has adversely impacted the net worth of the Company. The Company's financial performance has been adversely affected due to high cost of scarp and other variables like ferros, power cost, fuel etc.

Keeping in view the favourable market conditions and good order position the Company has prepared the financial results on the basis of going concern assumptions. The statutory Auditors have also drawn attention to the above matter without qualifying their observation in their audit report.

**XXXVII)** In the opinion of the Board of Directors, Current Assets, Loan and Advances have value on realization in the ordinary course of business at least equal to the amounts at which they are stated and provision for all known liabilities have been made in accounts.

**XXVIII)** As per the Ind AS – 24 issued by the Institute of Chartered Accountants of India "Related Party Disclosure ". In view of this the company has given the following disclosures for the year.

The company has identified the related parties having transactions during the year, as per detail given below. No provision for doubtful debts is required to be made & no amount was written off during the year.

**A) Related Party and their relationship**

<b>Key Management Personnel</b>	<b>Enterprises over which KMP and relatives of such personnel are able to exercise significant influence</b>
Mr. Krishan Kumar Goyal	M/s Chandigarh Finance Pvt. Ltd., M/s. Modern Dairies Ltd.,
Mr. R.K.Sinha	M/s Nabha Commerce Pvt. Ltd., M/s Mala Builders Pvt. Ltd.
	M/s Bharat Forgings Pvt. Ltd.
Mr Ashish Sharma	
Mr. Sanjeev Verma	

**B) Transactions with the related parties**

(₹ in Lakhs)

Particulars	Key Management Personnel	Relatives of Key Management Personnel & their enterprises
Remuneration Including Perks	62 (79)	- (-)
Interest On Unsecured Loan	- (-)	7 (-)
Loan Taken	-	1,00 (75)
Loan Repaid	- (93)	- (-)
Loan Given	- (-)	- (-)
Loan Received back	- (-)	- (-)
Interest Income	- (-)	- (-)
Share of Expenses Received	- (-)	4 (22)
Share of Expenses paid	- (-)	39 (1)
Purchase of Raw Material & Stores	- (-)	- (-)
Job work paid	- (-)	- (-)
Job work received	- (-)	- (-)
Sales Of Finished Products	- (-)	9,54 (69,73)

**XXXIX)** Figures for the previous year have been regrouped, rearranged and reclassified wherever considered necessary.

For and on behalf of the Board of Directors

**For Aaryaa & Associates**

Chartered Accountants

Firm Registration No. 015935N

**Divnain Singh Chowdhary**

Chief Financial Officer

**Krishan Kumar Goyal**

Chairman &amp; Managing Director.

(DIN:00482035)

**CA Harsharanjit Singh Chahal**

Partner

M. No. 091689

**Ashish Kumar Sharma**

GM (Sect.) &amp; Company Secretary

**D.S. Gill**

Director

(DIN:00211236)

Place: Chandigarh

Dated: 14<sup>th</sup> October, 2020