

BOARDS' REPORT

To,
The Members
Electrotherm (India) Limited

Your Directors have pleasure in presenting the 33rd Annual Report on the business and operations of the Company and Audited Financial Statements for the year ended on 31st March, 2019.

FINANCIAL SUMMARY OR HIGHLIGHTS:

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013, read with Rule 7 of the (Companies Accounts) Rules, 2014.

The standalone financial performance of the Company for the year ended on 31st March, 2019 is summarized below:

(₹ In Crores)

Particulars	2018-2019	2017-2018
Total Income	3475.75	2778.23
Total Expenses	3334.98	2767.03
Profit / (Loss) before Exceptional Items and Tax	140.77	11.20
Less : Exceptional Items	-	-
Profit / (Loss) before Tax	140.77	11.20
Less: Tax Expenses	-	-
Profit / (Loss) for the Year	140.77	11.20
Share of Profit of Joint Venture	0.02	0.00
Profit after share of Joint Venture	140.79	11.20
Other Comprehensive Income	(1.35)	0.58
Total Comprehensive Income	139.44	11.78

STATE OF THE COMPANY'S AFFAIRS AND OPERATIONS:

The Company is engaged in the business of manufacturing induction furnaces, TMT Bars, Ductile Iron Pipes (DI Pipes), Electric Vehicles, Transformers, Transmission Line Towers etc.

During the year ended on 31st March, 2019, the total income of the Company was ₹ 3475.75 Crores compared to ₹ 2778.23 Crores of previous financial year. The net profit for the current financial year was ₹ 140.77 Crores as compared to profit ₹ 11.20 Crores of previous financial year. A detailed analysis of performance for the year is included in the Management Discussion and Analysis, which forms part of this Annual Report.

CHANGE IN NATURE OF BUSINESS:

During the financial year, there was no change in the nature of business carried out by the Company.

TRANSFER TO RESERVES:

During the financial year under review, no amount has been transferred to the General Reserve.

DIVIDEND:

In view of accumulated losses during the previous financial years and fund requirements, the Board of Directors of the Company do not recommend any dividend on Equity Shares and on Preference Shares for the year ended on 31st March, 2019.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION AFTER THE END OF FINANCIAL YEAR:

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year and date of this Report.

CONSOLIDATED FINANCIAL STATEMENTS:

The Consolidated financial statements of the Company for the financial year 2018-2019 are prepared in compliance with applicable

provisions of the Companies Act, 2013, Indian Accounting Standards ("Ind AS") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), which form part of this Annual Report.

SUBSIDIARY / JOINT VENTURE COMPANIES:

The Company has the following subsidiaries as on 31st March, 2019:

1. Hans Ispat Limited
2. Electrotherm Services Limited (erstwhile known as Shree Hans Papers Limited)
3. Shree Ram Electro Cast Limited
4. ET Elec-Trans Limited
5. Jinhua Indus Enterprises Limited
6. Jinhua Jahari Enterprises Limited (Step-down Subsidiary Company)
7. Bhaskarpara Coal Company Limited (Joint Venture Company)

Pursuant to section 129(3) of the Companies Act, 2013, a statement containing the salient features of the financial statement including the highlights of the performance of the subsidiary / joint venture companies in Form AOC-1 is attached as "Annexure – A" to this Report.

Pursuant to the section 136 of the Companies Act, 2013, the financial statements of the company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries / joint venture companies, are available on the website of the company www.electrotherm.com.

During the financial year 2018-2019, none of the companies have become or ceased to be subsidiaries, joint ventures or associate companies.

BOARDS' REPORT**NUMBER OF BOARD MEETINGS:**

During the financial year 2018-2019, Six (6) Board Meetings were held and the intervening gap between the meetings was within the period prescribed under the Companies Act, 2013. Details of the composition of the Board and its Committees and of the meetings held, attendance of the Directors at such meetings and other relevant details are provided in the Corporate Governance Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP):❖ **Retirement by Rotation**

Pursuant to the provisions of Section 152 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Articles of Association of the Company, Mr. Siddharth Bhandari (DIN: 01404674), retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

❖ **Appointment of Directors:**

During the year, at the 32nd Annual General Meeting held on 28th September, 2018, the members of the Company regularized/approved the appointment of Mr. Arun Kumar Jain (DIN: 07563704) and Ms. Nivedita Sarda (DIN: 00938666) as a Non-Executive Independent Directors of the Company to hold office for five (5) consecutive years, with effect from 19th January, 2018 and 25th May, 2018 respectively.

❖ **Cessation of Directors:**

Mr. Avinash Bhandari (DIN: 00058986), Joint Managing Director & CEO retired by rotation at the 32nd AGM as he was not re-appointed and as such, he ceased to be a Director as well as Joint Managing Director and CEO of the Company with effect from 28th September, 2018.

Ms. Sheetal Manhas (DIN: 07439658) as nominated by M/s. Invent Assets Securitisation & Reconstruction Pvt. Ltd. (Invent), the Secured Creditor of the Company, was appointed as a Nominee Director in the category of Non-Executive Additional Director of the Company with effect from 14th August, 2018 and hold office upto the date of 32nd Annual General Meeting of the Company. However, she was not appointed as Nominee Director at the 32nd AGM and she ceased to be a Nominee Director of the Company with effect from 28th September, 2018.

The Board places on record its appreciations for the services rendered by Mr. Avinash Bhandari (DIN: 00058986) as a Director / Joint Managing Director & CEO of the Company and as a Member of various Committees during his tenure. The Board also places on record its appreciations for the services rendered Ms. Sheetal Manhas (DIN: 07439658) as a Nominee Director of the Company.

❖ **Key Managerial Personnel:**

During the year 2018-2019, the Board of Directors of the Company, in their meeting held on 4th July, 2018 approved the change of designation of Mr. Mukesh Bhandari from 'Chairman & Managing Director' to 'Chairman'.

At the 32nd Annual General Meeting held on 28th September, 2018, the members of the Company has not re-appointed Mr. Avinash Bhandari (DIN: 00058986) as a Director and as such he ceased to be a Jt. Managing Director & CEO of the Company.

Except above, there was no change in the Key Managerial Personnel during the year under review.

❖ **Declaration of Independence**

The Company has received declaration of Independence as stipulated under section 149(7) of the Companies Act, 2013 and Regulation 16(b) of the Listing Regulations from all Independent Directors confirming that they meet the criteria of independence and not disqualified from appointment / continuing as an Independent Director; and they have complied with the code of conduct for Independent Directors prescribed in Schedule IV of the Companies Act, 2013.

❖ **Annual Evaluation of Board's Performance**

In terms of the provisions of Section 134(3)(p) of the Companies Act, 2013 read with Rule 8(4) of the Companies (Accounts) Rules, 2014 and Listing Regulations, the Nomination and remuneration Committee has carried out the annual evaluation of performance of the Board and its Committee and the Board of Directors has carried out the annual evaluation of the performance of individual directors. The manner in which the evaluation was carried out is provided in the Corporate Governance Report, which is part of this Annual Report.

❖ **Nomination and Remuneration Policy**

The Board of Directors of the Company has, on the recommendation of Nomination and Remuneration Committee, framed and adopted a policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration. The salient aspects covered in the Nomination and Remuneration Policy, covering the policy on appointment and remuneration of Directors and other matters have been outlined in the Corporate Governance Report which forms part of this Annual Report. The said policy is available on the website of the Company at www.electrotherm.com.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENT:

Particulars of investments made, loans given and guarantee given as covered under the section 186 of the Companies Act, 2013, has been provided in Note No. 5, 6 and 30 of the notes to the financial statement which form part of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

Pursuant to the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted a CSR Committee. The Board of Directors on the recommendation of Corporate Social Responsibility (CSR) Committee had approved the Corporate Social Responsibility Policy. The CSR policy is available on the website of the company at www.electrotherm.com. The composition and terms of reference of the Committee are detailed in the enclosed Corporate Governance Report.

Since the Company has incurred losses, the Company is not required to incur any expenditure on CSR activities for the financial year 2018-2019. The Annual Report on CSR activities in accordance with the Companies (Corporate Social Responsibility Policy) Rules, 2014 is set out as "Annexure –B" to this report.

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RELATED PARTY TRANSACTIONS:

The Company has pursuant to the approval of the shareholders through special resolution under Section 188 of the Companies Act, 2013, entered into related party transactions on arm's length basis.

During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the Policy of the Company on materiality of related party transactions.

The Policy on materiality of related party transactions and on dealing with related party transactions as approved by the Board may be accessed on the Company's website at www.electrotherm.com.

There are no materially significant related party transactions that may have potential conflict with interest of the Company at large.

The details of transaction with related parties for the financial year ended on 31st March, 2019 is given in Note No. 38 of the financial statements which is part of this Annual Report of the Company.

FIXED DEPOSIT:

During the financial year 2018-19, the Company has not accepted any deposit within the meaning of section 73 to 76 of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014. Further there are no outstanding deposits as on 31st March, 2019.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 134(3)(c) of the Companies Act, 2013, the Directors state that :

- a) in the preparation of the annual accounts for the financial year ended on 31st March, 2019, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- b) the Directors had 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 at the end of financial year and of the profit of the company for that period;
- c) the Directors had 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 frauds and other irregularities;
- d) the Directors had prepared the Annual Accounts on a going concern basis;
- e) the Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

AUDITORS AND AUDITORS' REPORT:

❖ Statutory Auditor:

Pursuant to the provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, M/s. Hitesh Prakash Shah & Co., Chartered Accountants, Ahmedabad (Firm Registration No. 127614W), were appointed as Statutory Auditors of the Company at the 31st Annual General Meeting held on 5th September, 2017 for a term of five (5) years

beginning from the conclusion of the 31st Annual General Meeting till the conclusion of the 36th Annual General Meeting, subject to ratification of the appointment by the Members at every subsequent Annual General Meeting. However, as per the notification of the Ministry of Corporate Affairs ("MCA") dated 7th May, 2018, Section 139 of the Companies Act, 2013 was amended by the Companies (Amendment) Act, 2017 and as per the amendment of Companies (Audit and Auditors) Second Amendment Rules, 2018, the requirement of annual ratification of appointment of the Statutory Auditors has been omitted. Accordingly, the resolution pertaining to ratification of the appointment of M/s. Hitesh Prakash Shah & Co., Chartered Accountants, Ahmedabad (Firm Registration No. 127614W) is not required to be placed before the members at the 33rd Annual General Meeting.

❖ Auditors' Report:

In the Independent Auditors' Report for the year ended on 31st March, 2019, there are certain matters of emphasis related to winding up petitions, recovery of dues, assignment of debts, balance confirmations etc. The relevant Notes to accounts related to these matters of emphasis are self-explanatory.

With regard to the qualification in the Independent Auditors' Report for non-provision of interest on Bank loan as account declared as Non-Performing Assets (NPA) amounting to ₹ 124.31 Crores for the financial year 2018-2019 and total amount of ₹ 876.35 Crores upto 31st March, 2019, the Board of Directors submits that the loan accounts of the Company have been classified as Non-Performing Assets (NPA) by the Bankers and some of the Bankers has not charged interest on the said accounts and therefore provision for interest has not been made in the books of accounts. The quantification has been done only for the loans which have not been settled.

❖ Cost Auditor:

Pursuant to the consent and certificate received from M/s V. H. Savaliya & Associates, Cost Accountants, Ahmedabad and as per Section 148 and other applicable provisions if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the Board of Directors of the Company has on the recommendation of the Audit Committee appointed him as Cost Auditor, to conduct the cost audit of the Company for the financial year ending on 31st March, 2020, at a remuneration as mentioned in the notice convening the Annual General Meeting, subject to ratification of the remuneration by the Members of the Company.

Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained by the Company.

❖ Secretarial Auditor:

Pursuant to the provisions of section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Bharat Prajapati & Co., Company Secretaries in Practice to conduct the Secretarial Audit of the

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Company. The Secretarial Audit Report in Form No. MR-3 is annexed herewith as "Annexure – C" to this Report.

With regard to qualification of the Secretarial Auditor, the Board of Directors submits as under:

- (a) With regard to delay in filing of Cost Audit Report, the Company will ensure to file Cost Auditors Report within the time period as prescribed under the Act.
- (b) With regard to optimum combination of executive and Non-Executive Directors with at least one Woman Director, comprising half Board with Independent Directors, filling up the intermitted vacancy of Woman Director and Independent Director, the same could be not be done immediately due to pending approval of the Board of Directors.
- (c) With regard to non-reconstitution of Audit Committee, the same could not be immediately reconstituted due to pending approval of the Board of Directors. Also, the NSE has considered the application for waiver of fine favourably and application for waiver of fine is in process at BSE.
- (d) With regard to issue of duplicate share certificate, one of the Executive Director had filed his compliant before the SEBI. Thereafter, he also filed a special civil application before the Hon'ble High Court of Gujarat on the ground that no action was taken by SEBI. The Hon'ble Gujarat High Court vide its order dated 26th March, 2019 directed SEBI to decide representation within a period of four weeks. The Board of Directors of the Company in their meeting held on 28th May, 2019, decided with majority that the duplicate share certificate will be issued if the Company does not receive a restrain order of SEBI or any statutory authority within 15 days from the date of said Board Meeting. On 22nd June, 2019, the Company has issued duplicate share certificates.
- (e) With regard to delay in circulation of draft minutes of the Board Meetings within the prescribed time period, the company will ensure to circulate draft minutes within the time line.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO:

The information required under the provisions of section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) the Companies (Accounts) Rules, 2014 with respect to conservation of energy, technology absorptions and foreign exchange earnings and outgo is given in "Annexure - D" which forms part of this Annual Report.

PARTICULARS OF EMPLOYEES:

The information required pursuant to section 197 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of the employees are given in "Annexure- E" to this Annual Report.

AUDIT COMMITTEE:

The composition, terms of the reference and number of meetings & attendance at the Audit Committee held during the financial year is covered in the enclosed Corporate Governance Report.

At the beginning of the year, the Audit Committee comprised of Mr. Pratap Mohan, Independent Director (Chairman of Audit

Committee), Mr. Dinesh Mukati, Independent Director (Member) and Mr. Avinash Bhandari, Joint Managing Director & CEO (Member). At the 32nd Annual General Meeting (AGM) of the Shareholders of the Company held on Friday, 28th September, 2018, the resolution for re-appointment of Mr. Avinash Bhandari (retired by rotation) was not passed with requisite majority. As such, he ceased to be a Director of the Company and consequently he also ceased to be a Member of the Audit Committee.

The Board of Directors of the Company, in their meeting held on 14th November, 2018 reconstituted Audit Committee consisting with (i) Mr. Pratap Mohan, Independent Director (Chairman of Audit Committee), (ii) Mr. Dinesh Mukati, Independent Director (Member), (iii) Ms. Nivedita Sarma, Independent Director (Member) and (iv) Mr. Siddharth Bhandari, Whole-time Director (Member).

The National Stock Exchange of India Limited (NSE) and BSE Limited (BSE) have imposed penalty for non-compliance of provisions of Regulation 18(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Regulations') for the quarter ended on 30th September, 2018 and 31st December, 2018. The Company, by way of abundant pre-caution and without accepting the non-compliance and imposition of fine for alleged non-compliance of Regulation 18(1) of the SEBI Regulations for the quarter ended 30th September, 2018 and 31st December, 2018, remitted ₹ 4,720/- and ₹ 1,03,840/- to NSE & BSE respectively. The NSE vide its letter dated 11th April, 2019, informed the Company that the relevant committee of the NSE have examined request and considered application for waiver of fine favorably. The Company has not received further communication from the BSE.

RISK MANAGEMENT POLICY:

The Risk Management Policy adopted by the Board of Directors of the Company covers the various criteria for identification of key risk, action plans to mitigate those risks, review and reporting of identified risks on periodical basis etc.

In the opinion of the Board of the Directors of the Company, there are elements of risks in the nature of legal cases related to winding up petitions, recovery of dues and possession of assets which may impact the operations of the Company.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS:

Presently, there are certain significant and material orders passed by the regulator / court / tribunal which may impact company's operations in future as mentioned in Note No. 33 of the standalone financial statements which is part of this Annual Report in respect of winding up petitions, recovery cases and attachment of properties against the Company.

CORPORATE GOVERNANCE:

In compliance with the provisions of Listing Regulations, a separate report on Corporate Governance along with a certificate from a Practicing Company Secretary regarding the status of compliance of conditions of corporate governance forms a part of this report.

WHISTLE BLOWER POLICY/VIGIL MECHANISM:

The Company is committed to highest standards of ethical, moral and legal business conduct. Accordingly the Board of Directors has formulated Whistle Blower Policy/Vigil Mechanism policy in

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compliance with the provision of Section 177(10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations. The policy provides for a framework and process whereby concerns can be raised by its employees against any kind of discrimination, harassment, victimization or any other unfair practice being adopted against them. More details of the Whistle Blower Policy/Vigil Mechanism are explained in the Corporate Governance Report. The Policy of Vigil Mechanism of the company is available on the website of the Company at www.electrotherm.com.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Pursuant to Regulation 34(2)(e) read with Part B of Schedule V of the Listing Regulations, Management Discussion and Analysis Report is annexed after the Directors' Report and form a part of this report.

EXTRACT OF ANNUAL RETURN:

Pursuant to section 143(3)(a) and section 92(3) of the Companies Act, 2013, the extract of the Annual Return in Form No. MGT-9 is annexed herewith as "Annexure – F" and forms part of this report and same is also available on the website of the Company at www.electrotherm.com.

DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS:

The Company has put in place adequate internal financial controls with reference to the financial statements. During the financial year, such internal financial controls were operating effectively and it is commensurate with the size, scale and complexity of the Company and the nature of business of the Company.

SECRETARIAL STANDARDS:

During the year under review, the Company has complied with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India.

OTHER DISCLOSURES:

- a) During the year 2018-19, there was no change in authorized share capital, subscribed and paid-up share capital of the Company. Also, there was no reclassification/sub-division in authorized share capital of the Company.
- b) There was no reduction of share capital or buy back of shares or change in capital traction resulting from restructuring.
- c) The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.
- d) The Company has not issued sweat equity shares to its directors or employees.
- e) The Company does not have any Employees Stock Option Scheme for its Employees/Directors.

- f) During the year 2018-19, the Company has not made allotment of any securities as such, the requirement for obtaining credit rating was not applicable to the company.
- g) There is no money lying to unpaid / unclaimed dividend account pertaining to any of the previous years with the Company. As such the Company is not required to transfer such amount to the Investor Education and Protection Fund established by the Central Government.
- h) The Auditors has not reported any frauds under sub-section (12) of Section 143 of the Companies Act, 2013.
- i) The Company has complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and during the financial year, the Company has not received any complaints under the said Act.
- j) Mr. Siddharth Bhandari, one of the Promoter and Whole-time Director and Dr. Rakesh Bhandari, one of the Promoter of the Company has filed two separate petitions before the Hon'ble National Company Law Tribunal, Ahmedabad ("NCLT") under section 149, 150, 152, 159 and 176 of the Companies Act, 2013 inter alia, for declaring the appointment of four independent directors as null and void from their respective dates of appointment being violative of provisions of section 149 and 150 and other related provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014. All the parties have filed their reply / rejoinder and now the petition is pending before the Hon'ble NCLT for hearing.
- k) Mr. Mukesh Bhandari – Chairman & Promoter, Mr. Siddharth Bhandari – Whole-time Director & Promoter and Dr. Rakesh Bhandari, Promoter of the Company has filed petition before the Hon'ble National Company Law Tribunal, Ahmedabad ("NCLT") under section 241-242 of the Companies Act, 2013 against the Company, Mr. Shailesh Bhandari & Others inter alia, for removal of Mr. Shailesh Bhandari from the Board and investigation into the ownership of shares by some of the shareholders. The petition is pending before the Hon'ble NCLT for admission as well as maintainability. The financial implication of this petition is not ascertainable at this point of time.

APPRECIATION:

Your Directors wish to place on record their appreciation for the valuable co-operation and support received from the customers and suppliers, various financial institutions, banks, government authorities, auditors and shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the devoted services of the Executives, Staff and Workers of the Company.

**For and on behalf of the Board of Directors
Electrotherm (India) Limited**

Place : Palodia
Date : 31st August, 2019

Shailesh Bhandari
Managing Director
(DIN: 00058866)

Pratap Mohan
Independent Director
(DIN: 03536047)