

DIRECTORS REPORT

To
The Members
Mideast Integrated Steels Limited

Your Directors are pleased to present 26th Annual Report and the Statements of Accounts for the financial year ended on March 31, 2019.

1. FINANCIAL SUMMARY AND HIGHLIGHTS

The Company's financial performance for the year ended March 31, 2019 along with previous year's figures is given hereunder:

(₹ in Mn)

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Gross Sales & Other Income	9113.58	6443.09	13348.38	10800.11
Profit/ (Loss) Before Finance Cost & Depreciation	212.07	1561.62	1099.12	1985.73
Interest/Finance Cost	45.85	823.43	1089.22	1732.06
Depreciation	564.04	565.35	823.92	828.69
Profit/ (Loss) before Tax	13.38	300.12	(814.02)	(575.07)
Tax Expense	52.00	67.20	52.00	66.47
Profit/ (Loss) After Tax	(38.62)	232.92	(866.02)	(641.54)
Appropriations/Adjustments	-	-	-	-
Balance of profit/ (loss) brought forward	2937.49	2,703.97	471.52	1113.74
Profit for the Year	(38.62)	232.92	(866.02)	(641.54)
Re-measurement gains/ (losses) on defined benefit plans	0.80	0.60	(0.03)	(3.26)
Proposed Final Dividend	-	-	-	-
Profit carried to Balance Sheet	2899.67	2937.49	(391.07)	471.52

2. FINANCIAL PERFORMANCE HIGHLIGHTS

Standalone Operations:

During the year under review, the Company's revenue from operations was ₹ 8702.37 Million as against ₹ 6315.81 Million in the previous year. The Company's Profit before Depreciation Interest and Tax ("PBDIT") was ₹ 212.07 Million in the financial year ended 31st March, 2019 as opposed to PBDIT of ₹ 1561.62 Million in the immediate preceding year.

Taking into account depreciation and interest cost, profit before tax (PBT) stood at 13.38 Million as against 300.12 Million in the previous year and total comprehensive income for the year was (₹ 37.82) Million against 233.52 Million in the previous financial year.

Consolidated Operations:

During the year under review, the Company's revenue from operations was ₹ 12509.92 Million as against ₹ 10663.32 Million in the previous year. Further, in the financial year ended 31st March, 2019, profit before tax (PBT) was ₹ (814.02) Million as against ₹ (575.07) Million in the previous year and profit after tax (PAT) was ₹ (866.02) million against ₹ (641.54) Million in the previous financial year.

The performance and financial position of the subsidiary company is included in the consolidated financial statements of the Company.

3. COMPANY'S WORKING DURING THE YEAR/ STATE OF COMPANY'S AFFAIRS

In financial year 2019, Gross Sales increased by around 38% to ₹8702.37 from ₹6315.81 in financial year 2018. Company's continuous focus on improving operational efficiencies helped in maintaining EBIDTA level. Growth in sales is mainly driven by restart of production and sale of pig iron. Company's has incurred a loss of Rs. 37.82 million as compare to the profit of Rs. 233.52 Million in the year 2018.

4. SUBSIDIARY COMPANY

Subsidiary As on March 31, 2019, the Company has one wholly owned subsidiary namely Maitan Ispat Limited. A statement containing the salient features of the financial statement of the subsidiary in the Form AOC-1 is attached with the financial statements of the Company as per the requirement of Section 129(3) of the Companies Act, 2013.

5. CHANGE IN NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business of the Company.

6. TRANSFER TO RESERVES

The Company has not transferred any amount to General Reserves during the Year.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to regulations 34 of the Listing Regulations, Management's Discussion and Analysis Report for the year is presented in a separate section forming part of the Annual Report.

8. SHARE CAPITAL

During the year under review shareholders of the company has approved the Special resolution for increasing in Authorised Share Capital of the company from the exiting Rs. 1,400,000,000/- (Rupees One Hundred and Forty Crores only) divided 140,000,000 (Fourteen Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each to Rs. 2,000,000,000 (Rupees Two Hundred Crores only) divided into 200,000,000 (Twenty Crores) Equity Shares of Rs10/- (Rupees Ten only) each in the Annual General Meeting held on 30th September, 2018.

During the year under review, there was no change in the Company's issued, subscribed and paid-up equity share capital. On March 31, 2019, it stood at ₹ 1378.75 Million divided into 13,78,75,000 equity shares of ₹ 10/- each. The Company has neither issued shares with differential rights as to dividend, voting or otherwise nor issued shares (including sweat equity shares) to the employees or Directors of the Company, under any Scheme. No disclosure is required under Section 67(3)(c) of Companies Act, 2013 in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said Section are not applicable

9. DIVIDEND

Due to loss incurred during the financial year ended March 31, 2019, your Directors have not recommended any dividend for the financial year ended March 31, 2019.

10. ANNUAL RETURN

Given is the weblink www.mescosteel.com/admin/investor/2018-19.pdf where annual return referred to in sub-section (3) of section 92 has been placed.

11. PUBLIC DEPOSIT

The company has not accepted any deposit from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposit) Rules, 2014.

12. NUMBER OF MEETINGS OF THE BOARD

During the financial year 2018-19, the Board of Directors of the Company, met 4 times i.e. on May 30, 2018 which was adjourned on 08th June, 2018, August 13, 2018, November 14, 2018 and February 14, 2019. The gap between two consecutive meetings did not exceed one hundred twenty days. Further, a separate Meeting of the Independent Directors of the Company was also held on February 14, 2019.

13. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 134(3)(c) and 134(5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, your Directors confirm that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed with no material departures;
- b. we 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 at the end of the financial year and of the loss of the Company for the same period;
- c. we 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;

- d. we have prepared the annual accounts on a going concern basis;
- e. we have laid down internal financial controls in the Company that are adequate and are operating effectively; and
- f. we have devised proper systems to ensure compliance with the provisions of all applicable laws and that these are adequate and are operating effectively.

14. DECLARATION OF INDEPENDENCE

The Company has received necessary declaration from each Independent Director under section 149(7) of the Companies Act, 2013 that they meet the criteria of independence laid down in section 149(6) of the Companies Act, 2013 and Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Independent Directors have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge his duties with an objective independent judgment and without any external influence and that they are independent of the Management.

Further, Independent Directors have complied with the Code for Independent Directors prescribed in schedule IV of the Companies Act, 2013 ('ACT'). Directors and senior management personnel have complied with the code of conduct lay down by Board for all members of board of directors and senior management of the listed entity.

15. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee Comprises of 3 Independent Directors as Members. 2 (Two) meetings were held during the financial year under review. More details on the committee are given in the Corporate Governance Report.

16. NOMINATION AND REMUNERATION POLICY

Company's Policy on Directors Appointment and Remuneration including criteria for determining qualification, positive attributes, independence of directors and other matters provided under section 178(3) of the Companies Act, 2013 there has been no change in the Policy since the last Financial Year. Given below is the link on the website of company where in complete policy is placed <http://www.mescosteel.com/admin/investor/Nomination%20and%20Remuneration%20Policy.pdf>

17. AUDITORS

a. Statutory Auditors

Under Section 139 of the Companies Act, 2013 and the Rules made thereunder, it is mandatory to rotate the statutory auditors on the completion of the maximum term permitted under the provisions of the Companies Act., 2013 M/s Arun Todarwal & Associates LLP, Chartered Accountants (Firm Regn. No. W100291) was appointed as the Statutory Auditors of the company to hold office for a period of 4 (Four) Year from the conclusion of 25th Annual General Meeting of the Company, till the conclusion of 29th Annual General Meeting of the Company to be held in the year 2022. The requirement for the annual ratification of auditor's appointment at the AGM has been omitted pursuant to the Companies (Amendment) Act, 2017 notified on May 07, 2018.

During the year the statutory auditors have confirmed that they satisfy the independence criteria required under Companies Act, 2013.

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019 along with Management's replies thereon is placed at Annexure-A.

b. Cost Auditor

The Board of Directors on the recommendation of the Audit Committee has appointed M/s. S.S. Sonthalia & Company (Firm Regn. No. 00167), Cost Accountants for auditing the cost records of the Company for the Financial Year 2018-19.

In terms of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules 2014, appropriate resolution seeking your ratification of the remuneration of M/s. S.S. Sonthalia & Company, (Firm Regn. No. 00167), Cost Accountants, as Cost Auditors, is included in the Notice convening the 26th AGM of the Company.

c. Secretarial Auditor

During the year under review, Mr. Robinderpal Singh Bathth, Practicing Company Secretary (Certificate of Practice No.3836), who was appointed as the Secretarial Auditor of the Company has issued the audit report in respect of the secretarial audit of the Company for the financial year ended March 31, 2019. The Secretarial Audit Report is annexed as **Annexure-B** to this Report. Given Below is the management reply on the observations made by the Secretarial Auditor in their Report.

Observation No.1:

In terms of Securities and Exchange Board of India Circular No. Cir/ISD/3/2011, the 100% Promoter's holding is to be in dematerialized form. Promoter holding is not in 100% Demat form.

Management's Reply:

Company is in receipt of declaration from promoters that the shares which are not in demat form are pending adjudication of dispute before judicial/ quasi-judicial authorities and same would be dematted once the dispute is resolved/settled"

Observation No. 2

During the year under review, the Company has alter the Memorandum of Association of the company under section 61 of the companies Act, 2013 by increasing the Authorized Share capital of the company from Rs 1,400,000,000/- (Rupees One Hundred Forty Crore Only) divided into 140,000,000 (Fourteen Crore Only) equity shares of Rs. 10 (Rupees Ten Only) each to Rs 2,000,000,000/- (Rupees Two Hundred Crore Only) divided into 200,000,000 (Twenty Crores Only) equity shares of Rs 10 (Rupees Ten Only) each.

The Company has not yet filed the SH 7(Notice to Registrar for alteration of Share Capital), pursuant to section 64 (1) of the Companies Act, 2013 and pursuant to Rule 63 of the Companies Rules, 2014

Management's Reply:

The Company took note of the matter and considers the same as priority. Management assured the pending fee will be repaid on immediate basis."

d. Internal Auditors

Pursuant to the provisions of Section 138 of the Companies Act, 2013 read with Rule 13 of The Companies (Accounts) Rules 2014 and based on the Audit Committee recommendations, the Board of Directors of the Company have appointed of Mr. Ranjit Kumar Barik, as the Internal Auditor of the Company for the financial year 2018-19.

18. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Details of Loans, Guarantees and Investments covered under the provision of the Section 186 of the Companies Act, 2013 are given in the notes of Financial Statements.

19. SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE COMPANIES & CONSOLIDATED FINANCIAL STATEMENTS

During the year under review, the Company has only 1 subsidiary i.e. Maithan Ispat Limited material unlisted subsidiary. Pursuant to Section 129(3) of the Companies Act, 2013 and Accounting Standard issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include the Financial Statements of its Subsidiary. Consolidated Financial Statements form part of this Annual Report. Statement containing the salient feature of the financial statement of the Company's subsidiaries in **Form AOC-1 is enclosed as Annexure-C.**

In terms of provisions of Section 136 of the Companies Act, 2013, the Company shall place separate audited accounts of the Subsidiary Companies on its website at www.mescosteel.com.

20. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the year under review, the Company entered into contracts or arrangements with related parties which were in the ordinary course of business and on arm's length basis. All related party transactions are placed before the Audit Committee for review on a quarterly basis. The details of the related party transactions as required under Accounting Standard are set out in Notes to the standalone financial statements forming part of this Annual Report.

No transaction with the related party is material in nature except transaction which was approved by Shareholders at 25th Annual General Meeting held on September 30, 2018, in accordance with Company's Related Party Transaction Policy and Regulation 23 of LODR Regulations. As required under Regulation 46 (2) (g) of LODR, the Related Party Transaction Policy and Company's Material Subsidiary Policy is disclosed in the Company's website i.e. www.mescosteel.com

The details of the related party transactions as required under Section 134(3)(h) r/w Rule 8 (2) of the Companies (Accounts) Rules, 2014 and under Regulation 34(3), Para A of Schedule V of SEBI(LODR) Regulations, 2015 is as per **Form AOC 2 is enclosed as Annexure – D.**

21. CONVERSION OF LOAN INTO EQUITY

During the year under review, your Board decided to convert amount due toward unsecured loan of Mrs Rita Singh, Mr Jitendra Kumar Singh , Mrs Natasha Sinha and Mrs. Shipra Rana promoters of the Company on preferential basis to proposed allottees into Equity Shares of the Company.

Further, Company has filed application for in-principal approval for issue of allotment of Equity Shares to be issued on a preferential basis under Regulation 28 (1) of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015. The Company has not yet received the In-principal approval from SEBI.

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

There were no material changes and commitments affecting the financial position of the Company between the end of the financial year of the Company to which the financial statements relate and the date of the report and the date of this Report except to the extent disclosed below.

- The Hon'ble Supreme Court vide judgment dated August 2, 2017 in Common Cause vs Union of India & Ors., Writ Petition No. 114 of 2014 upheld the calculation made by Central Empowered Committee ("CEC") and had directed all the mine lease holders to pay the entire amount by December 31, 2017, failing which the mining operations of the mine lease holders will be closed by the State of Odisha. As per this judgment our Company had come under the violation of production in excess of environmental clearances and as per the CEC calculations had to pay approximately ₹ 925 Crores.
- Mining operations of Mideast Integrated Steels Limited (herein after referred to "MISL") mines situated at Roida-I has been closed from December 31, 2017 till the time company makes the payment of the compensation as passed in the order dated August 2, 2017 passed by the Hon'ble Supreme Court in Common Cause Vs Union of India & Ors., Writ Petition No. 114 of 2014 due to non-payment of aforesaid compensation amount. The Company was supposed to make the payment of this compensation on or before 31st December 2017, failing which the mines of the Company are closed down wef 1st January 2018. The Company has filed a 'Curative petition' (Civil) on 28th March 2018, before the Honorable Supreme Court of India challenging the Judgment and which is still pending.

23. 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-E**

24. RISK MANAGEMENT POLICY

The Board of Directors has constituted a Risk Management Committee which is entrusted with the responsibility of overseeing various strategic, operational and financial risks that the Organisation faces, along with the adequacy of mitigation plans to address such risks. There is an overarching Risk Management Policy in place that was reviewed and approved by the Board.

25. CORPORATE SOCIAL RESPONSIBILITY

The CSR Committee consists of three directors including two Independent Director. The CSR Committee has formulated a CSR policy of the Company for undertaking the activities as specified in Schedule VII of the Companies Act, 2013. The Said policy has been approved and adopted by the Board of directors of the Company, the contents of which have been displayed on the Company's website. (Weblink: www.mescosteel.com). The Annual Report on CSR activities initiated and undertaken by the Company during the year under review is annexed herewith as an **Annexure-F**.

26. PERFORMANCE EVALUATION

During the year, the evaluation of the annual performance of individual directors including the Chairman of the Company and Independent Directors, Board and Committees of the Board was carried out under the provisions of the Act and relevant Rules and the Corporate Governance requirements as prescribed under Regulation 17 of Listing Regulations, 2015 and the circular issued by SEBI with respect to Guidance Note on Board Evaluation from time to time.

In a separate meeting of Independent Directors, performance of Non Independent Directors and performance of the Board as a whole was evaluated. Further, they also evaluated the performance of the Chairman of the Company, taking into account the views of the Executive Directors and Non-executive Directors.

27. DIRECTORS OR KEY MANAGERIAL PERSONNEL

During the year under review, in accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, Mrs. Natasha Sinha, Joint Managing director retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for reappointment.

During the year under review, Ms. Sandhya Sethia, Company Secretary and Compliance Officer of the Company resigned w.e.f 30th September, 2018. In lieu of the vacancy caused by resignation of Ms. Sandhya, Board of Directors have appointed Mr Pawan Kumar Thakur, as Company Secretary and Compliance Officer and designated as Key Managerial Personnel of the Company w.e.f 14th February, 2019.

Further Mr. S N Kambalii had also tender his resignation from the post of Executive Director as well as Chief Executive Officer of the Company w.e.f 21st June, 2019.

From 01.04.2019 three Independent Directors who are Mr. Nandnandan Misra, Mr. Debi Prasad Bagchi and Mr. Madhukar has submitted their resignation pursuant to the amendments in SEBI (LODR) Regulations, pursuant to which any director who attains the age of 75 years will not be able to continue as Director of the Company.

Board of directors acknowledged the contribution made by all three Independent Directors of the company in the growth and progress of the company. Board has also appreciated the contribution made by them in improving the working of the Company.

In pursuance to resignation submitted by the above 3 directors, board had recommend the name of Mr. Hawa Singh Chahar, as Additional Independent Director subject to approval of Members in the upcoming Annual General Meeting of the Company.

28. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE

There are no significant and material orders passed by the regulators or courts or tribunals which impact the going concern status and Company's operations in future except to the extent disclosed regarding Supreme Court judgment dated August 2, 2017 in Common Cause vs Union of India & Ors., Writ Petition No. 114 of 2014 as detailed above

29. INTERNAL FINANCIAL CONTROLS

Details of internal financial control and its adequacy in compliance with the provisions of Rule 8 (5)(viii) of Companies (Accounts) Rules, 2014 are included in the Management Discussion and Analysis Report, which forms part of this Report.

30. DISCLOSURE AS PER THE SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the financial year ended March 31, 2019 no complaint pertaining to sexual harassment was received by the Company. Further company confirms that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

31. AUDIT COMMITTEE

The details pertaining to the composition of the audit committee are included in the Corporate Governance Report, which is a part of this report.

32. PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 **are provided as Annexure G to this report.**

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits setout in the said rules forms part of this Annual Report and is attached as **Annexure-H**

33. STAKEHOLDERS RELATIONSHIP COMMITTEE

The details pertaining to the composition of the Stakeholder Relationship committee are included in the Corporate Governance Report, which is a part of this report.

34. RECONSTITUTION OF RISK MANAGEMENT COMMITTEE

During the year under review, the Board reconstituted the Risk Management Committee comprises the followings:

Mr. Hawa Singh Chahar –Non-Executive Independent Director, (Chairman)

Mrs. Natasha Sinha, Jt. Managing Director (Member)

Mrs. Rita Singh – Chairman Cum Managing Director (Member)

35. RECONSTITUTION OF SHARE ALLOTMENT CUM OPEARIONAL COMMITTEE

During the year under review, the Board reconstituted the Share Allotment Cum Operational Committee comprises the followings:

Mr. Hawa Singh Chahar –Non-Executive Independent Director, (Chairman)

Mrs. Natasha Sinha, Jt. Managing Director (Member)

Mrs. Rita Singh – Chairman Cum Managing Director (Member)

36. WHISTLE BLOWER POLICY AND VIGIL MECHANISM

Your Company recognizes the value of transparency and accountability in its administrative and management practices. The Company promotes the ethical behavior in all its business activities. The Company has adopted the Whistle Blower Policy and Vigil Mechanism in view to provide a mechanism for the directors and employees of the Company to approach Audit Committee of the Company to report existing/ probable violations of laws, rules, regulations or unethical conduct. The Whistle Blower Policy has been posted on the website of the Company (www.mescosteel.com)

37. CORPORATE GOVERNANCE

Report on Corporate Governance and Certificate of Practicing Company Secretary regarding compliance of the conditions of Corporate Governance as stipulated in Part C of Schedule V of the SEBI (LODR) Regulations, 2015 are enclosed as part of this report.

38. COMPLIANCES WITH SECRETARIAL STANDARDS

During the year, the Company is in compliance of both erstwhile and revised Secretarial Standard -1 (Meetings of the Board of Directors), Secretarial Standard-2 (General Meetings) effective from 1st October, 2018.

39. FRAUD REPORTING

There have been no frauds reported by the Auditors of the Company to the Audit Committee or the Board of Directors under sub-section (12) of section 143 of the Companies Act, 2013 during the financial year.

40. ACKNOWLEDGEMENTS

The Board expresses its sincere gratitude to the shareholders, bankers/lenders, Investors, vendors, State and Central Government authorities and the valued customers for their continued support. The Board also wholeheartedly acknowledges and appreciates the dedicated efforts and commitment of all employees of the Company.

By order of the Board
For and on behalf of Mideast Integrated Steels Limited

Rita Singh
Chairperson Cum Managing Director
DIN: 00082263

Place : New Delhi
Date : 21.06.2019