

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Part of Board/Annual Report)

As per SEBI disclosure regulation 34(3) and schedule V (clause-B)

(For the Financial Year ended 31st March, 2018)

(a) Industry Structure and Developments:

The principal product of the Company is manufacturing of Sponge Iron at its Plants located at Jamshedpur and at District Nalgonda, Telengana. Sponge Iron is used by secondary steel melting shops (induction furnaces) for making steel billets/ingots which in turn are used by the re-rollers for making long products (TMT BARS) used in the house building and in the infra-structure development. The selling prices of Sponge Iron are market driven and the Company has no control over it. The principal components of cost of Sponge Iron are coal, iron ore and freight and the Company has virtually no control on their availability and cost. The sponge iron industry in the country has been suffering for last several years and many plants are still lying closed or operating at lower capacity. However beginning from January,2017; the overall conditions started improving and as a result the company had commenced commercial production at its sponge iron plant at Jamshedpur.

(b) Opportunities and Threats :

The consumption of Sponge Iron is mainly linked with the consumption of TMT Bars used in house building and infra-structure sectors and both these sectors had witnessed slowdown during the past several years and which trend has now started reversing with the increased thrust by the central government mainly on affordable housing and subsidized construction of toilets on mass scale and which is resulting in increased domestic consumption of TMT bars and consequential uptick in demand for sponge iron.

The availability of iron ore and coal in adequate quantity and at affordable prices are the major threats to the Sponge Iron Industry. The government needs to put in to place a suitable mechanism to ensure availability of iron ore and coal to the sponge iron industry in adequate quantity and at affordable rates by stopping/restricting the high profit taking attitude and mentality of the iron ore and coal miners which include government owned coal India limited. The government also needs to reopen the closed iron ore mines and opening of new mines on war footing to safeguard the steel/sponge iron industry and to accelerate higher steel production in the country.

(c) Segment-wise Product-wise performance:

Your Company has only two segments namely Sponge Iron and gas taking into account the nature of the product, uses and production system. However, your Company mainly operates under the "Iron & Steel" Segment (the gas bottling plant at Raigarh being closed) and hence segment-wise result has not been given.

(d) Outlook :

In view of what has been stated in foregoing paragraphs; your Management perceives that the outlook of the Sponge iron Industry in the current financial year may remain positive subject to the Central Government continue taking effective and positive steps to increase expenditure on low cost house building and infrastructures to boost the demand for TMT bars which in turn can boost the Sponge Iron selling prices to reasonable and remunerative levels.

(e) Risks & Concerns :

Risk is inherent in every business activity and Sponge Iron Industry is no exception. The steel industry displays strong commodity characteristics and is subject to cyclical price movements in business cycles. The Company is exposed to risks from overall market fluctuations, cheaper import of steel, changes in government policy, laws of the land, taxation, man-made disaster, political risks and increase in cost of inputs like Iron ore, coal, power, diesel, freight, etc. which affect the financial performance of the Company.

(f) Internal Control System and its Adequacy :

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly and applicable statutes are duly complied with. The Company has constituted an Audit Committee to monitor

the adequacy and efficacy of internal control systems.

The adequacy of these compliances and their effectiveness is subject to statutory audit and the same has been adequately reported by the Auditors in their report as required under the relevant provisions of the Companies Act, 2013. The Company also has an Internal Audit System.

(g) Discussions on financial performance with reference to operational Performance:

During the year, the Company's income from operations/sales turnover including lease rent and excise but excluding GST stood at Rs.2304.54 lacs as compared to Rs.190.88 lacs in the previous year. The operating profit before interest, depreciation and taxation stood at Rs.111.92 lacs compared to Rs.147.08 lacs in the previous year. The Company has earned a post-tax net profit of Rs.51.79 lacs as compared to a net profit of Rs. 75.96 lacs in the previous year. During the year the Company produced 13477 MT of Sponge-Iron. Your Directors are continuing their efforts for improving the operational and financial performance of your Company.

(h) Material Developments in HRD and industrial Relations Front:

Your Directors recognize the value of employees as valuable assets. Developing, motivating, rewarding and retaining talented employees at all levels is a priority and a key responsibility and policy of your Company's management. The total no. of people employed by the company were twenty as on year end.

i) Cautionary Statements:

Statements in this management discussion and analysis report describing the Company's objectives, projections, estimates and expectations may be termed as forward looking statements within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied. The readers of this report are, therefore, advised to read the same with this caution.

**For and on behalf of the Board
Ashirwad Steels & Industries Limited**

**Dalbir Chhibbar
Chairman & Managing Director
(DIN : 00550703)**

**Place: Kolkata
Dated: 29th May, 2018**