

Limited Review Report on Unaudited Financial Results of Welspun Specialty Solutions Limited (Erstwhile RMG Alloy Steel Limited) for the quarter ended September 30, 2021 Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To,

The Board of Directors of Welspun Specialty Solutions Limited (Erstwhile RMG Alloy Steel Limited),

1. We have reviewed the accompanying statement of unaudited financial results of **Welspun Specialty Solutions Limited (Erstwhile RMG Alloy Steel Limited)** ("the Company") for the quarter and half year ended September 30, 2021 ("the Statement"), attached herewith being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulation") as amended.
2. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors in their meeting held on November 01, 2021, which has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, (Ind AS 34) "Interim Financial Reporting" prescribed under Section 133 of the Companies Act, 2013 ('the Act') as amended, read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with applicable Accounting Standards ('Ind AS') prescribed under Section 133 of the Act read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as amended including the manner in which it is to be disclosed, or that it contains any material misstatement.
5. We draw attention to Note no. 5 of the Statement, which states that the Company continues to incur losses, indicating the existence of uncertainty that may cast doubt about the Company's ability to continue as a going concern. However financial result has been prepared by the management on going concern basis, for the reasons stated in the aforesaid note. Our conclusion on the Statement is not modified in respect of this matter.
6. We draw attention to Note no. 7 of the Statement, as regards to the management evaluation of Impact of COVID – 19 on the future performance of the Company. Our conclusion on the Statement is not modified in respect of this matter.

For Pathak H. D. & Associates LLP

Chartered Accountants

Firm's Registration No: 107783W/W100593



Jigar T. Shah

Partner

Membership No: 161851

UDIN: 21161851AAAAOF1727



Date: November 01, 2021

Place: Mumbai

Welspun Specialty Solutions Limited (Erstwhile RMG Alloy Steel Limited)

Regd. Office : Plot No. 1, GIDC Industrial Estate, Jhagadia, Dist. Bharuch, Gujarat-393110

Website : www.welspunspecialty.com, Email ID : companysecretary_wssl@welspun.com

CIN : L27100GJ1980PLC020358

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER 2021

(Rs. In Lacs)

Sr. No	Particulars	Quarter Ended			Half Year Ended		Year Ended
		30.09.2021	30.06.2021	30.09.2020	30.09.2021	30.09.2020	31.03.2021
		Un-Audited			Un-Audited		Audited
1	Income						
a)	Revenue from Operations	2,071	1,843	2,943	3,914	4,761	9,343
b)	Other Income	6	2	52	8	66	161
	Total Revenue	2,077	1,845	2,995	3,922	4,827	9,504
2	Expenses						
a)	Cost of materials consumed	1,992	575	1,118	2,567	1,514	4,255
b)	Changes in inventories of finished goods, work in progress and stock in trade	(976)	576	1,076	(401)	1,809	1,631
c)	Employees benefits expenses	485	486	427	972	921	1,876
d)	Depreciation and Amortisation expenses	364	360	350	724	696	1,381
e)	Power & fuel	380	280	292	660	494	1,115
f)	Finance Costs	322	325	297	648	659	1,147
g)	Consumption of stores & spares	305	254	269	559	452	1,243
h)	Other expenses	320	300	225	619	387	1,288
	Total Expense	3,192	3,156	4,054	6,348	6,932	13,936
3	Profit/(Loss) before exceptional items and Tax (1-2)	(1,115)	(1,311)	(1,059)	(2,426)	(2,105)	(4,432)
4	Exceptional Items - Income / (Expenses) {Refer note - 6}	14	-	-	14	-	13,761
5	Profit/(Loss) before tax (3+4)	(1,101)	(1,311)	(1,059)	(2,412)	(2,105)	9,329
6	Tax expenses						
c)	Earlier year Tax	-	-	-	-	-	(9)
	Total Tax expenses	-	-	-	-	-	(9)
7	Net Profit/(Loss) for the period / year (5-6)	(1,101)	(1,311)	(1,059)	(2,412)	(2,105)	9,320
8	Other Comprehensive Income						
a)	Items that will be reclassified to profit or loss						
	Fair value change on derivatives designated as cash flow hedge	3	(4)	(12)	(1)	(38)	(30)
b)	Items that will not be reclassified to profit or loss						
	Remeasurements of defined benefit obligation (Net of Income Tax)	(9)	(9)	(2)	(18)	(4)	(36)
	Total Other Comprehensive Income / (Loss) Net of Income tax	(6)	(13)	(14)	(19)	(42)	(66)
9	Total Comprehensive Income / (Loss) for the period / year (7-8)	(1,107)	(1,324)	(1,073)	(2,431)	(2,147)	9,254
10	Paid-up equity share capital (Rs. 6/- per equity share)	31,805	31,805	31,765	31,805	31,765	31,765
11	Other Equity						(27,888)
12	Earnings per share (Face Value of Rupees 6/ Each) (Not annualised for the quarter and half year ended)						
	- Basic	(0.21)	(0.25)	(0.23)	(0.46)	(0.47)	1.78
	- Diluted	(0.21)	(0.25)	(0.23)	(0.46)	(0.47)	1.78



STATEMENT OF ASSETS AND LIABILITIES

(Rs. In Lacs)

Particulars	As at September 30, 2021 (Un-Audited)	As at March 31 2021 (Audited)
ASSETS		
I Non-current assets		
(a) Property, Plant and Equipment	21,546	22,173
(b) Capital Work in Progress	650	503
(c) Intangible assets	210	238
(d) Income tax assets (net)	25	15
(e) Other non-current assets	3	12
Total non-current Assets	22,434	22,941
II Current assets		
(a) Inventories	7,326	5,337
(b) Financial assets		
(i) Trade receivables	538	1,014
(ii) Cash and cash equivalents	119	30
(iii) Bank Balance Other than Cash and Cash Equivalent	198	37
(iv) Other Financial Assets	50	51
(c) Other current assets	1,027	489
Total Current Assets	9,258	6,958
Total Assets	31,692	29,899
EQUITY AND LIABILITY		
IV Equity		
(a) Equity share capital	31,805	31,765
(b) Other equity	(30,357)	(27,888)
Total Equity	1,448	3,877
V Non-current liabilities		
(a) Financial liabilities		
(i) Borrowings	18,274	15,345
(ii) Other financial liabilities	832	670
(b) Provisions	115	115
(c) Other non current liabilities	5,823	5,483
Total non-current liabilities	25,044	21,613
VI Current liabilities		
(a) Financial liabilities		
(i) Borrowings	1,433	1,843
(ii) Trade payables		
- Total outstanding dues of micro and small enterprise	-	-
- Total outstanding dues of creditors other than micro and small enterprise	2,973	1,867
(iii) Other financial liabilities	334	219
(b) Other current liabilities	386	436
(c) Provisions	74	43
Total current liabilities	5,200	4,409
TOTAL EQUITY AND LIABILITIES	31,692	29,899



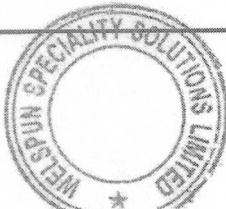
Welspun Specialty Solutions Limited (Erstwhile RMG Alloy Steel Limited)

CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	Particulars	Period ended September 30, 2021	Period ended September 30, 2020
A)	Cash Flow from Operational Activities		
	Profit/(loss) before tax as per statement of profit and loss :	(2,412)	(2,105)
	Adjustment for :		
	Depreciation and amortization expenses	724	696
	Financial Costs	648	659
	Unrealised exchange difference (Net)	(7)	(30)
	Interest Income	(8)	(66)
	Provision for Gratuity & Compensated Absences	25	22
	Expense on employee stock option scheme	3	21
	Sundry Credit Balances Written Back / Provision no longer required (@ Rs. 927)	-	@
		<u>1,384</u>	<u>1,301</u>
	Operating Cash Profit/(Loss) before Working Capital Changes	(1,028)	(804)
	Changes in Working Capital :		
	(Increase)/decrease in trade & other receivables	(113)	196
	(Increase)/decrease in inventories	(1,989)	1,835
	Increase/(decrease) in trade & other payables	1,555	3,692
	Increase/(decrease) in provisions	1	(83)
		<u>(546)</u>	<u>5,640</u>
	Cash generated from / (used in) Operations	(1,573)	4,836
	Less. Direct taxes paid (net of refunds)	<u>(10)</u>	<u>148</u>
	Net cash flows (used in)/ generated from operating activities after exceptional items	(1,584)	4,984
B)	Cash Flow from Investing Activities		
	Acquisition of Property Plant & Equipment and Intangible Assets (including Capital Work in Progress, Capital Advance and Creditors for Capital Expenditure) (Net)	(207)	(994)
	Interest Income	8	44
	(Purchase) / Redemption of Bank Deposit	(162)	106
	(Purchase) / Redemption of Other Deposits	1	
	Net Cash generated from / (used in) Investing Activities:	(361)	(843)
C)	Cash Flow from Financing Activities		
	Proceeds from long-term borrowings	-	(579)
	Repayment of long-term borrowings	(2,480)	-
	Proceeds / (Repayment) of short term borrowings (net)	5,161	(2,938)
	Interest Paid	(648)	(597)
	Net Cash generated from / (used in) Financing Activities:	2,033	(4,114)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	89	27
	Cash and cash equivalents at the beginning of the period	30	9
	Cash and cash equivalents at the end of period	119	36
	NET INCREASE/(DECREASE) AS DISCLOSED ABOVE	89	27
	Cash and cash equivalents as per above comprise of the following:		
	Balances with banks:	118	28
	Current Accounts	118	28
	Cash on hand	1	8
	Balances per statement of cash flows	119	36

Date : November 1, 2021

Place: Mumbai



For and on behalf of Board

[Signature]
Director



Notes :

- 1 The above results have been reviewed by the Audit Committee and thereafter were approved and taken on record by the Board of Directors at its meeting held on November 1, 2021.
- 2 The financial results of Welspun Specialty Solution Limited ("the Company") have been prepared in accordance with Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act 2013 ("the Act") read with rule 3 of Indian Accounting Standards Rules 2015.
- 3 The Company is engaged in the business of steel & steel products which in the opinion of the Management is considered the only business segment in the context of IND AS 108 on "Operating Segment", as specified under section 133 of Companies Act, 2013, read with the Companies (Indian Accounting Standards) Rules, 2015. The business operations of the Company are predominantly confined within India.
- 4 As the deferred tax asset is higher than the deferred tax liability as computed in accordance with the Ind AS 12, specified under section 133 of Companies Act, 2013, read with the Companies (Indian Accounting Standards) Rules, 2015, the Company, as a matter of prudence, has not recognised any deferred tax asset.
- 5 The Company expects improvement in operational performance on the basis of building of order book position from domestic as well as overseas market on account of capex incurred for value adding facilities. The Company has started its steel making facility in October '21 to produce stainless steel products, which will further add to the revenue / profitability and also provide security and ensure timely availability of input raw material for the Company's Stainless Steel Pipes & Tubes facility. In view of this, the Company's continued thrust to improve operational efficiency and revenue is expected to result in sustainable cash flows. Accordingly, in spite of Operational Losses incurred by the Company during the quarter and half year ended September 30, 2021, the financial result has been prepared on a going concern basis and no adjustments are required to the carrying amount of assets and liabilities. This matter has been referred to by the Auditors in their report as a matter of emphasis.
- 6 a) During the quarter ended on September 30, 2021, the Company has received Rs. 14 Lacs as the final differential amount vide Department Order Number 1692081 dated January 16, 2021 from Government of Gujarat of which Rs 909 Lakhs were received during the year ended on March 31, 2021. The said amounts received were towards reimbursement of power subsidy and accordingly the same has been considered as an exceptional item during the quarter ended September 30, 2021 and year ended March 31, 2021 respectively.
- b) During the previous year, the Company has received final appeal order of Rs. 575 Lacs (including interest of Rs. 126 Lacs) related to Value Added Tax Assessment for FY 2014-15 vide order Number 0182693 dated March 23, 2021. During the quarter ended December 31, 2020, the Company had written off the said recoverable of Rs. 352 Lacs, which was reinstated during the quarter ended March 31, 2021. The Company has received net refund of Rs. 358 Lacs after adjustment of 6th final installment of Sales Tax deferment loan of Rs. 104 Lacs, interest on deferment of loan of Rs. 15 Lacs and refund already received earlier of Rs. 97 lacs. Accordingly, the interest amount of Rs. 126 Lacs received on the said Order has been considered as an exceptional item.
- c) During the previous year, the terms of 5,09,04,271 12% Cumulative Redeemable (redeemable at a premium of Rs. 25/-per share) Preference Shares of Rs.10- each have been varied and therefore, post variation the said securities stood modified as 12% Non-Cumulative Redeemable Preference Shares redeemable at par with the rest of the terms remaining unchanged. The said variation shall be effective from the issuance of the said securities. Thereby the redemption amount stands reduced from Rs. 17,816 Lacs to Rs. 5,090 Lacs. The Company has accounted for the reduced liability by crediting to the Statement of Profit and Loss amounting to Rs 12,726 Lacs as an Exceptional Item.
- 7 The outbreak of COVID-19 pandemic forced the Company to suspend operation for 24 days and resumed operation at plant on April 17, 2020 in a limited scale, after getting requisite permission. The demand for the Company's products were lower so far with second wave of COVID-19. Further, the Management is of the opinion on the basis of current quarter performance that adverse impact of Covid-19 pandemic on the financial position and performance of the Company, may not remain in the long-term.

The Company does not carry any risk in the recoverability and carrying values of its Assets including Property, Plant & Equipment, Trade receivable and Inventory. The Company does not anticipate any additional liability as at the balance sheet date. However, due to the nature of the pandemic, the Company will closely monitor any material changes to future economic conditions impacting its business.
- 8 During the quarter ended as on June 30, 2021, two employees availed the Employee Stock Option (Senior Management Personnel) Plan 2018 and were issued 6,67,850 Equity Shares at Rs. 25.5 each (including premium of Rs.19.5 each), amounting to Rs. 170 Lacs and were subscribed and fully paid up.
- 9 The Board of Directors of Welspun Steel Ltd (the "Demerged Company"), being the promoter of the Company, at its meeting held on June 28, 2021 have, inter alia, considered and decided to propose to National Company Law Tribunal ("NCLT") for its approval a scheme in the nature of demerger to transfer its steel business undertaking which inter alia includes their stake (50.03%) in the Company to Welspun Corp Limited (the "Resulting Company"). Since the stakeholders who are holding not less than 50% of the equity shares in the Demerged Company (holding company of Welspun Specialty Solutions Limited (WSSL)) are the same stakeholders holding not less than 50% equity shares in the Resulting Company and control being exercised by the same person(s) over both the companies, the indirect acquisition of control of WSSL pursuant to the proposed Scheme is exempt making open offer under the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- 10 The figures for the previous periods / year have been regrouped / rearranged, wherever necessary, to make them comparable.

Date: November 1, 2021
Place: Mumbai



For and on behalf of Board

Handwritten signature
Director