

FORM NO. MR-3 SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2022

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

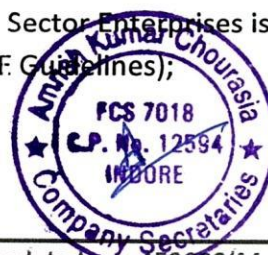
To,
The Members of
FERRO SCRAP NIGAM LIMITED
(CIN:- U27102CT1989GOI005468)
REGD. OFFICE: - FSNL BHAWAN,
EQUIPMENT CHOWK, CENTRAL AVENUE,
BHILAI – 490001
DIST.DURG (C.G.) INDIA

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Ferro Scrap Nigam Limited** (hereinafter called 'the company' or 'FSNL'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my 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, the explanations and clarifications given to me and the representation made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs warranted due to the spread of the Covid-19 pandemic, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31st March, 2022 ('Audit Period'), generally complied with the statutory provisions listed hereunder 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.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2022 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Ministry of Heavy Industries and Public Enterprises (DPE Guidelines);



Page 1 of 6



- (iii) The Company being an unlisted Company during the Audit period, The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder are not applicable to the Company during the financial year under review);
- (iv) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder (*Not applicable to the Company as there was no reportable event during the financial year under review*);
- (v) Foreign Exchange Management Act, 1999 and the rules and regulations made hereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (*Not applicable to the Company as there was no reportable event during the financial year under review*);
- (vi) The Company being an unlisted Company during the Audit period, the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') are not applicable to the Company:-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) 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;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (vii) Management has identified and confirmed the following laws as being specifically applicable to the Company:-

- (a) The Industrial and Labour Laws mainly consisting of The Factories Act, 1948,





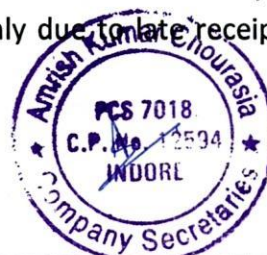
Industrial Disputes Act, 1947, The Contract Labour (regulation and abolition) Act, 1970, National & Festival Holiday Act, 1963, Minimum Wages act, 1948, The Payment of Wages Act, 1936, The Petroleum Act, 1934, Industrial Employment (Standing Order) Act, 1946, Maternity benefit Act, 1961, The Employees Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Gratuity Act, 1972, The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, Indian Explosive Act, 1884, The Employees' Compensation Act, 1923 (earlier known as Workmen's Compensation Act, 1923), The Apprentices Act, 1961, and Equal Remuneration Act, 1976.

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

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meeting (SS-2) Issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreement (*Not applicable, as the Company is Unlisted Company during the financial year under review*).

During the period under review and as per the explanations and representations made by the management and subject to clarifications given to me, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, etc., mentioned hereinabove, subject to the following observations:

- a) As on 31.03.2022, the Company has no Independent Directors on the Board of the Company in compliance of the provisions of the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Ministry of Heavy Industries and Public Enterprises (DPE Guidelines) and the Companies Act, 2013 and the Rules made thereunder.
- b) The Audit Committee, CSR Monitoring Committee and Nomination & Remuneration Committee were duly constituted till 13th December, 2021 and afterwards dissolved by the Board of Directors of the Company in their meeting held on 08th February, 2022 due to improper composition of Board of Directors required as per the provisions of the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Ministry of Heavy Industries and Public Enterprises (DPE Guidelines) and the Companies Act, 2013 and the Rules made thereunder.
- c) The Company has generally filed Forms, returns, documents, resolutions and intimations required to be filed with the Registrar of Companies, the Regional Director and the Central Government on time. Additional filing fees was paid for one Form (ADT-1) filed after prescribed period. However, it is informed by the company that the delay in filing of e-form ADT-1 was mainly due to late receipt of approval from CAG and consent of Statutory Auditor.





- d) As informed by Management that during the audit period, the Company has neither received any show cause notice nor any legal proceedings were pending under the provisions of the Companies Act with appropriate authorities/courts.

I further report that:

M/s Ferro Scrap Nigam Limited is a Private Limited Company and is a wholly owned subsidiary of MSTC Limited. As on 31.03.2022, the Board of Directors of the Company is not duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors as required under the Guidelines on Corporate Governance for Central Public Sector Enterprises issued by the Ministry of Heavy Industries and Public Enterprises (DPE Guidelines) and the provisions of the Companies Act, 2013 and the Rules made thereunder. I further report that the Changes in the composition of the Board of Directors that took during the period under review were carried out in compliance with the provision of the Act.

Adequate notice is given to all directors to schedule the Board Meetings and all instances of dispatch of notice or agenda for shorter period were duly ratified by the Board /Committee and recorded in the minutes. Further, 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.

All Decisions at the meetings of the Board of Directors of the Company, including the resolutions approved through circulations, were carried through on the basis of majority, and dissenting members' views, where any, were recorded as part of the minutes.

I 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.

I further report that:

The compliance by the Company for the applicable Financial Laws like Direct Taxes, Indirect Taxes and the compliance of the Accounting Standards and the annual financial statements, Cost Records has not been reviewed in this audit report, since the same have been subject to the statutory financial audit/internal audit by other designated professionals.



I further report that:

During the during the financial year under review, following events/actions having a major bearing/risk on the Company's affairs in pursuance of the above applicable laws, rules, regulations, guidelines, standards etc. have occurred: -

- a) The Company is engaged in the business of Scrap recovery and allied jobs for various steel plants in India and depends on work from various State-owned Companies. In the previous financial year, the Inter-Ministerial Group (IMG) had taken a decision to award works to FSNL on competitive bidding rather on nomination basis by steel plants of CPSEs. FSNL had filed an appeal with the Divisional Bench of Hon'ble Calcutta High Court to challenge the order passed by the single judge of Hon'ble Calcutta High Court under a writ petition. FSNL has been granted stay by the Divisional Bench of Hon'ble Calcutta High Court. The existing system of awarding work to FSNL on nomination basis shall continue till disposal of Appeal.



Amrish Kumar Chourasia

Company Secretary

FCS No.: 7018

C P No.: 12594

UDIN:- F007018D000641399

Place : Bhilai

Date : 18th July, 2022

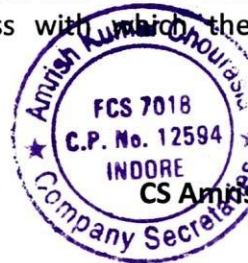
This Report is to be read with our letter of even date which is annexed as **Annexure A** and forms and integral part of this report.

ANNEXURE "A"

To,
The Members of
FERRO SCRAP NIGAM LIMITED
(CIN:- U27102CT1989GOI005468)
REGD. OFFICE: - FSNL BHAWAN,
EQUIPMENT CHOWK, CENTRAL AVENUE,
BHILAI – 490001
DIST.DURG (C.G.) INDIA

My Secretarial Audit Report of even date is to be read along with this letter.

1. The Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I 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 test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I 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. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.



CS Amrish Kumar Chourasia
Company Secretary
FCS No.: 7018
C P No.: 12594
UDIN:- F007018D000641399

Place : Bhilai
Date : 18th July, 2022