



38th
ANNUAL REPORT
&
ACCOUNTS
2019-20

DEEPAK SPINNERS LIMITED



DEEPAK SPINNERS LIMITED

Corporate Identity Number (CIN) – L17111HP1982PLC016465

Board of Directors

Shri Pradip Kumar Daga, Chairman & Managing Director
Shri Yashwant Kumar Daga, Non-Executive Director
Shri Pradeep Kumar Drolia, Non-Executive, Independent Director
Smt. Nilu Agrawal, Non-Executive, Independent Director
Shri Binod Kumar Agrawal, Non-Executive, Independent Director

Administrative Office

Plot No. 194-195, Fourth Floor, Industrial Area,
Phase II, Chandigarh – 160002.

Shri S. B. Sharda, President & Chief Financial Officer
Shri R. A. Sharma, Vice President (Purchase)
Shri M. S. Shekhawat, Vice President (Sales)
Shri P. C. Sharma, Dy. Vice President (Accounts)

Baddi Works

121, Industrial Area, Baddi
Tehsil Nalagarh, Dist. Solan
Himachal Pradesh – 173205.

Shri Sudesh Tiwari, Sr. Vice President (Works)
Shri S. K.Thakur, Sr. Vice President (Engineering)
Shri H. K. Tiwari, Sr. General Manager (Personnel & Administration)

Guna Works

Village : Pagara
Tehsil & Distt. Guna
Madhya Pradesh

Shri H. S. Sharma, Vice President (Works)
Shri Sanjay Tripathi, Asst. Vice President (Personnel & Administration)

Company Secretary

Smt. Puneeta Arora

Bankers

State Bank of India

Auditors

M/s. JKVS & Company
Formerly known as M/s. Jitendra K. Agarwal & Associates.
Chartered Accountants
New Delhi.

Registered office

121, Industrial Area, Baddi
Tehsil Nalagarh, Distt, Solan
Himachal Pradesh – 173205

Corporate Office

16, Hare Street,
Kolkata – 700001

BOARD'S REPORT

Dear Shareholders,

The Board of Directors are pleased to present their Report of the business and operations of your Company together with the Audited Financial Statements for the year ended 31st March 2020.

1. Financial Results (₹ in Lakhs)

| | |
|--|----------|
| Profit before Depreciation & Tax | 2849.79 |
| Less : Depreciation | 1608.60 |
| Tax Expense | |
| -Current year | 453.00 |
| -Deferred Tax | (700.32) |
| Add: Other Comprehensive Income | 3.74 |
| Total Comprehensive Income for the year | 1492.25 |
| Transfers and appropriations: | |
| Dividend for 2018-19 paid during the year (including dividend tax) | 130.01 |
| Interim Dividend 2019-20 paid during the year (including dividend tax) | 130.01 |
| Balance carried forward to Reserves and Surplus | 1232.23 |

The above figures are extracted from the audited financial statements as per Indian Accounting Standards (Ind AS). There has been no change in the nature of business activities of the Company during the year.

2. Dividend

For financial year 2019-20, based on the Company's performance, the Directors had declared interim dividend of 15%, that is, Rs. 1.50 (Rupee one and paise fifty) per equity share of the face value of ₹ 10/- each, aggregating to total dividend payout of ₹ 107.84 Lacs. The Directors, after considering the relevant circumstances, have decided that it would be prudent not to recommend any final dividend.

3. General Review

Modernisation and technological up gradations of our assets are undertaken each year to maintain competitiveness and quality. During the year, the Company has spent about ₹ 6 crores on modernization and up gradation at both the units of the Company. The approval for setting up of upgraded electricity supply from 11 KV to 66KV at the Baddi Unit of the Company has been obtained. Work is in progress for installing the same.

In the last month of financial year 2019-20, the COVID 19 pandemic developed into a global crisis, forcing governments to enforce lock downs of all economic activity. Accordingly, the factories of the Company located at Baddi, Guna and offices, respectively had closed its operations with effect from 23rd March 2020. However, the Company has since partially resumed its operations and is currently in the process of scaling up its operations. Full capacity utilization will take some more time given the various constraints continuing due to COVID 19.

In view of the outbreak of the pandemic, the Company undertook timely and essential measures to ensure the safety and well being of all its employees at its plants and offices. The Company is taking all necessary measures in terms of mitigating the impact of the challenges posed due to Covid 19. The key priorities of the Company would be to closely monitor costs, optimize the use of its financial resources while continuing to invest in some of the growth areas.

Currently, the pandemic has brought about slowdown in the business of the Company, due to shortage of labour, less demand, crisis in receipt of payment, etc. However, we expect revival in the second half of the year.

4. Credit Rating

During the year 2019-20, the Company has got the following credit rating from M/s. India Ratings & Research Private Limited.

| Facility | Sanctioned Limit (million) | Rating / Outlook |
|--|----------------------------|------------------|
| Fund Based Limits | INR 600 | IND BBB / Stable |
| Fund Based Limits | INR 50 | IND A3+ |
| Non Fund Based Limits | INR 60 | IND A3+ |
| Long Term Loans | INR 340 | IND BBB / Stable |
| COVID-19 Emergency Credit Line (Term Loan) | INR 60 | IND BBB / Stable |

5. Internal Financial Control Systems

The Company has in place proper policies and procedures for ensuring orderly and efficient conduct of its business. Internal Financial

Control System commensurate with the size, scale and nature of its operations. The internal financial control systems of the Company are appropriate for the safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial information. During the year under review, the Company has not come across any incidence of fraud. The Company has adopted accounting policies, which are in line with the applicable accounting standards and the Companies Act, 2013.

Internal Audit is conducted by independent Chartered Accountants, on quarterly basis. The Internal Auditors monitor and evaluate the efficacy and adequacy of internal control systems in the Company. Based on the reports of the Internal Auditors, the respective departments undertake corrective actions in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board of Directors.

6. Statutory Auditors

Pursuant to Section 139 of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, the members of the Company in its 35th Annual General Meeting held on 31st August 2017 approved appointment of M/s. J K V S & Co., Chartered Accountants (formerly Jitendra K Agarwal & Associates) (ICAI Registration no. 318086E) as the Statutory Auditors of the Company for an initial term of 5 consecutive years from the conclusion of 35th Annual General Meeting till the conclusion of 40th Annual General Meeting of the Company.

7. Auditors' Report

The Auditors' Report to the Shareholders does not contain any reservation, qualification or adverse remark. During the year under review, the Auditors have not reported any matter under Section 143(12) of the Companies Act, 2013, therefore, no detail is required to be disclosed under Section 134(3)(ca) of the Act.

8. Secretarial Audit

Pursuant to Section 204 of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules,

2014, the Secretarial Audit was carried out by M/s. A. Arora & Co., Company Secretaries (PCS Registration no. 993) for the financial year 2019-20. The Secretarial Audit Report is annexed as 'Annexure – I', to this Report.

There has been no qualification, reservation or adverse remark or disclaimer in the reports. During the year under review, the Auditors have not reported any matter under Section 143(12) of the Companies Act, 2013, therefore, no detail is required to be disclosed under Section 134(3) (ca) of the Act.

9. Cost Audit

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost records maintained by the Company in respect of its manufacturing activities, are required to be audited.

The Board of Directors have, on the recommendation of the Audit Committee, appointed, M/s Shakti K. & Associates, Cost Accountants (ICWAI Registration no. 11338), as Cost Auditors of the Company, to carry out cost audit of the products manufactured by the Company for the year 2020-21.

The remuneration of the Cost Auditor has been approved by the Board of Directors on the recommendation of Audit Committee. As required under the Companies Act, 2013, In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a) (ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is required to be placed before the members in a general meeting for their ratification. Accordingly, necessary resolution is proposed for ratification for the remuneration payable to M/s. Shakti K. & Associates, Cost Auditors in the Notice convening the 38th Annual General Meeting.

10. Directors and Key Managerial Personnel

- a) i) Pursuant to Section 152 of Companies Act, 2013 and Articles of Association of the Company, Shri Yashwant Kumar Daga (DIN 00040632), retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself

for re-appointment. The Board recommends his re-appointment. The brief resume and other details as required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) read with the Secretarial Standard 2 are provided in the Notice of the 38th Annual General Meeting.

- (ii) The tenure of Shri Pradip Kumar Daga (DIN 00040692) as Managing Director expires on 15th April 2021. In accordance with the provisions of the Companies Act, 2013 and Articles of Association of the Company, pursuant to recommendation of the Nomination and Remuneration Committee and approval of the Audit Committee, the Board recommends re-appointment of Shri Daga as Managing Director for a period of three years with effect from 16th April 2021 till 15th April 2024 to the members of the Company at the ensuing Annual General Meeting.
- ii) There were no other changes in Key Managerial Personnel of the Company.

(b) Statement on declarations given by Independent Directors

Declarations have been received from all Independent Directors confirming that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act 2013 and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

All the Independent Directors are compliant of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014

(c) Meetings of Board of Directors

During the year, five Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between any

two consecutive meetings did not exceed the gap prescribed by the Companies Act, 2013 and the Listing Regulations.

(d) Committees of the Board

As on 31st March 2020, the Board had four Committees – the Audit Committee, the Corporate Social Responsibility Committee, the Nomination and Remuneration Committee and the Stakeholders Relationship Committee. During the year, all recommendations made by the Committees were approved and accepted by the Board.

A detailed note on the composition of the Board and its Committees is provided in the Corporate Governance Report.

(e) Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board has carried out an annual evaluation of its own performance, the Directors individually, as well as of the working of its various Committees. The Board on the recommendations of the Nomination and Remuneration Committee lays down the evaluation criteria for evaluation. All the relevant factors that are material for evaluating the performance of the Committees and of the Board were discussed in detail by the Board of Directors.

A structured questionnaire for evaluation of the Board and its various Committees and individual Directors was prepared and recommended to the Board by the Nomination & Remuneration Committee for doing the required evaluation, after taking into consideration the inputs received from the Directors, covering various aspects of the Board's functioning.

A separate exercise was carried out to evaluate the performance of individual Directors who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the

Company and its minority shareholders, etc. The performance evaluation of the Independent Directors was carried out by the entire Board excluding the Director being evaluated. The performance evaluation of the Chairman and non-independent Directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

11. Directors' Responsibility Statement

In terms of the provisions of Section 134(5) of the Companies Act, 2013, your Directors confirm as under –

- a) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) That 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 the financial year and of the profit and loss of the Company for that period;
- c) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the Directors had prepared the annual accounts on a going concern basis; and
- e) That 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.
- f) That 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.

12. Corporate Social Responsibility

In accordance with the requirements of Section 135 of the Companies Act, 2013, the Company has a Corporate Social Responsibility Committee, the terms of reference and other details of which are provided in the Corporate Governance Report. The CSR Policy has been framed and posted on the website of the Company, www.dsl-india.com.

As required by Section 134(3)(o) of the Companies Act, 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, Annual Report on CSR activities is annexed as '**Annexure – II**' to form part of this report.

13. Vigil Mechanism

Pursuant to Section 177(9) of the Companies Act, 2013 and Regulation 22 of listing Regulations, The Company has in place a Vigil Mechanism for Directors and employees of the Company to report genuine concerns of any wrongful conduct with respect to the Company or its business or affairs. The policy covers malpractices, fraud, violation of Company's policies or rules, misappropriation of monies and other matters on account of which the interest of the Company is affected or is likely to be affected. The policy of Vigil Mechanism is an internal policy, to make protected disclosures on a confidential basis, in good faith and to raise concerns to be appropriately dealt with. The policy provides that all protected disclosures can be addressed to the Vigil Officer or the Chairman, Audit Committee in certain cases

It also provides for adequate safeguards against the victimization of employees who avail of the mechanism. Complaints received by Vigil Officer are investigated by the Vigil Officer and a report thereon is submitted to the Audit Committee. It is affirmed that no person was denied access to the Vigil Officer and the Audit Committee; and no complaints were received during the financial year 2019-20.

The Policy on Vigil Mechanism is also posted on the Company's website www.dsl-india.com.

(weblink: http://www.dsl-india.com/wp-content/uploads/2019/05/DSL_Vigil_Mechanism.pdf)

14. Risk Management Policy

Several factors such as advancements in technology, prevalent geo-political environment, stringent regulatory and environmental requirements have consequential impacts across the value chain of a business. The Company has an efficient Risk Management framework to identify and evaluate business risks and opportunities. The Audit Committee has been delegated the responsibility for monitoring and reviewing risk management, assessment and minimization procedures. On the recommendations of Audit Committee, Board of Directors has formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. The risk management procedures are reviewed by the Audit Committee and the Board of Directors on a quarterly basis at the time of review of the quarterly financial results of the Company.

15. Nomination and Remuneration Policy

The Board has on the recommendations of the Nomination and Remuneration Committee adopted a policy for selection and appointment of Directors, KMP and Senior Management and their remuneration. During the year, there have been no changes to the Policy. The details of Company's Remuneration Policy are attached as 'Annexure-III' and forms part of this report of the Board of Directors.

16. Related Party Transactions

All related party transactions that were entered into during the financial year were on an arm's length pricing basis and were in the ordinary course of business and do not attract the provisions of Section 188 of the Companies Act, 2013.

There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company and hence, enclosing of Form AOC 2 is not required. Suitable disclosures as required by the Accounting Standard (Ind AS - 24) has been made in the notes to the Financial Statements.

All related party transactions are placed before the Audit Committee and also before the Board for approval. Prior omnibus approval of the Audit Committee is obtained on yearly basis for transactions which could be foreseen and are of repetitive nature for a period of one year. The transactions entered into pursuant to the omnibus approval so granted for review are placed before the Audit Committee on a quarterly basis.

The Policy on Related Party Transactions, as approved by the Board is uploaded on the Company's website. None of the Directors has any pecuniary relationship or transaction vis-à-vis the Company.

17. Disclosures regarding Employees

- a) The Statement of Details of Remuneration as required under Section 197 and Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as 'Annexure – IV' and forms a part of this Board's Report.
- b) The information required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of this report is given in separate annexure to this Report.

The said annexure is not being sent along with this Report to the Members of the Company in line with the provisions of Section 136 of the Companies Act, 2013. Any member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company. The aforesaid annexure is also available for inspection by the Members at the Registered office of the Company, twenty one days before the 38th Annual General Meeting and up to the date of the said Annual General Meeting during the business hours on working days.

- c) No employee, other than the Chairman and Managing Director by himself or along with his spouse and dependent children holds 2% or more of the equity shares of the Company.

d) The Company has not received any complaint under 'The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013, during the year.

18. Public Deposits

During the year, the Company has neither accepted nor renewed any deposits from the public and as such, there are no outstanding deposits in terms of the Chapter V of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

19. Loans, Guarantees and Investments

The Company has not given loans, directly or indirectly to any person or other body corporate or given guarantee or provided any security in connection with a loan to any other body corporate or person. The Company has also not made any investments as per the provisions of Section 186 of the Companies Act, 2013.

20. Management Discussion and Analysis Report

A report for the year under review as required under Regulation 34 and as stipulated under Part B of Schedule V of Listing Regulations, is annexed herewith and forms part of this report.

21. Corporate Governance :

A report on Corporate Governance as required under Regulation 34 and as stipulated in Part C of Schedule V of Listing Regulations is annexed herewith and forms part of this report. Compliance Certificate issued by Statutory Auditors of the Company, regarding compliance of Corporate Governance is also annexed.

22. Extract of Annual Return

The extract of annual return in Form MGT-9 as per the provisions of Section 92 of the

Companies Act 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014 is annexed with this report as 'Annexure – V'.

23. Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo.

As required by Section 134(3)(m) of the Companies Act, 2013 and Rule 8(3) of the Companies (Accounts) Rules, 2014, information with regard to Conservation of energy, technology absorption and foreign exchange earnings and outgo are annexed as 'Annexure – VI' to form part of this report.

24. Significant and Material Orders Passed by the Regulators or Courts

There are no significant material orders passed by the regulators / courts which would impact the going concern status of the Company and its future operations.

25. Compliance with Secretarial Standards

The Company has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India.

26. Acknowledgement

We express our sincere appreciation and thank our valued stakeholders of the Company, viz., shareholders, customers, Bankers, stakeholders and business associates for support received from them during the year. We thank Central and State Governments and district level authorities for their continued support and encouragement to the Company.

We are pleased to record our appreciation of the loyal services and continued contribution rendered by each and every employee and workmen of the Company at all levels.

P. K. Daga
Chairman and Managing Director
 (DIN 00040692)

Yashwant Kumar Daga
Director
 (DIN 00040632)

P. K. Drolia
Director
 (DIN 00291966)

Nilu Agrawal
Director
 (DIN 03107052)

Binod Kumar Agrawal
Director
 (DIN 00515967)

Place : Kolkata
 Date : 30.06.2020

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENT

Textile Industry has historically been a key component of India's economy. India is the world's second largest textile producer after China. Textile industry is diversified in India and is capable of producing a wide variety of textiles. Textiles add tremendous economic value for India, both in the form of 2% contribution to the GDP as well as through substantial employment throughout the country.

India has a significant share in the global yarn spinning and is second only to China in production. Textile industry contributes to 16% to the country's exports. However, a sharp decline impacted in the entire value chain of textile industry since the last month of the financial year 2019-20, due to closure of factories, and problems in shipment of goods to importing countries following COVID 19 induced nationwide lock down and reduced demand from importing countries due to similar lock down there. Industry is facing labour shortage amid demand slowdown from both domestic and overseas markets.

Pursuant to the outbreak of COVID 19, Reserve Bank of India offered moratorium to the industry to repay loans up to 31st August 2020 and also granted emergency loans to scale through difficulties posed due to nationwide lock down.

OPPORTUNITY AND THREATS

If there is one sector in the country that is self-reliant end-to-end, it is textiles. India has abundant supply of raw material, skilled labour and a strong domestic market. It is the largest producer of cotton, and the second largest producer of man-made fibres - polyester and viscose. Relatively newer entrants like Bangladesh, Vietnam and Cambodia have gained substantially in exports as compared to India due to Preferential Trades Agreements with major textile markets.

GST on cotton is uniformly 5 per cent for fibre, yarn and fabric. But man-made fibres (MMF) are taxed at 18 per cent for fibre, 12 per cent for yarn and 5 per cent for fabric. This inverted tax structure makes MMF textiles costly. However, since past few years, there is a global shift in fashion towards MMF. About 72 per cent of the global textile fibre consumption is MMF. To be a serious player in the global market, India needs to have a fibre neutral tax policy.

Lack of duty free access to major markets is the major disadvantage India has vis-à-vis many competing countries. The global demand for MMF is expected to grow by 3.8% by the year 2021 primarily driven by increasing consumption of MMF due to limited cotton production, and supply coupled with other factors such as increasing demand for textile products due to increasing population, relatively high cotton prices and increasing applications of synthetic fibres into industrial applications. India is competitively positioned in terms of low labour and power cost against most of the competing countries. Given the fact that China has begun to shift its focus from exports to domestic market, has opened avenues for India to take up its share and strengthen its position in global textile trade. The ongoing trade war between China and USA and post COVID 19 backlash of most of the countries against China can open up new opportunities to India.

Lack of investment in research and development, lowering margins due to fierce competition and e-commerce and volatile raw material prices may pose a threat to progress of MMF textile industry.

SEGMENTAL REVIEW AND ANALYSIS

Your Company continues to operate in one segment only – synthetic yarn. The Company is setting up upgraded electricity supply from 11 KV to 66KV at the Baddi Unit of the Company, which is expected to be operational by March 2021. Once the line becomes operational, it will ensure substantial savings for the Company.

Our company's production continues to be at sustainable levels matching prevailing market demand.

Covid -19 Impact

The Covid 19 pandemic is much more than a health crisis and is having an unprecedented impact on people and economies worldwide. As per the directives of the Central and State Governments in the wake of Covid 19 pandemic, the Company had suspended operations with effect from 23rd March 2020 which adversely impacted the business during the last quarter of the year. Though the scenario is grim currently, it is expected to show signs of revival from the second half of this financial year.

All safety protocols related to Covid 19 as advised by the Government are being implemented and observed at factories and offices of the Company. The Company continues to fulfill its obligations with respect to all the existing contracts and agreements.

The Company does not foresee any material impact on account of non-fulfillment of obligations by any party in existing contracts or agreements.

The Company has also instituted across all its operations, focused cost control programs and sanctioned only necessary capital expenditure to conserve its finances.

OUTLOOK

Increased penetration of organized retail sector, growing population and rising income levels are likely to drive demand for textile product. It has been complemented by a growing young earning population, rising female work force which is exposed to changing tastes and fashion. More and more demand for fitness apparel, short fashion cycles, requirement of low cost and high performance material for automotive and industrial use have increased the demand for synthetic and MMF products. Growth in building and construction will continue to raise demand for non-clothing textiles.

Limited cotton production, relatively high cotton prices and versatile applications of MMF are other contributors to increase in demand for MMF textiles.

RISKS AND CONCERNS

Preferential Trade Agreements, including Free Trade Agreements (FTAs), help gain duty-free access to large textile markets such as the European Union (EU), Australia and the UK which, otherwise, levy 12-14 per cent import duty. India, unlike a few other Asian countries such as Bangladesh, Sri Lanka, Vietnam, etc lacks major FTAs with large importers of textile and apparels. FTAs with Bangladesh and Sri Lanka makes the matters worse for India, as other countries route their textile products duty free into India through them as India has no Rule of Origin in place. India's FTA negotiation with EU has remained suspended since 2013.

Textile industry in India grapples with domestic issues including outdated technology, inflexible labour laws, infrastructure bottlenecks and a fragmented nature of the industry. Due to cash crunch and weak demand in the Indian and Export markets, it is becoming difficult to pass on the cost to end customer.

The rapid deterioration of the global economic outlook following the pandemic has severely impacted demand and margins.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company's internal control systems and procedures commensurate with the size and nature of its operations. The Company has adequate system of Internal Control to ensure that the resources of the Company are used efficiently and effectively, all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorized, recorded and reported correctly, financial and other data are reliable for preparing financial information and other data and for maintaining accountability of assets. The management periodically reviews the internal control systems and procedures for efficient conduct of the Company's business. Internal Audit is conducted by independent Chartered Accountants, on quarterly basis. To maintain its objectivity and independence, the Internal Auditors report directly to the Audit Committee of the Board. The Audit Committee reviews the Internal Audit Reports and effectiveness of the Internal Control Systems. If required, the corrective actions are taken and the controls strengthened.

FINANCIAL PERFORMANCE

- a) The report of the Board of Directors may be referred to for financial performance.
- b) Details of significant changes (i.e. changes as compared to the immediately previous financial year) in key financial ratios -

| Ratios | F.Y. 2019-20 | F.Y. 2018-19 | Change (%) |
|-----------------------------|--------------|--------------|------------|
| Debtors Turnover Ratio | 14.10 | 12.92 | 9.13 |
| Inventory Turnover Ratio | 3.64 | 3.82 | (4.71) |
| Interest Coverage Ratio | 4.04 | 4.48 | (9.82) |
| Current Ratio | 1.12 | 1.09 | (2.75) |
| Debt Equity Ratio | 0.59 | 0.86 | (31.40) |
| Operating Profit Margin (%) | 4.73 | 6.46 | (26.78) |
| Net Profit Margin (%) | 2.69 | 4.27 | (37.00) |
| Return on Net Worth (%) | 10.44 | 10.56 | (1.14) |

HUMAN RESOURCES

The employees on roll in the Company as on 31st March 2020 were 3323 (2883 as on 31st March 2019). Relations with the employees were cordial throughout the year. The Company provides to its employees favourable work environment conducive to good performance with high degree of quality and

integrity. The Company continuously nurtures this environment to keep its employees highly motivated and result oriented. Effective Human Resource Practices enable building a stronger performance culture.

CAUTIONARY STATEMENT

Statements in this Management Discussions and Analysis Report describing the Company objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable security laws or regulations. These statements are based on reasonable

assumptions and expectations of future events. Actual results could however, differ materially from those expressed or implied. Factors that could make a difference to the Company's operations include market price both domestic and overseas availability and cost of raw materials, change in Government regulations and tax structure, economic conditions affecting demand / supplies and other factors over which the Company does not have any control. The Company takes no responsibility for any consequence of decisions made based on such statements and holds no obligation to update these in future.

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

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

To,
The Members,
Deepak Spinners Limited,
#121, Industrial Area, Baddi,
Tehsil: Nalagarh, Distt: Solan,
Himachal Pradesh.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by DEEPAK SPINNERS LIMITED (hereinafter called "the Company"). 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 DEEPAK SPINNERS LIMITED'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, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2020 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 DEEPAK SPINNERS LIMITED ("the Company") for the financial year ended on March 31, 2020 under the provisions of below mentioned regulations, which were shared with me. It is informed that due to prevailing nationwide lockdown in light of COVID-19, I was not able to carry out physical inspection of the said records:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

- a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2013.
- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- c) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and the amendments thereof: Not Applicable, as none of the securities of the company were delisted during the audit period.
- d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- Not applicable as the company has not issued any securities during the financial year under review.
- e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014- Not Applicable as the company has not provided any share based benefits to the employees during the year.
- f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Chapter V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015- Not applicable as the company has not issued any debt securities during the financial year under review.
- g) 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- Not applicable as the company is not registered as Registrar to an Issue and Share Transfer Agent during the financial year under review.
- h) The Securities and Exchange Board of India

(Buyback of Securities) Regulations, 2018- Not applicable as the company has not bought back any of its securities during the financial year under review.

- (vi) The major provisions and requirements have also been complied with as prescribed under all applicable Labour laws viz. The Factories Act, 1948, The Payment of Wages Act, 1936, The Payment of Bonus Act, 1965, Industrial Dispute Act, 1947, Employee State Insurance Act, 1948, The Employee's Provident Fund and Miscellaneous Provisions Act, 1952, The Payment of Gratuity Act, 1972, The Industrial Employment (Standing Order) Act, 1946, The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956.
- (vii) Environment Protection Act, 1986 and other environmental laws.
- (viii) Hazardous Waste (Management and Handling) Rules, 1989 and the Amendments Rules, 2003.
- (ix) The Air (Prevention and Control of Pollution) Act, 1981
- (x) The Water (Prevention and Control of Pollution) Act, 1974

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

- a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- b) The SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, being listed on BSE Limited;

During the period under review the Company has complied with the provisions of the act, rules, regulations, guidelines, standards, etc. mentioned above.

Based on our examination and the information received and records maintained, I further report that:

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent well in advance, and 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.

3. All decision is carried through majority while the dissenting members' views, if any, are captured and recorded as part of the minutes.

4. The company has proper board processes.

Based on the compliance mechanism established by the company and on the basis of the compliance certificate(s) issued by the Company Secretary/ Officers, I am of an opinion that:

1. 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.
2. On examination of the relevant documents and records, on test check basis, the company has complied with the following laws specifically applicable to the company:
- a. The Indian Electricity Act, 2003 and Indian Electricity Rules, 2005.
- b. The Boilers Act, 1923

I further report that during the financial year under review:

- a. The application filed by the company pursuant to Regulation 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for re-classification M/s Longview Tea Company Limited, an entity of the promoter group to public was rejected by BSE Limited.
- b. The company altered its Articles of Association with the approval of the members vide special resolution passed in the 27th Annual General Meeting held on 12.09.2019.

Apart from the business stated above, there were no instances of:

- (i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (ii) Redemption / buy-back of securities.
- (iii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction etc.
- (v) Foreign technical collaborations.

For **A. ARORA & CO.**
AJAY K. ARORA
(Proprietor)
FCS No. 2191
C P No.: 993

Place: Chandigarh
Date : 03.07.2020

UDIN: F002191B000411930

Annual Report on Corporate Social Responsibility (CSR) Activities

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.**

Pursuant to Section 135 of the Companies Act, 2013 and rules framed there under, the Company has formulated a Corporate Social Responsibility (CSR) Policy. The CSR Policy relates to the activities to be undertaken by the Company as specified in Schedule VII of the Act and the expenditure thereon and focuses on addressing critical social, environmental and economic needs of the weaker sections of the society.

CSR Policy can be perused on the following website :

http://www.dsl-india.com/wp-content/uploads/2014/09/csr_policy.pdf

The Composition of the CSR Committee:

| Sr. No. | Name of the Member | Category |
|---------|-------------------------------------|---------------------------|
| 1. | Shri Yashwant Kumar Daga (Chairman) | Non-Executive |
| 2. | Shri Pradeep Kumar Drolia | Non-Executive Independent |
| 3. | Shri Binod Kumar Agrawal | Non-Executive Independent |

2. **Average net profit of the Company for last three financial years as per Section 198 of the Companies Act, 2013**

| Year | Profit / Loss (-) (₹ In Lakhs) |
|----------------------------|-----------------------------------|
| 2016-17 | 862* |
| 2017-18 | 668 |
| 2018-19 | 2287 |
| Total | 3817 |
| Average Net Profits | 1272 |

*Due to adoption of IndAS for the year ended 31.3.2018, the amounts reported previously in financial statements for the year ended 31.3.2017 were adjusted.

3. **Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)**
₹ 25.44 Lakhs (being 2% of the average net profits as stated in item 3 above)
4. **Details of CSR spent during the financial year =**
 - (a) Total amount to be spent for the financial year: ₹ 25.44 Lakhs
 - (b) Amount unspent, if any: ₹ 22.60 Lakhs

(c) Manner in which the amount spent during the financial year is detailed below.

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|-------|---|--|--|--|---|---|--|
| S. No | CSR project or activity identified | Sector in which the Project is covered | Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs were undertaken | Amount outlay (budget) project or program wise (₹) | Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads (₹) | Cumulative expenditure up to the reporting period (₹) | Amount spent : Direct or through implementing agency |
| 1. | Contribution to Build Book Bank | Education | Chandigarh | 1,00,000 | 1,00,000 | 1,00,000 | Direct to Rajasthan Parishad, Chandigarh |
| 2. | Construction of toilets and Cycle Stand at Government Middle School | Education | Pagara, Guna, Madhya Pradesh | 5,00,000 | 183742 | 283742 | Direct |
| | TOTAL | | | 6,00,000 | 283742 | | |

5. ***In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.***

The Company is in the process of identifying the suitable projects and stepping up efforts to increase its expenditure on CSR activities.

6. ***A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company***

The implementation and monitoring of Corporate Social Responsibility Policy is in compliance with the CSR objectives and Policy of the Company.

Date : 30.06.2020
Place : Kolkata

P. K. Daga
(Chairman and Managing Director)
(DIN 00040692)

Yashwant Kumar Daga
(Chairman CSR Committee)
(DIN 00040632)

EXTRACT FROM NOMINATION AND REMUNERATION POLICY

Objective and Purpose of the Policy:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the textile industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward, linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Applicability:

The Policy is applicable to Directors (Executive and Non Executive), Key Managerial Personnel (KMP) and Senior Management Personnel.

Matters to be Dealt with, Perused and Recommended to the Board by the Nomination and Remuneration Committee:

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Carry out the evaluation of performance of Directors, KMP and Senior Management Personnel and recommend to the Board, their appointment and removal.
- Recommend to the Board, a policy relating to remuneration for the directors, KMP and other employees and recommend to the Board, amendments to such policy as and when required.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.

Guiding Principles for Appointment and Removal of Director, KMP and Senior Management

- Remuneration policy and arrangements for Directors, KMPs and Senior Management Personnel, shall be determined by the Committee on the basis of Company's financial position, pay and employment conditions prevailing in peer companies or elsewhere in competitive market to ensure that the remuneration and the other terms of employment shall be competitive to ensure that the Company can attract, retain and motivate competent executives.
- Remuneration packages may be composed of fixed and incentive pay depending on short and long term performance objectives appropriate to the working of the Company.
- The Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders.

Remuneration of the Whole-Time Directors, Directors, KMP and Senior Management Personnel

1. The remuneration / compensation / commission etc. to the Whole-time Directors and Directors will be determined by the Committee. It shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company, the Companies Act, 2013, the rules made there under and the Listing Agreement with Stock Exchanges as amended from time to time. The Committee shall recommend the remuneration / compensation / commission etc. to be paid to the Whole-time Director and Directors to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
 2. Increments to the existing remuneration / compensation structure of Whole time Director and Directors may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders.
 3. The Non- Executive / Independent Directors may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed such amount as may be prescribed by the Central Government from time to time.
 4. Commission to Non-executive Directors may be paid within the monetary limit approved by shareholders, as per the applicable provisions of the Companies Act, 2013.
 5. The remuneration / compensation / commission etc. to the KMP and Senior Management Personnel will be determined based on the Company's financial position, trends and practices on remuneration prevailing in peer companies, in the textile industry and performance of such KMP and Senior Management Personnel.
 6. Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.
 7. An Independent Director shall not be entitled to any stock option of the Company.
-

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014.

- i) **The ratio of the remuneration of each director to the median remuneration of the employee of the Company for the financial year 2019-20**

| Sr. No. | Name of Director | Remuneration of Directors for financial year 2019-20 (₹ In Lacs) | Ratio of remuneration of each Director to median remuneration of employees |
|---------|--|--|--|
| 1. | Shri Pradip Kumar Daga, Chairman and Managing Director | 84.56 | 87.13 : 1 |
| 2. | Shri Yashwant Kumar Daga | 4.00 | 4.12 : 1 |
| 3. | Shri Pradeep Kumar Drolia | 4.50 | 4.17 : 1 |
| 4. | Smt. Nilu Agrawal | 3.30 | 3.40 : 1 |
| 5. | Shri Binod Kumar Agrawal | 4.50 | 4.17 :1 |

Directors - there was no increase in their remuneration.

- ii) **Key Managerial Personnel** - Increase in remuneration of Shri S. B. Sharda , Chief Financial Officer was 9.31% and in case of Smt. Puneeta Arora, Company Secretary it was 12.10%. Increase in remuneration of Shri Pradip Kumar Daga, Chairman and Managing Director was 10%.
- iii) There was an increase of 5.73% in the median remuneration of employees in the financial year 2019-20.
- iv) There were 3323 number of permanent employees on the roll of the Company as on 31.03.2020.
- v) Average salary increase of employees other than Key Managerial Personnel in the last financial year, i.e. 2019-20 was about 10.92%. Average increase in the remuneration of Key Managerial Personnel was about 10.47%. The increase in remuneration was given on the basis of individual performance of the concerned employee taking into account the inflation. There are, no exceptional circumstances for increase in managerial remuneration.
- vi) **The key parameters for any variable component of remuneration availed by the Directors.**
The Non-executive Directors are paid commission. The amount of commission is decided by the Board of Directors, considering the performance of the Company at a rate not exceeding 1% of the net profits of the Company calculated in accordance with the relevant provisions of the Act and other applicable laws in a financial year
- vii) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy of the Company.

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31st March 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

| | | |
|------|---|--|
| i) | CIN | L17111HP1982PLC016465 |
| ii) | Registration Date | 25 th March 1982 |
| iii) | Name of the Company | DEEPAK SPINNERS LIMITED |
| iv) | Category / Sub-Category of the Company | Public Limited Company |
| v) | Address of the Registered office and contact details | 121, Industrial Area, Baddi, Tehsil Nalagarh, District Solan 173205 (Himachal Pradesh) Telephone nos. 0172 2650973, 2650974, 2650977 Website: www.dsl-india.com Email: share@dsl-india.com |
| vi) | Whether Listed Company | Yes |
| vii) | Name, Address and Contact details of Registrar and Transfer Agent, if any | M/s MAHESHWARI DATAMATICS PRIVATE LIMITED 23, R.N Mukherjee Road, 5th floor, Kolkata - 700001 Telephone : (033)22435029, 22433809, 22482248. e-mail : mdpldc@yahoo.com |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products / services | NIC Code of the Product / Service | % to total turnover of the Company |
|---------|--|-----------------------------------|------------------------------------|
| | Synthetic Yarn | 5509-10 | 99.80 |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

| Sl. No. | Name and Address of the Company | CIN/ GLN | Holding / Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---------------------------------|----------|---------------------------------|------------------|--------------------|
| The Company does not have any holding, subsidiary or associate Company. | | | | | |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i) Category-wise Share Holding

| Category of Shareholders | No of Shares held at the beginning of the year [As on 01-April-2019] | | | | No of Shares held at the end of the year [As on 31-March-2020] | | | | % change during the Year |
|---|--|-------------|----------------|-------------------|--|-------------|----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 1417313 | -- | 1417313 | 19.71 | 1449736 | -- | 1449736 | 20.16 | 0.45 |
| b) Central Govt | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| c) State Govt(s) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| d) Bodies Corp. | 1721099 | -- | 1721099 | 23.94 | 1721099 | -- | 1721099 | 23.94 | 0.00 |
| e) Banks/Fi | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| f) Any other | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Sub-total (A)(1) | 3138412 | -- | 3138412 | 43.65 | 3170835 | -- | 3170835 | 44.10 | 0.45 |
| (2) Foreign | | | | | | | | | |
| a) NRIs - Individuals | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| b) Other - Individuals | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| c) Bodies Corp. | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| d) Banks/FI | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| e) Any other | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Sub-total (A)(2) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total shareholding of Promoter (A)=(A)(1)+(A)(2) | 3138412 | -- | 3138412 | 43.65 | 3170835 | -- | 3170835 | 44.10 | 0.45 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| a) Mutual Funds | -- | 5400 | 5400 | 0.08 | -- | 5400 | 5400 | 0.08 | 0.00 |
| b) Banks/FI | 3750 | 570 | 4320 | 0.06 | 3750 | 570 | 4320 | 0.06 | 0.00 |
| c) Central Govt | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| d) State Govt(s) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| e) Venture Capital Funds | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| f) Insurance Companies | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| g) FIs | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| h) Foreign Venture Capital Funds | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| i) Others (specify) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Sub-total(B)(1):- | 3750 | 5970 | 9720 | 0.13 | 3750 | 5970 | 9720 | 0.13 | 0.00 |

| Category of Shareholders | No of Shares held at the beginning of the year [As on 01-April-2019] | | | | No of Shares held at the end of the year [As on 31-March-2020] | | | | % change during the Year |
|---|--|---------------|----------------|-------------------|--|---------------|----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 557178 | 8361 | 565539 | 7.86 | 656301 | 8261 | 664562 | 9.24 | 1.38 |
| ii) Overseas | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs. 1 lakh | 1161478 | 511870 | 1673348 | 23.28 | 1122427 | 487059 | 1609486 | 22.39 | -0.89 |
| ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 1655572 | -- | 1655572 | 23.03 | 1594864 | -- | 1594864 | 22.18 | -0.85 |
| c) Others (Specify) | | | | | | | | | |
| Non Resident Indians | 38893 | 95060 | 133953 | 1.86 | 39050 | 94540 | 133590 | 1.85 | -0.01 |
| Qualified Foreign Investor | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Custodian of Enemy Property | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Foreign Nationals | 700 | -- | 700 | 0.01 | 700 | -- | 700 | 0.01 | 0.00 |
| Clearing Members | 12124 | -- | 12124 | 0.17 | 5611 | -- | 5611 | 0.08 | -0.09 |
| Trusts | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Foreign Bodies-D R | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| NBFCs registered with RBI | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Employee Trusts | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Domestic Corporate Unclaimed Shares Account | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Investor Education and Protection Fund Authority | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Sub-total(B)(2):- | 3425945 | 615291 | 4041236 | 56.21 | 3418953 | 589860 | 4008813 | 55.76 | -0.45 |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | 3429695 | 621261 | 4050956 | 56.35 | 3422703 | 595830 | 4018533 | 55.90 | -0.45 |
| C. Shares held by Custodian for GDRs & ADRs | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Grand Total (A+B+C) | 6568107 | 621261 | 7189368 | 100.00 | 6593538 | 595830 | 7189368 | 100.00 | 0.00 |

(ii) Shareholding of Promoters

| SI No | Shareholder's Name | Shareholding at the beginning of the Year (As on 01 April 2019) | | | Shareholding at the end of the Year (As on 31 March 2020) | | | % change in share holding during the Year |
|-------|--|--|----------------------------------|--|--|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | |
| 1 | Mangalam Engineering Projects Limited | 869429 | 12.09 | 0.00 | 869429 | 12.09 | 0.00 | 0.00 |
| 2 | Pradip Kumar Daga | 404174 | 5.62 | 0.00 | 404174 | 5.62 | 0.00 | 0.00 |
| 3 | Pradip Kumar Daga (As partner of M/s. Bansidhar Daga & Co) | 103805 | 1.44 | 0.00 | 103805 | 1.44 | 0.00 | 0.00 |
| 4 | Contransys Private Limited | 402100 | 5.59 | 0.00 | 402100 | 5.59 | 0.00 | 0.00 |
| 5 | Jalpaiguri Holdings Private Limited | 400070 | 5.56 | 0.00 | 400070 | 5.56 | 0.00 | 0.00 |
| 6 | Asha Devi Daga | 386428 | 5.38 | 0.00 | 386428 | 5.38 | 0.00 | 0.00 |
| 7 | Yashwant Kumar Daga | 223425 | 3.11 | 0.00 | 223425 | 3.11 | 0.00 | 0.00 |
| 8 | Coplama Products Private Limited | 49500 | 0.69 | 0.00 | 49500 | 0.69 | 0.00 | 0.00 |
| 9 | Shantanu Daga | 29615 | 0.41 | 0.00 | 29615 | 0.41 | 0.00 | 0.00 |
| 10 | Yashwant Kumar Daga (HUF) | 47900 | 0.67 | 0.00 | 69858 | 0.98 | 0.00 | 0.31 |
| 11 | Nandini Daga | 79632 | 1.11 | 0.00 | 81497 | 1.13 | 0.00 | 0.02 |
| 12 | Pradip Kumar Daga (HUF) | 142334 | 1.98 | 0.00 | 150934 | 2.10 | 0.00 | 0.12 |
| | TOTAL | 3138412 | 43.65 | 0.00 | 3170835 | 44.10 | 0.00 | 0.45 |

(iii) Change in Promoters' Shareholding

| SI No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date of change of shareholding | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|--|---|----------------------------------|--------------------------------|------------------------------------|--------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 1. | Mangalam Engineering Projects Limited | 869429 | 12.09 | 01.04.2019 | 0 | -- | 869429 | 12.09 |
| | | 869429 | 12.09 | 31.03.2020 | 0 | | 869429 | 12.09 |
| 2. | Pradip Kumar Daga | 404174 | 5.62 | 01.04.2019 | 0 | | 404174 | 5.62 |
| | | 404174 | 5.62 | 31.03.2020 | 0 | | 404174 | 5.62 |
| 3. | Pradip Kumar Daga (As partner of M/s. Bansidhar Daga & Co) | 103805 | 1.44 | 01.04.2019 | 0 | | 103805 | 1.44 |
| | | 103805 | 1.44 | 31.03.2020 | 0 | | 103805 | 1.44 |

| SI No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date of change of shareholding | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|-------------------------------------|---|----------------------------------|--------------------------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 4. | Contransys Private Limited | 402100 | 5.59 | 01.04.2019 | 0 | | 402100 | 5.59 |
| | | 402100 | 5.59 | 31.03.2020 | 0 | | 402100 | 5.59 |
| 5. | Jalpaiguri Holdings Private Limited | 400070 | 5.56 | 01.04.2019 | 0 | | 400070 | 5.56 |
| | | 400070 | 5.56 | 31.03.2020 | 0 | | 400070 | 5.56 |
| 6. | Asha Devi Daga | 386428 | 5.38 | 01.04.2019 | 0 | | 386428 | 5.38 |
| | | 386428 | 5.38 | 31.03.2020 | 0 | | 386428 | 5.38 |
| 7. | Yashwant Kumar Daga | 223425 | 3.11 | 01.04.2019 | 0 | | 223425 | 3.11 |
| | | 223425 | 3.11 | 31.03.2020 | 0 | | 223425 | 3.11 |
| 8. | Coplama Products Private Limited | 49500 | 0.69 | 01.04.2019 | 0 | -- | 49500 | 0.69 |
| | | 49500 | 0.69 | 31.03.2020 | 0 | | 49500 | 0.69 |
| 9. | Shantanu Daga | 29615 | 0.41 | 01.04.2019 | 0 | | 29615 | 0.41 |
| | | 29615 | 0.41 | 31.03.2020 | 0 | | 29615 | 0.41 |
| 10 | Yashwant Kumar Daga (HUF) | 47900 | 0.67 | 01.04.2019 | 0 | | 47900 | 0.67 |
| | | | | 07.06.2019 | +1000 | Transfer | 48900 | 0.68 |
| | | | | 14.06.2019 | +7105 | Transfer | 56005 | 0.78 |
| | | | | 21.06.2019 | +1000 | Transfer | 57005 | 0.79 |
| | | | | 27.03.2020 | +5254 | Transfer | 62259 | 0.87 |
| | | 69858 | 0.97 | 31.03.2019 | +7599 | Transfer | 69858 | 0.97 |
| 11 | Nandini Daga | 79632 | 1.11 | 01.04.2019 | 0 | | 79632 | 1.11 |
| | | | | 27.03.2020 | +1865 | Transfer | 81497 | 1.13 |
| | | 81497 | 1.13 | 31.03.2020 | 0 | | 81497 | 1.13 |
| 12 | Pradip Kumar Daga (HUF) | 142334 | 1.98 | 01.04.2019 | 0 | | 142334 | 1.98 |
| | | | | 07.06.2019 | +2000 | Transfer | 144334 | 2.01 |
| | | | | 14.06.2019 | +1500 | Transfer | 145834 | 2.03 |
| | | | | 21.06.2019 | +348 | Transfer | 146182 | 2.03 |
| | | | | 28.06.2019 | +4652 | Transfer | 150834 | 2.10 |
| | | | | 05.07.2019 | +100 | Transfer | 150934 | 2.10 |
| | | 150934 | 2.10 | 31.03.2020 | 0 | | 150934 | 2.10 |

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|--|---|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 1 | M P State Industrial Development Corporation Limited | 319160 | 4.44 | 01.04.2019 | 0 | -- | 319160 | 4.44 |
| | | 319160 | 4.44 | 31.03.2020 | 0 | -- | 319160 | 4.44 |
| 2 | Kunj Bihari Kasat (H U F) | 150000 | 2.09 | 01.04.2019 | 0 | | 150000 | 2.09 |
| | | 150000 | 2.09 | 31.03.2020 | 0 | | 150000 | 2.09 |
| 3 | Baldev Kumar Garg (HUF)# | 206123 | 2.87 | 01.04.2019 | 0 | | 206123 | 2.87 |
| | | | | 26.04.2019 | +546 | Transfer | 206669 | 2.87 |
| | | | | 30.09.2019 | +100 | Transfer | 206769 | 2.88 |
| | | | | 20.12.2019 | -5 | Transfer | 206764 | 2.88 |
| | | | | 27.12.2019 | -5210 | Transfer | 201554 | 2.80 |
| | | | | 31.12.2019 | -1450 | Transfer | 200104 | 2.78 |
| | | | | 03.01.2020 | -2500 | Transfer | 197604 | 2.75 |
| | | | | 10.01.2020 | -8848 | Transfer | 188756 | 2.63 |
| | | | | 09.11.2018 | +418 | Transfer | 204156 | 2.84 |
| | | | | 17.01.2020 | -18992 | Transfer | 169764 | 2.36 |
| | | | | 24.01.2020 | -22201 | Transfer | 147563 | 2.05 |
| | | | | 31.01.2020 | -13615 | Transfer | 133948 | 1.86 |
| | | | | 07.02.2020 | -17403 | Transfer | 116545 | 1.62 |
| | | | | 14.02.2020 | -27243 | Transfer | 89302 | 1.24 |
| | | | | 21.02.2020 | -12354 | Transfer | 76948 | 1.07 |
| | | | | 28.02.2020 | -34162 | Transfer | 42786 | 0.60 |
| | | | | 06.03.2020 | -7196 | Transfer | 35590 | 0.50 |
| | | | | 13.03.2020 | -1347 | Transfer | 34243 | 0.48 |
| | | | | 20.03.2020 | +890 | Transfer | 35133 | 0.49 |
| | | 27.03.2020 | -18 | Transfer | 35115 | 0.49 | | |
| | | 29115 | 0.41 | 31.03.2020 | -6000 | Transfer | 29115 | 0.41 |
| 4 | Devyani Dharmesh Rathod | 72922 | 1.01 | 01.04.2019 | 0 | | 72922 | 1.01 |
| | | 72922 | 1.01 | 31.03.2020 | 0 | | 72922 | 1.01 |

| Sl No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|-------------------|---|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 5. | Baldev Kumar Garg | 248298 | 3.45 | 01.04.2019 | 0 | | 248298 | 3.45 |
| | | | | 05.04.2019 | +1999 | Transfer | 250297 | 3.48 |
| | | | | 24.05.2019 | +1758 | Transfer | 252055 | 3.51 |
| | | | | 31.05.2019 | +2816 | Transfer | 254871 | 3.55 |
| | | | | 28.06.2019 | +1000 | Transfer | 255871 | 3.56 |
| | | | | 16.08.2019 | +7277 | Transfer | 263148 | 3.66 |
| | | | | 23.08.2019 | +863 | Transfer | 264011 | 3.67 |
| | | | | 30.08.2019 | -285 | Transfer | 263726 | 3.67 |
| | | | | 06.09.2019 | -200 | Transfer | 263526 | 3.67 |
| | | | | 30.09.2019 | +2060 | Transfer | 265586 | 3.69 |
| | | | | 20.12.2019 | +2760 | Transfer | 268346 | 3.73 |
| | | | | 27.12.2019 | +754 | Transfer | 269100 | 3.74 |
| | | | | 31.12.2019 | -1000 | Transfer | 268100 | 3.73 |
| | | | | 03.01.2020 | -3928 | Transfer | 264172 | 3.67 |
| | | | | 10.01.2020 | -10815 | Transfer | 253357 | 3.52 |
| | | | | 17.01.2020 | -14100 | Transfer | 239257 | 3.33 |
| | | | | 24.01.2020 | -10074 | Transfer | 229183 | 3.19 |
| | | | | 31.01.2020 | -2167 | Transfer | 227016 | 3.16 |
| | | | | 14.02.2020 | -13877 | Transfer | 213139 | 2.96 |
| | | 28.02.2020 | -1000 | Transfer | 212139 | 2.95 | | |
| | | 212139 | 2.95 | 31.03.2020 | 0 | | 212139 | 2.95 |
| 6. | Santosh Garg # | 99169 | 1.38 | 01.04.2019 | 0 | | 99169 | 1.38 |
| | | | | 14.06.2019 | -196 | Transfer | 98973 | 1.38 |
| | | | | 28.06.2019 | +147 | Transfer | 99120 | 1.38 |
| | | | | 26.07.2019 | -100 | Transfer | 99020 | 1.38 |
| | | | | 16.08.2019 | +3778 | Transfer | 102798 | 1.43 |
| | | | | 27.12.2019 | -1881 | Transfer | 100917 | 1.40 |
| | | | | 31.12.2019 | -2000 | Transfer | 98917 | 1.38 |
| | | | | 03.01.2020 | -4091 | Transfer | 94826 | 1.32 |
| | | | | 10.01.2020 | -8919 | Transfer | 85907 | 1.19 |
| | | | | 17.01.2020 | -24190 | Transfer | 61717 | 0.86 |
| | | | | 24.01.2020 | -10490 | Transfer | 51227 | 0.71 |
| | | | | 31.01.2020 | -10510 | Transfer | 40717 | 0.57 |
| | | | | 07.02.2020 | -11192 | Transfer | 29525 | 0.41 |

| Sl No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|--------------------------|---|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| | | | | 14.02.2020 | -8717 | Transfer | 20808 | 0.29 |
| | | | | 21.02.2020 | -10800 | Transfer | 10008 | 0.14 |
| | | | | 28.02.2020 | -10008 | Transfer | 0 | 0 |
| | | 0 | 0.00 | 31.03.2020 | | | 0 | 0.00 |
| 7. | Priyanka [#] | 75888 | 1.06 | 01.04.2019 | 0 | | 75888 | 1.06 |
| | | | | 27.12.2019 | -2000 | Transfer | 73888 | 1.03 |
| | | | | 03.01.2020 | -3010 | Transfer | 70878 | 0.99 |
| | | | | 10.01.2020 | -4005 | Transfer | 66873 | 0.93 |
| | | | | 17.01.2020 | -8179 | Transfer | 58694 | 0.82 |
| | | | | 24.01.2020 | -11921 | Transfer | 46773 | 0.65 |
| | | | | 14.02.2020 | -2000 | Transfer | 44773 | 0.62 |
| | | | | 21.02.2020 | -1100 | Transfer | 43673 | 0.61 |
| | | 43673 | 0.61 | 31.03.2020 | 0 | | 43673 | 0.61 |
| 8. | Ritesh Garg [#] | 94735 | 1.17 | 01.04.2019 | 0 | | 94735 | 1.17 |
| | | | | 26.04.2019 | +2721 | Transfer | 97456 | 1.36 |
| | | | | 03.05.2019 | -140 | | 97316 | 1.35 |
| | | | | 10.05.2019 | -507 | | 96809 | 1.35 |
| | | | | 24.05.2019 | +2723 | | 99532 | 1.38 |
| | | | | 31.05.2019 | +500 | | 100032 | 1.39 |
| | | | | 28.06.2019 | +1359 | | 101391 | 1.41 |
| | | | | 05.07.2019 | +1280 | | 102671 | 1.43 |
| | | | | 19.07.2019 | +1682 | | 104353 | 1.45 |
| | | | | 16.08.2019 | +8763 | | 113116 | 1.57 |
| | | | | 23.08.2019 | +50 | | 113166 | 1.57 |
| | | | | 30.09.2019 | +2382 | | 115548 | 1.61 |
| | | | | 04.10.2019 | +479 | | 116027 | 1.61 |
| | | | | 11.10.2019 | +1150 | | 117177 | 1.63 |
| | | | | 18.10.2019 | +6001 | Transfer | 123178 | 1.71 |
| | | | | 25.10.2019 | -40 | Transfer | 123138 | 1.71 |
| | | | | 01.11.2019 | +4220 | Transfer | 127358 | 1.77 |
| | | | | 08.11.2019 | +4917 | Transfer | 132275 | 1.84 |
| | | | | 15.11.2019 | +2566 | | 134841 | 1.88 |
| | | | | 22.11.2019 | +5918 | | 140759 | 1.96 |
| | | | | 29.11.2019 | -584 | | 140175 | 1.95 |

| SI No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|----------------------------|---|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| | | | | 06.12.2019 | +153 | | 140328 | 1.95 |
| | | | | 13.12.2019 | +200 | | 140528 | 1.95 |
| | | | | 20.12.2019 | +100 | | 140628 | 1.96 |
| | | | | 27.12.2019 | -2300 | | 138328 | 1.92 |
| | | | | 31.12.2019 | -500 | | 137828 | 1.92 |
| | | | | 03.01.2020 | -4660 | | 133168 | 1.85 |
| | | | | 10.01.2020 | -8462 | | 124706 | 1.73 |
| | | | | 17.01.2020 | -7846 | | 116860 | 1.63 |
| | | | | 24.01.2020 | -11500 | | 105360 | 1.47 |
| | | | | 31.01.2020 | -8350 | | 97010 | 1.35 |
| | | | | 07.02.2020 | -11431 | | 85579 | 1.19 |
| | | | | 14.02.2020 | -10800 | | 74779 | 1.04 |
| | | | | 21.02.2020 | -10515 | | 64264 | 0.89 |
| | | | | 28.02.2020 | -10558 | | 53706 | 0.75 |
| | | | | 20.03.2020 | +1000 | | 54706 | 0.76 |
| | | 54706 | 0.76 | 31.03.2020 | 0 | | 54706 | 0.76 |
| 9. | Subramanian P [#] | 276630 | 3.85 | 01.04.2019 | 0 | | 276630 | 3.85 |
| | | | | 08.11.2019 | -276630 | Transfer | 0 | 0.00 |
| | | 0 | 0.00 | 31.03.2020 | 0 | | 0 | 0.00 |
| 10 | Shekhar R. Athalye HUF | 78547 | 1.09 | 01.04.2019 | 0 | | 78547 | 1.09 |
| | | | | 24.05.2019 | +9874 | Transfer | 88421 | 1.23 |
| | | 88421 | 1.23 | 31.03.2020 | | | 88421 | 1.23 |
| 11 | Santosh Sitaram Goenka * | 46290 | 0.64 | 01.04.2019 | 0 | | 46290 | 0.64 |
| | | | | 28.06.2019 | -2510 | | 43780 | 0.61 |
| | | | | 05.07.2019 | -503 | | 43277 | 0.60 |
| | | | | 15.11.2019 | -3208 | | 40069 | 0.56 |
| | | | | 20.12.2019 | -1500 | | 38569 | 0.54 |
| | | | | 24.01.2020 | +8810 | | 47379 | 0.66 |
| | | | | 31.01.2020 | +5000 | | 52379 | 0.73 |
| | | | | 07.02.2020 | +5000 | | 57379 | 0.80 |
| | | 57379 | 0.80 | 31.03.2020 | 0 | | 57379 | 0.80 |

| SI No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|-----------------------|---|----------------------------------|------------|------------------------------------|------------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 12 | Sunita Lodha * | 5794 | 0.08 | 01.04.2020 | 0 | | 5754 | 0.08 |
| | | | | 05.04.2019 | +2816 | | 8610 | 0.12 |
| | | | | 26.04.2019 | +2806 | | 11416 | 0.16 |
| | | | | 10.05.2019 | +1140 | | 12556 | 0.17 |
| | | | | 31.05.2019 | +2130 | | 14686 | 0.20 |
| | | | | 14.06.2019 | -1149 | | 13537 | 0.19 |
| | | | | 30.06.2019 | +1000 | | 14537 | 0.20 |
| | | | | 19.07.2019 | -125 | | 14412 | 0.20 |
| | | | | 13.09.2019 | -60 | | 14352 | 0.20 |
| | | | | 18.10.2019 | +2193 | | 16545 | 0.23 |
| | | | | 01.11.2019 | -2193 | | 14352 | 0.20 |
| | | | | 08.11.2019 | +3632 | | 17984 | 0.25 |
| | | | | 15.11.2019 | +450 | | 18434 | 0.26 |
| | | | | 22.11.2019 | -918 | | 17516 | 0.24 |
| | | | | 29.11.2019 | -3164 | | 14352 | 0.20 |
| | | | | 27.12.2019 | +4214 | | 18566 | 0.26 |
| | | | | 31.12.2019 | +5100 | | 23666 | 0.33 |
| | | | | 03.01.2020 | +9000 | | 32666 | 0.45 |
| | | | | 10.01.2020 | +12500 | | 45166 | 0.63 |
| | | | | 17.01.2020 | +350 | | 45516 | 0.63 |
| | | 24.01.2020 | +1000 | | 46516 | 0.65 | | |
| | | 07.02.2020 | +1700 | | 48216 | 0.67 | | |
| | | 14.02.2020 | +7900 | | 56116 | 0.78 | | |
| | | 28.02.2020 | +4300 | | 60416 | 0.84 | | |
| | | 13.03.2020 | -1 | | 60415 | 0.84 | | |
| | | 27.03.2020 | +1000 | | 61415 | 0.85 | | |
| | | 61415 | 0.85 | 31.03.2020 | 0 | | 61415 | 0.85 |
| 13 | Kastoor Chand Gupta * | 0 | 0.00 | 01.04.2019 | 0 | | 0 | 0.00 |
| | | | | 10.01.2020 | +16416 | | 16416 | 0.23 |
| | | | | 17.01.2020 | +18400 | | 34816 | 0.48 |
| | | | | 24.01.2020 | +5015 | | 39831 | 0.55 |
| | | | | 14.02.2020 | +21795 | | 61626 | 0.86 |
| | | | | 21.02.2020 | +1400 | | 63026 | 0.88 |
| | | | | 28.02.2020 | +217 | | 63243 | 0.88 |
| | | | | 63243 | 0.88 | 31.03.2020 | 0 | |

| Sl No | Name | Shareholding at the beginning (01.04.2019) / end of the year (31.03.2020) | | Date | Increase/ Decrease in shareholding | Reason | Cumulative Shareholding during the year (01.04.2019 to 31.03.2020) | |
|-------|-------------------------|---|----------------------------------|------------|------------------------------------|--------|--|----------------------------------|
| | | No. of shares | % of total shares of the Company | | | | No. of shares | % of total shares of the Company |
| 14 | Rajendra Prasad Bajaj * | 53000 | 0.74 | 01.04.2019 | 0 | | 53000 | 0.74 |
| | | | | 17.01.2020 | +10000 | | 63000 | 0.88 |
| | | | | 14.02.2020 | +10000 | | 73000 | 1.02 |
| | | | | 21.02.2020 | +2500 | | 75500 | 1.05 |
| | | 75500 | 1.05 | 31.03.2020 | 0 | | 75500 | 1.05 |

*Not in the list of Top 10 shareholders as on 01.04.2019. The same has been reflected above since the shareholder was one of the top shareholders as on 31.3.2020.

Ceased to be in the list of Top 10 shareholders as on 31.3.2020. The same is reflected above since the shareholder was one of the Top shareholder as on 01.04.2019.

(v) Shareholding of Directors and key Managerial Personnel:

| SL. No. | For Each of the Directors and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---------|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the Company | No. of shares | % of total shares of the Company |
| | At the beginning of the year | CFO and Company Secretary do not hold any shares in the Company. | | | |
| | Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g allotment / transfer/ bonus/sweat equity etc): | The Independent Directors, Shri Pradeep Kumar Drolia, Shri Binod Kumar Agrawal and Smt. Nilu Agrawal do not hold any shares in the Company. | | | |
| | At the End of the year. | As regards Shri Pradip Kumar Daga and Shri Yashwant Kumar Daga, the details required under this section are provided under Clause IV (ii) of this form under 'Shareholding of Promoters'. | | | |

V. INDEBTEDNESS

Indebtedness of the Company Including Interest outstanding / accrued but not due for payment.

(₹ In Lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 11340.42 | -- | -- | 11340.42 |
| ii) Interest due but not paid | 78.56 | -- | -- | 78.56 |
| iii) Interest accrued but not due | -- | -- | -- | -- |
| Total (i+ii+iii) | 11418.98 | -- | -- | 11418.98 |

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|-----------|--------------------|
| Change in Indebtedness during the financial year | | | | |
| i) Addition | -- | -- | -- | -- |
| ii) Reduction | 2923.56 | -- | -- | 2923.56 |
| Net Change Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 8456.68 | -- | -- | 8456.68 |
| ii) Interest due but not paid | 38.74 | -- | -- | 38.74 |
| iii) Interest accrued but not due | -- | --- | --- | --- |
| Total (i+ii+iii) | 8495.42 | -- | -- | 8495.42 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director :

(Amount in ₹)

| Sl. No. | Particulars of Remuneration | Shri Pradip Kumar Daga | Total |
|---------|---|--------------------------------|------------------|
| | | Chairman and Managing Director | |
| 1. | Gross salary | 75,50,400 | 75,50,400 |
| | (a) Salary as per provisions contained in section 17(1) of the Income – tax Act, 1961 | | |
| | (b) Value of perquisites u/s 17(2) Income –tax Act, 1961 | --- | --- |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | --- | --- |
| 2. | Stock Option | --- | --- |
| 3. | Sweat Equity | --- | --- |
| 4. | Commission –as % of profit – others, specify | --- | --- |
| 5. | Others , please specify Company’s contribution to Provident Fund (exempted) | 9,06,048 | 9,06,048 |
| | Total (A) | 84,56,448 | 84,56,448 |

B. Remuneration to other Directors:

| Sl no. | Particulars of Remuneration | | | | | Total Amount (₹) |
|--------|--|--------------------------|---------------------------|-------------------|--------------------------|------------------|
| | | Shri Yashwant Kumar Daga | Shri Pradeep Kumar Drolia | Smt. Nilu Agrawal | Shri Binod Kumar Agrawal | |
| 1. | Independent Directors | | | | | |
| | Fee for attending board /committee meetings | --- | 1,55,000 | 80,000 | 1,55,000 | 3,90,000 |
| | Commission | --- | 2,50,000 | 2,50,000 | 2,50,000 | 7,50,000 |
| | Total (1) | --- | 4,05,000 | 3,30,000 | 4,05,000 | 11,40,000 |
| 2. | Other Non-Executive Directors | | | | | |
| | Fee for attending board /committee meetings | 1,50,000 | --- | --- | --- | 1,50,000 |
| | Commission | 2,50,000 | --- | --- | --- | 2,50,000 |
| | Total (2) | 4,00,000 | --- | --- | --- | 4,00,000 |
| | Total (B)=(1+2) | 4,00,000 | 4,05,000 | 3,30,000 | 4,05,000 | 15,40,000 |
| | Total Managerial Remuneration [Total of (A) & (B)] | --- | --- | --- | --- | 99,96,448 |
| | Overall Ceiling as per the Act | --- | --- | --- | --- | N.A.# |

The shareholders had approved the remuneration of Shri P. K. Daga, Chairman and Managing Director on inadequate profit basis as per Schedule V of the Companies Act, 2013 in the Annual General Meeting held on 31st August 2017.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(Amount in ₹)

| Sl. No. | Particulars of remuneration | Key Managerial Personnel | | Total |
|---------|---|--------------------------|-------------------|-----------|
| | | Company Secretary | CFO | |
| | | Smt. Puneeta Arora | Shri S. B. Sharda | |
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income – tax Act, 1961 | 8,06,850 | 39,64,500 | 47,71,350 |
| | (b) Value of perquisites u/s 17(2) Income –tax Act, 1961 | 1,17,360 | 4,22,880 | 5,40,240 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | --- | --- | --- |
| 2. | Stock Option | --- | --- | --- |
| 3. | Sweat Equity | --- | --- | --- |
| 4. | Commission –as % of profit – others, specify | --- | --- | --- |
| 5. | Others , please specify Company's contribution to Provident Fund (exempted) | 21,600 | 3,17,160 | 3,38,760 |
| | Total | 9,45,810 | 47,04,540 | 56,50,350 |

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

There were no penalties / punishment / compounding of offences under any section of the Companies Act, 2013 against the Company or its Directors or other Officers in default, if any, during the year.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, PURSUANT TO SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014.

1. CONSERVATION OF ENERGY

a) Steps taken or impact on conservation of energy –

1. Replacement of street lights from CFL Lamp (45W) to LED (18W), of CFL Lamp (15W) to LED Bulb (9W) in the Labour Colony and of ordinary tubes with LED Tubes.
2. Arresting air leakage in machines to save compressed air resulting in approximately Rs 2.2 lacs during the FY 2019-20.
3. Optimization of Humidification plants utilization according to seasons resulting in power savings.
4. Replaced old and less efficient machines with high productivity/efficiency machines such as Card LC 300V3 and Blow Room Mixing Bale Opener, Sheltronics Autoleveller and new Medex Ring Data System .
5. Using invertor drives in place of pulleys.
6. Replaced old Fork Lifter used for unloading and stacking of the bales to save diesel.
7. Improved utilization of power plant, resulting in a rise of generated units by 10 %.
8. Arrested fan duct leakage in Auto coner 338 & X5 leading to a reduction in frequency and pressure and thereby power consumed

b) Steps taken by the Company for utilizing alternate sources of energy-

1. Thermal insulation work has been carried out in the Steam Pipe lines for saving Heat Energy.
2. Using the RO reject water for gardening resulting in saving of the water and energy.
3. Using the Acrylic sun light sheet in the godowns, work shop and dye house in day time as alternate source of lighting.
4. Replaced Thermodynamic Traps to save the Heat Energy.

c) The Capital investment on energy conservation equipments -

No capital investment was made in particular on energy conservation equipments, but replacement of some old machines with new machines has resulted in substantial savings in power consumption.

2. Technology Absorption

a) Efforts made towards technology absorption –

The Company absorbs and adapts the technologies on a continuous basis to meet its specific needs from time to time.

b) Benefits derived like product improvement, cost reduction, product development or import substitution-

- (i) Quality and productivity improvement.

- (ii) Cost Reduction.
- (iii) Improved safety measures and pollution control.
- (iv) Energy Conservation.

c) In the case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

- i) The details of technology imported - Nil
- ii) The year of import - Nil
- iii) Whether the technology been fully absorbed - Nil
- iv) If not fully absorbed, areas where absorption has not taken place and the reasons thereof - N.A.

d) The expenditure incurred on Research and Development (R & D) = Nil

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

The Foreign Exchange earned in terms of actual inflows during the year and Foreign Exchange outgo during the year in terms of actual outflows.

| | (₹ In Lakhs) |
|----------------------------------|--------------|
| Foreign Exchange earned (inflow) | 2825 |
| Foreign Exchange used (outflow) | 286 |

REPORT ON CORPORATE GOVERNANCE

A Report pursuant to Regulation 34(3) read with of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations') in compliance with the Corporate Governance requirements is set out below.

1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is committed to implement sound corporate governance practices in the Company. We believe that good Corporate Governance emerges from adherence to sound management practices, compliance with law along with adherence to high standards of transparency and business ethics for all its stakeholders, viz., consumers, shareholders and employees.

2) BOARD OF DIRECTORS

a) Composition of Board of Directors -

As on 31st March 2020, in compliance with the Listing Regulations, the Company's Board of Directors headed by Executive Chairman, Shri Pradip Kumar Daga, comprised 4 other Directors, out of which 3 are Independent Non-executive Directors, including a woman director. In compliance with Listing Regulations, 60% of the total number of Directors are Independent Directors.

The information with regard to composition and attendance of Board of Directors in Board Meetings and the last Annual General Meeting, outside Directorships and other Memberships of Board Committees as on 31st March 2020 as applicable is given hereunder –

| Director | DIN | Category | No. of Board Meetings attended | Attendance at the last AGM on 12.09.2019 | *Number of Directorships in other Indian Public Companies | **Committee(s) positions in other Companies | | Names of Listed Companies where Directorship held and kind of Directorship |
|---|----------|---------------------------|--------------------------------|--|---|---|-------------|--|
| | | | | | | As Member | As Chairman | |
| Shri Pradip Kumar Daga (Chairman and Managing Director) | 00040692 | Promoter/ Executive | 4 | Yes | 2 | 1 | -- | 1.Longview Tea Co. Ltd (Promoter/ Non-Executive) 2.Deepak Industries Ltd. (Chairman and Managing Director) |
| Shri Yashwant Kumar Daga | 00040632 | Promoter / Non-Executive | 5 | No | 5 | 7 | 1 | 1. HGI Industries Ltd (Non-Executive / Independent Director) 2. Mint Investments Ltd (Non-Executive / Independent Director) 3. Deepak Industries Ltd (Whole Time Director) 4. Longview Tea Co. Ltd. (Promoter/ Non – Executive) 5. Magadh Sugar & Energy Ltd. (Non-Executive / Independent Director) |
| Shri Pradeep Kumar Drolia | 00291966 | Non-Executive Independent | 5 | No | 1 | -- | --- | 1. Indo Eco (India) Ltd (Non-Executive /Independent Director) |
| Smt Nilu Agrawal | 03107052 | Non-Executive Independent | 5 | No | -- | -- | --- | --- |
| Shri Binod Kumar Agrawal | 00515967 | Non-Executive Independent | 5 | No | -- | -- | -- | --- |

*Excludes Directorships in Private Limited Companies, Foreign companies and Section 8 Companies.

**Committee positions only of the Audit Committee and Stakeholders Relationship Committee have been considered.

None of the Independent Directors of the Company serve as Independent Director in more than 7 listed companies and none of the Independent Directors is serving as Whole Time Director in any listed Company.

All the Directors have made the requisite disclosures regarding committee positions held by them in other companies. Membership of the Directors in various committees is within the permissible limits of the Listing Regulations. None of the Directors of the Company was a member of more than ten Board level Committees, or a Chairman of more than five such Committees across all listed companies, in which he was a Director. Further, the Chairman and Managing Director does not serve as Independent Director in any listed company.

All the Independent Directors are below the age of seventy five years. All the Independent Directors have been issued letters of appointment as per Schedule IV to the Companies Act, 2013. As required under Regulation 46 of the Listing Regulations, the terms and conditions of their appointment have been disclosed on the website of the Company. (weblink- http://www.dsl-india.com/wp-content/uploads/Investor_Relations/BOD/Term_Cond_App_Ind_Dir.pdf)

b) Familiarisation Programmes for Independent Directors

Under Familiarisation Programmes, Independent Directors are familiarized about the Company, its product, the industry, legal environment and business model of the Company, etc. In addition, the Independent Directors are briefed on the regulatory changes and their specific responsibilities and duties that may arise from time to time. The details of Familiarisation Programme is available on the website of the Company (weblink:http://www.dsl-india.com/wp-content/uploads/Investor_Relations/BOD/FP/Details_of_Familiarisation_Programmes_2019-20.pdf).

c) Relationships of Directors interse

Shri Pradip Kumar Daga, Chairman and Managing Director and Shri Yashwant Kumar Daga are related to each other. Shri Yashwant Kumar Daga is son of Shri Pradip Kumar Daga. No other Directors are related to each other.

d) Shareholdings of Non Executive Directors in the Company as on 31st March 2020:-

| Non-Executive Directors | No of ordinary shares @ ₹.10/- |
|--------------------------|--------------------------------|
| Shri Yashwant Kumar Daga | 293283* |

*includes 69858 shares held by Shri Yashwant Kumar Daga as Karta of Yashwant Kumar Daga HUF.

The Company does not have any Stock Option Scheme.

e) Board Meetings held during the year

During the financial year ended 31st March 2020, five meetings of the Board of Directors were held on 16th May 2019, 10th August 2019, 11th November 2019, 12th February 2020 and 05th March 2020. The maximum gap between any two consecutive Board Meetings was less than 120 days. Necessary quorum was present for all the Board meetings.

The Dates for the Board Meetings are decided well in advance and communicated to the Directors. Meeting effectiveness is ensured through clear agenda, circulation of material in advance and as per statutory timelines, detailed presentations at the Meetings and tracking of action taken reports at every meeting.

The Board periodically reviews the strategy, annual business plan, business performance of the Company, capital expenditure budget and risk management, safety and environment matters. Among other things, the Board also reviews Compliance Report of all laws applicable to the Company, internal financial controls and financial reporting systems, adoption of financial results, minutes of the meetings of the Committees of the Board, etc. Steps are taken by the Company to rectify instances of non-compliance of any law, if any.

In addition to the information required to be made available to the Board as prescribed under Part A of Schedule II of Regulation 17(7) of the Listing Regulations, the Directors are also kept informed of the major events and approvals obtained, if necessary.

Recommendations of the Committees are placed before the Board for necessary approval and noting.

f) Code of Conduct

The Company has adopted Code of Conduct for Directors and Senior Management Personnel of the Company. The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review. The declaration by Shri P. K. Daga, Chairman and Managing Director of the Company in this regard is given as '**Annexure A**' to this report. The Code is posted on the website of the Company.

g) Independent Directors' Meeting

Pursuant to the Schedule IV of the Companies Act, 2013 and Regulation 25 of the Listing Regulations, a separate meeting of the Independent Directors was held on 28th January 2020 without the attendance of non-independent Directors and members of the management to –

- Review the performance of Non-Independent Directors and the Board of Directors as a whole.
- Review the performance of the Chairperson of the Company taking into account, the views of other Non-independent Directors.
- Assess the quality, content and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All Independent Directors attended the said meeting and Shri Pradeep Kumar Drolia chaired the meeting.

h) Skills / expertise /competencies of the Board

The following skills / expertise / competencies required in the context of Company's business have been identified by the Board for it to function effectively, viz. –

(i) Business Strategy and Planning (ii) Corporate Management (iii) Corporate Governance (iv) legal Compliance (v) Risk Management (vi) Accounting and Financial Skills (vii) Marketing (viii) Communication and Media.

Shri Pradip Kumar Daga and Shri Yashwant Kumar Daga have all the aforesaid skills. Shri Pradeep Kumar Drolia and Shri Binod Kumar Agrawal are good at Corporate Management, legal compliance, accounting and finance. Smt. Nilu Agrawal has the skill for communication and media.

i) Confirmation from the Board of Directors in context to Independent Directors

The Company has received declarations from the Independent Directors confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Act read with Regulation 16(1)(b) of the Listing Regulations. In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstances or situations which exist or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

Based on the disclosures received from all the independent directors and in the opinion of the Board, the Independent Directors fulfill the conditions specified in the Companies Act, 2013 and the Listing Regulations and are independent of the management.

Further, the Independent Directors of the company have undertaken requisite steps towards the inclusion of their names in the **databank of Independent Directors** maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014. Requisite disclosures have been received from the Independent Directors in this regard.

j) No Independent Director has resigned before expiry of his tenure.

3) AUDIT COMMITTEE

The powers, role and terms of reference of the Audit Committee cover the matters specified for Audit Committees under Regulation 18 and Part C of Schedule II of the Listing Regulations as well as Section 177 of the Companies Act, 2013.

The Audit Committee comprises of three Non-Executive Directors namely Shri Binod Kumar Agrawal, Chairman and Shri Yashwant Kumar Daga, and Shri Pradeep Kumar Drolia as members. The Members have adequate knowledge of accounts and financial matters. Shri Pradeep Kumar Drolia and Shri Binod Kumar Agrawal have accounting and related financial management expertise. Smt. Puneeta Arora, Company Secretary is Secretary to the Committee. Shri Binod Kumar Agrawal is Chairman of the Audit Committee.

However, Shri Pradeep Kumar Drolia has been appointed as Chairman and Mrs. Nilu Agrawal was inducted as member of Audit Committee with effect from 1st April 2020.

The powers of Audit Committee include investigating into any activity within its terms of reference as specified by Board and seeking information from any employee, obtaining professional advice from external sources, securing attendance of outsiders with relevant expertise, if required and having full access to information contained in the records of the Company.

The role of Audit Committee includes –

- oversight of Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- recommending the appointment, re-appointment, remuneration and terms of appointment of auditors and approval of payment for any other services rendered by statutory auditors ;
- reviewing with the management quarterly results and annual financial statements before submission to the Board for approval;
- approval or any subsequent modification of any transactions of the Company with related parties;
- review and monitor the auditor's independence and performance and effectiveness of audit process;
- evaluation of internal financial controls and risk management system; scrutiny of inter corporate loans and investments, if any and
- reviewing of functioning of Vigil Mechanism.

Further, pursuant to Regulation 18(2)(c) of the Listing Regulations, the Audit Committee is empowered to investigate any activity within its terms of reference, seek information it requires from any employee, obtain outside legal or other independent professional advice and secure attendance of outsiders with relevant expertise, if considered necessary. Apart from the above, the Audit Committee also exercises the role and powers entrusted upon it by the Board of Directors from time to time.

During the year, Committee met four times, as on 16th May 2019, 10th August 2019, 11th November 2019 and on 12th February 2020. The maximum gap between any two consecutive meetings was less than 120 days. The Composition of the Audit Committee as at 31st March 2020 and the details of Members' participation at the meetings of the Committee are as under:-

| Name of the Member | Status | Category | No. of Meetings attended |
|---------------------------|----------|-------------------------------|--------------------------|
| Shri Binod Kumar Agrawal | Chairman | Non-Executive Independent | 4 |
| Shri Yashwant Kumar Daga | Member | Non-Executive Non-Independent | 4 |
| Shri Pradeep Kumar Drolia | Member | Non-Executive Independent | 4 |

The necessary quorum was present at the meetings. Internal Auditors, Cost Auditors, Statutory Auditors are invited to attend the Meeting to discuss issues and queries at the Committee meetings. Representatives from various divisions of the Company are also invited, if required to address concerns raised by the Committee. The Chief Financial Officer is the permanent invitee to the meetings of the Audit Committee.

4) **NOMINATION AND REMUNERATION COMMITTEE**

The powers, role and terms of reference of the Nomination and Remuneration Committee cover the matters specified under Regulation 19 of the Listing Regulations as well as Section 178 of the Companies Act, 2013. The role includes –

- Formulation of criteria for determining qualifications, positive attributes and independence of a director ;
- Recommending to the Board a policy relating to the remuneration for Directors, Key Managerial Personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board of their appointment and removal.
- Whether to extend or continue the term of appointment of the Independent Director on the basis of the report of performance evaluation of Independent Directors.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.

Shri Pradeep Kumar Drolia is Chairman of the Nomination and Remuneration Committee. Necessary quorum was present for the meeting of the Committee.

During the year, the Committee met on 16th May 2019. The Composition of the Nomination and Remuneration Committee as at 31st March 2020 and the details of Members' participation at the meetings of the Committee are as under:-

| Name of the Member | Status | Category | No. of Meetings attended |
|---------------------------|----------|-------------------------------|--------------------------|
| Shri Pradeep Kumar Drolia | Chairman | Non-Executive Independent | 1 |
| Shri Yashwant Kumar Daga | Member | Non-Executive Non-Independent | 1 |
| Shri Binod Kumar Agrawal | Member | Non-Executive Independent | 1 |

Details of remuneration paid to Whole Time Director and other Directors are given below: -

Particulars of remuneration paid/ payable to Directors during the financial year 2019-20: Amount in ₹

| Name of the Director | Salary | Perquisites/LTA | Company's Contribution to Provident Fund | Commission (for FY 2019-20 payable in FY 2020-21)** | Sitting fees paid during the year* | Total (₹) |
|--|-----------|-----------------|--|---|------------------------------------|-----------|
| Sh.P.K.Daga (Chairman and Managing Director) | 75,50,400 | -- | 9,06,048 | -- | -- | 84,56,448 |
| Sh.Yashwant Kumar Daga | -- | -- | | 2,50,000 | 1,50,000 | 4,00,000 |
| Sh.Pradeep Kumar Drolia | -- | -- | | 2,50,000 | 1,55,000 | 4,05,000 |
| Smt. Nilu Agrawal | -- | -- | | 2,50,000 | 80,000 | 3,30,000 |
| Sh. Binod Kumar Agrawal | -- | -- | | 2,50,000 | 1,55,000 | 4,05,000 |

* Sitting fees for attending meetings of the Board and /or Committee thereof. The Company pays sitting fees of ₹ 15,000/- per meeting to the Non-Executive Directors for attending the meetings of the Board and ₹ 7,500/- per meeting for attending the meetings of the Committees of the Board. The Independent Directors were paid ₹ 5000/- each as sitting charges for meeting of Independent Directors.

**Commission to Non-Executive Directors including Independent Directors shall be paid after the annual accounts are approved by the shareholders at the forthcoming Annual General Meeting. Shareholder had approved in addition to the sitting fees and reimbursement of expenses for attending the meetings of the Board or Committees thereof, payment of Commission to Non-Executive Directors upto 1% of Net Profits in the Annual General Meeting held on 12th September 2019.

Directors' Commission amount is exclusive of applicable Goods and Services Tax (GST) which shall be borne by the Company.

The Company does not have any stock option scheme.

None of the Non-Executive Directors has any material financial interest in the Company apart from payment of sitting fees to them for attending the Board and Committee meetings and commission as approved by members and Board.

The Company has no pecuniary relationship or transaction with its Non-Executive and Independent Directors other than payment of sitting fees to them for attending the Board and Committee meetings and commission as approved by members and Board.

Performance Evaluation Criteria for Independent Directors

The Nomination and Remuneration Committee lays down the framework for performance evaluation of Independent Directors. The framework used for performance evaluation of the Independent Directors covers the areas relevant to their functioning as Independent Directors and is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed upon them.

The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation of the Directors, the Director subject to evaluation, had not participated.

5) STAKEHOLDERS RELATIONSHIP COMMITTEE

The role of the Stakeholders Relationship Committee includes –

- a) Resolving of grievances of shareholders of the Company related to transfer / transmission of shares, non-receipt of annual report, general meetings, non-receipt of declared dividends, issue of new/duplicate shares certificates, recording of dematerialization / rematerialisation of shares and related matters.
- b) Review of measures taken for effective exercise of voting rights by shareholders.
- c) Review of adherence to the service standards adopted by the company in respect of various services being rendered by the Registrar and Transfer Agents.
- d) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company.

Smt. Puneeta Arora, Company Secretary is designated as the Compliance Officer by the Board.

During the financial year ended 31st March 2020, 2 complaints were received and all were satisfactorily disposed off. As on 31.03.2020, pendency of complaints was Nil. There were no pending requests for Share transfers as on 31st March 2020.

During the year, Committee met two times, as on 16th May 2019 and on 11th November 2019. The Composition of the Stakeholders Relationship Committee as at 31st March 2020 and the details of Members' participation at the meetings of the Committee are as under:-

| Name of the Member | Status | Category | No. of Meetings attended |
|---------------------------|---------------|-------------------------------|---------------------------------|
| Shri Binod Kumar Agrawal | Chairman | Non-Executive Independent | 2 |
| Shri Yashwant Kumar Daga | Member | Non-Executive Non-Independent | 2 |
| Shri Pradeep Kumar Drolia | Member | Non-Executive Independent | 2 |

Necessary quorum was present for both the meetings of the Committee.

6) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Committee oversees Corporate Social Responsibility (CSR) and other related matters and discharges the roles as prescribed under Section 135 of the Act which includes –

- i) formulation and review of CSR Policy and to make it comprehensive so as to indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- ii) to ensure adherence to CSR Policy; and
- iii) to provide guidance on various CSR activities to be undertaken by the Company
- iv) recommending the amount of expenditure to be incurred on CSR and
- v) to monitor the progress of CSR activities.

During the year, the Committee meeting was held on 16nd May 2019, 10th August 2019 and 12th February 2020. The composition of the Corporate Social Responsibility Committee as at 31st March 2020 and the details of Members' participation at the meetings of the Committee are as under:-

| Name of the Member | Status | Category | No. of Meetings attended |
|---------------------------|----------|-------------------------------|--------------------------|
| Shri Yashwant Kumar Daga | Chairman | Non-Executive Non-Independent | 3 |
| Shri Pradeep Kumar Drolia | Member | Non-Executive Independent | 3 |
| Shri Binod Kumar Agrawal | Member | Non-Executive Independent | 3 |

Necessary quorum was present for both the meetings of the Committee.

7) GENERAL BODY MEETINGS.

a) Location, date and time of last three Annual General Meetings is as follows: -

| Particulars | Location | Date | Time | Whether any special resolution passed |
|----------------------|---|------------|------------|---------------------------------------|
| 35 th AGM | 121, Industrial Area, Baddi, Tehsil Nalagarh, dist-Solan, Pin-173205 (H.P.) | 31.08.2017 | 02.00 P.M. | 2 |
| 36 th AGM | -----do----- | 29.08.2018 | 02.00 P.M. | 0 |
| 37 th AGM | -----do----- | 12.09.2019 | 02.00 P.M. | 4 |

35th AGM held on 31.08.2017

As required, voting was conducted electronically with M/s. Central Depository Services (India) Limited facilitating the e-voting and also by physical ballot and all the resolutions were passed with requisite majority. The following special resolution were passed :-

1. Re-appointment of Shri Pradip Kumar Daga as Managing Director of the Company.
However, the following special resolution which was proposed but could not be effected as requisite votes in favour of the resolution were not received –
2. For keeping registers under Section 88 of the Companies Act, 2013 at a place other than at Registered Office of the Company.

37th AGM held on 12.09.2019

As required, voting was conducted electronically with M/s. Central Depository Services (India) Limited facilitating the e-voting and also by physical ballot and all the resolutions were passed with requisite majority. The following special resolution were passed :-

1. Re-appointment of Shri Pradeep Kumar Drolia as an Independent Director for a further term of 5 years.
2. Re-appointment of Smt. Nilu Agrawal as an Independent Director for a further term of 5 years.

3. To adopt a new set of Articles of Association of the Company in place of the existing one.
4. To approve payment of commission to Non-Executive Directors.

b) Extra Ordinary General Meeting

No Extra Ordinary General Meeting was held during the year.

c) Postal Ballot

- i) Whether any special resolution passed last year through postal ballot and details of voting pattern—
Special Resolution passed at the Annual General Meeting of the Company held last year was not put through postal ballot.
- ii) Person who conducted the postal ballot exercise - Not applicable.
- iii) Whether any special resolution is proposed to be conducted through postal ballot?

Special Resolutions to be passed at the ensuing Annual General meeting of the Company are not proposed to be put through postal ballot. However, for other special resolutions, if any, in the future, the same will be decided at the relevant time.

iv) Procedure for Postal Ballot-

The procedure for postal ballot, if any, will be as per the provisions of the Companies Act, 2013 and rules made there under.

8) MEANS OF COMMUNICATION

Quarterly/ Half Yearly Financial Results are published in leading newspapers such as Aaj Samaj(regional newspapers) and Financial Express (National - English) and are also displayed at the Company's **website www.dsl-india.com**.

Official press releases, presentations to analysts and institutional investors, if any and other general information about the Company, in addition to uploading the same on the website of the Company are also sent to Stock Exchanges for dissemination.

9) GENERAL SHAREHOLDER INFORMATION –

| | | |
|-------------------------------|---|--|
| Annual General Meeting | : | |
| Day, Date and Time | : | Thursday , the 10th day of September 2020 at 12.00 noon |
| Venue | : | The Company is conducting Annual General Meeting through Video Conferencing ('VC') /Other Audio Visual Means ('OAVM') pursuant to the MCA circular dated 5 th May 2020. (Deemed venue for the meeting is Registered Office of the Company, that is, 121, Industrial Area, Baddi, Tehsil Nalagarh, District Solan, Himachal Pradesh – 173205.) |
| Dates of Book closure | : | Friday, 4th September 2020 to Thursday, 10th September 2020 (both days inclusive) |
| Financial Year | : | 1 st April to 31 st March |

Listing on Stock Exchange :

| Name & address of the Stock Exchange | Stock Code / Scrip Code | ISIN no. for NSDL / CDSL |
|---|-------------------------|--------------------------|
| BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400001 | 514030 | INE272C01013 |

Annual listing fee for the year 2020-21 has been paid to the Stock Exchange.

Market Price Data

The details of monthly highest and lowest closing quotations of the equity shares of the Company during financial year 2019-20 are as under :-

(In ₹ per Share)

| Month | BSE Limited | | Month | BSE Limited | |
|----------------|-------------|-------|---------------|-------------|-------|
| | High | Low | | High | Low |
| April 2019 | 99.50 | 96.10 | October 2019 | 88.20 | 79.05 |
| May 2019 | 100.35 | 88.00 | November 2019 | 85.00 | 77.90 |
| June 2019 | 95.00 | 86.10 | December 2019 | 92.00 | 78.10 |
| July 2019 | 100.00 | 80.10 | January 2020 | 82.00 | 74.50 |
| August 2019 | 89.00 | 76.00 | February 2020 | 79.20 | 69.00 |
| September 2019 | 96.90 | 80.10 | March 2020 | 80.85 | 54.00 |

(Source : www.bseindia.com)

The performance of the Company's shares cannot be compared to BSE Sensex for reasons of low liquidity.

Suspension from trading

Securities of the Company have not been suspended from trading on BSE Limited, where they are listed.

Registrars & Transfer Agents in Physical and Electronic (DEMAT) Mode.

M/s Maheshwari Datamatics Private Limited, 23, R.N Mukherjee Road, 5th Floor, Kolkata - 700001. Telephone : (033)22435029, (033)22433809, (033) 22482248. E-mail – mdpldc@yahoo.com

Share Transfer System

With effect from 1st April 2019, SEBI has amended Regulation 40 of the Listing Regulations, which deals with transfer or transmission or transposition of securities. According to this amendment, the requests for effecting the transfer of listed securities are not being processed unless the securities are held in dematerialized form with a Depository except in case of transmission or transposition of securities.

Transfers of equity shares in electronic form are effected through the depositories with no involvement of the Company.

Pattern of Shareholding as on 31.03.2020.

| Sr. No. | Category | No. of Shares held | % of Paid up Share Capital |
|---------|--------------------------------------|--------------------|----------------------------|
| 1 | Promoters | 31,70,835 | 44.10 |
| 2 | Mutual Funds and Insurance Companies | 5,400 | 0.08 |
| 3 | Financial Institutions and Banks | 4,320 | 0.06 |
| 4 | Bodies Corporates | 6,64,562 | 9.24 |
| 5 | NRIs and OCBs | 1,33,590 | 1.86 |
| 6. | Foreign Nationals | 700 | 0.01 |
| 7. | Other Resident Individuals | 32,09,961 | 44.65 |
| | Total | 71,89,368 | 100.00 |

Distribution of Shareholding as on 31.03.2020.

| Shareholding | No. of Shares held | % of total paid Up Capital | No. of Share holders | % of total No. of Shareholders |
|---------------|--------------------|----------------------------|----------------------|--------------------------------|
| Upto 500 | 9,55,164 | 13.29 | 6,929 | 92.86 |
| 501-1000 | 2,15,838 | 3.00 | 280 | 3.75 |
| 1001-10000 | 5,85,061 | 8.14 | 197 | 2.64 |
| 10001 & above | 54,33,305 | 75.57 | 56 | 0.75 |
| Total | 71,89,368 | 100.00 | 7462 | 100 |

Unclaimed Dividends

As per the IEPF Rules, the Company has uploaded the information in respect of the unclaimed dividends on the website of the IEPF, viz. www.iepf.gov.in and on the website of the company at <http://www.dsl-india.com/investor-relations>.

The Company has appointed Smt. Puneeta Arora, Company Secretary as Nodal Officer under the provisions of IEPF.

Dematerialisation of shares and liquidity

As on 31st March 2020, 91.71% equity shares of the Company are in dematerialized form with **National Securities Depository Limited and Central Depository Services (India) Limited**.

With effect from 1st April 2019, except in case of transmission or transposition of securities, requests for effecting transfer of securities are not being processed unless the securities are held in dematerialized form with a depository.

Outstanding GDR or ADRs or warrants or any convertible instruments

The Company has not issued any Global Depository Receipts (GDRs), American Depository Receipts (ADRs), warrants or any convertible instruments.

Commodity price risk or foreign exchange risk and hedging activities

The Company has reasonable exposure to foreign exchange and there is a natural hedging partly available in terms of exports made by the Company.

In respect of price risk of raw materials used for manufacturing purpose, the same is taken care of as per industry requirements.

Plant locations

- i) 121, Industrial Area, Baddi, Tehsil Nalagarh, District Solan 173205 (HP)
- ii) Village Pagara, Tehsil & District Guna - 473001 (MP)

Address for correspondence

Deepak Spinners Limited, Share Department, Plot No 194-195, Fourth Floor, Industrial Area, Phase II Chandigarh -160002 (INDIA). Telephone : 0091-(0172) 2650973,2650974

Designated email-id for investor servicing :

The e-mail ids designated exclusively for investor servicing—mdpldc@yahoo.com and share@dsl-india.com

Credit Rating

For the year ended 31.3.2020, the Company had got following credit rating from M/s. India Ratings and Research Private Limited on its borrowings –

| Facility | Sanctioned Limit (million) | Rating / Outlook |
|--|----------------------------|------------------|
| Fund Based Limits | INR 600 | IND BBB / Stable |
| Fund Based Limits | INR 50 | IND A3+ |
| Non Fund Based Limits | INR 60 | IND A3+ |
| Long Term Loan | INR 340 | IND BBB / Stable |
| COVID-19 Emergency Credit Line (Term Loan) | INR 60 | IND BBB / Stable |

Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32(7A) – Not Applicable

10) **CEO/CFO CERTIFICATION**

As required by Regulation 17(8) of the Listing Regulations, the Chairman and Managing Director [CEO] and Chief Financial Officer [CFO] of the Company have certified to the Board about accuracy of the financial statements, maintenance of code of conduct of the Company and adequacy of the internal control systems for the financial year ended on 31st March 2020.

11) **OTHER DISCLOSURES**

a) **RELATED PARTY TRANSACTIONS** - All related party transactions have been entered into in the ordinary course of business and are transactions for which omnibus approval of the Audit Committee was taken. There were no materially significant transactions with related parties during the financial year which were not in the normal course of business and which may have conflict with the interest of the Company. All individual transactions with related parties or others were on arms length basis. Suitable disclosures as required by the IND AS 24 – ‘Related Party Disclosures’ have been made in the notes to the Financial Statements.

The Board has formulated a **Policy for Related Party Transactions** which is available on the Company’s website. It was revised by Board of Directors on 16th May 2019 on the recommendations of Audit Committee.

(weblink:http://www.dsl-india.com/wp-content/uploads/2019/05/Policy_on_Related_Party_Transactions.pdf)

b) The Company has fully complied with all the applicable requirements of regulatory authorities on Capital Markets and consequently, no penalties / strictures have been imposed on the Company by Stock Exchange, SEBI or any other statutory authority on any matter relating to the capital markets, during the last three years, other than the penalty paid for late filing of Annual Report during the year 2017-18, due to unavoidable reasons.

c) **VIGIL MECHANISM** - The Company has a Vigil Mechanism to provide an avenue for Directors and employees to raise concerns of any fraud, mismanagement, negligence, violations of legal or regulatory requirement. The Policy on Vigil Mechanism is also posted on the website of the Company. The Audit Committee periodically reviews the functioning of the Vigil Mechanism.

The mechanism provides for adequate safeguards against victimization of personnel, who avail of the mechanism. Although no personnel was denied access to the Vigil Officer and the Audit Committee, no complaints were received during 2019-20.

d) **SUBSIDIARY COMPANIES** - The Company does not have any subsidiary Company.

e) **SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

As per the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (‘POSH Act’) and rules made thereunder, the Company has formed Internal Complaints Committees at its locations to address complaints pertaining to sexual harassment in accordance with the POSH Act.

The status of complaints under POSH Act, during the year was as under –

| | |
|--|-----|
| Number of complaints filed during the financial year | Nil |
| Number of complaints disposed of during the financial year | Nil |
| Number of complaints pending as on end of the financial year | Nil |

f) All Accounting Standards mandatorily required to be followed, have been followed without exception in preparation of the financial statements.

- g) Procedures for assessment of risk and its minimization have been laid down by the Company and reviewed by the Board. These procedures are periodically reassessed to ensure that management can control risks.
- h) No money was raised by the Company through any public issue, rights issue, preferential issue, etc. during the financial year 2019-20.
- i) **A Certificate from a Company Secretary in Practice**, M/s. A. Arora & Company, Company Secretaries has been received stating that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of Companies by the Board or Ministry of Corporate Affairs or any such statutory authority. It is given as '**Annexure – B**' to this report.
- j) Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under Schedule V of the Listing Regulations.
- k) **As per Regulation 26(5) of Listing Regulations**, there were no material financial and commercial transactions by Senior Management, where they have personal interest that may have a potential conflict with the interest of the Company at large requiring disclosure by them to the Board of Directors of the Company.
- l) **Recommendations of Committees to the Board** - During 2019-20, the Board of Directors have accepted all recommendations of various committees of the Board which were mandatorily required to be placed before the Board.
- m) Total fees for all services paid by the Company to the Statutory Auditors, M/s. JKVS & Company, Chartered Accountants for the year 2019-20 were as follows-

| | Amount in ₹ |
|---------------------------|--------------------|
| Audit Fee | 8,25,000 |
| Limited Review | 2,48,000 |
| Certification Fee | 80,000 |
| Reimbursement of Expenses | 61,000 |
| Total | 12,14,000 |

- 12) The Company has complied with all the mandatory requirements of Corporate Governance specified in Regulation 17 to 27 and clauses (b) to (f) of Regulation 46(2) of Listing Regulations.
- 13) The Corporate Governance Report of the Company for the year ended on 31st March 2020 is in compliance with the requirements of Corporate Governance under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. There is no non-compliance of any of the requirements of Corporate Governance Report as required under the Listing Regulations
- 14) The status of adoption of the discretionary requirements of as specified in Regulation 27(1) and Part E of Schedule II of the Listing Agreement are as follow :-
1. **The Board** – The Chairman of the Company is Executive Chairman.
 2. **Shareholders' Rights** - Quarterly and Half yearly financial results are published in newspapers and uploaded on Company's website but are not being sent to each household of shareholders of the Company.
 3. **Modified opinion(s) in audit report** –The Auditors have raised no qualification on the financial statements.
 4. **Separate posts of Chairman and CEO**- The posts of Chairman and CEO are held by a single individual.

5. **Reporting of Internal Auditor**-The Internal Auditors report directly to the Audit Committee. They are also invited to the meetings of Audit Committee to discuss issues and queries raised by the latter.

15) Disclosure of Compliances –

The Company has disclosed about the compliance of regulations in respect of Corporate Governance as per Listing Regulations on its website www.dsl-india.com.

16) Reconciliation of Share Capital Audit

As stipulated by the Securities and Exchange Board of India (SEBI) a qualified practicing Chartered Accountant carries out Reconciliation of Share Capital Audit. This Audit is carried out for every quarter and the report thereon is submitted to Stock Exchange and is placed before the Board.

17) Compliance Certificate

Compliance Certificate for Corporate Governance from Auditors of the Company is given as **‘Annexure-C’** to this report.

18) Filing of Cost Audit Report

As per Section 148 of the Companies Act, 2013, read with Rule 6 of the Companies (Cost Records and Audit) Rules, 2014, Cost Auditors have to forward Cost Audit Report to the Board of Directors of the Company within a period of 180 days from the closure of financial year and the said report is required to be filed within a period of 30 days from the date of receipt with the Ministry of Corporate Affairs.

In compliance with the requirements under General Circular 15/2011 dated 11 April, 2011 of Ministry of Corporate affairs, the details of Cost Audit Report filed with Ministry of Corporate Affairs during the year is as below –

| Financial Year | Name of Cost Auditor | Date of Filing |
|----------------|--|----------------|
| 2018-19 | M/s. Shakti K. & Associates, Cost Accountants, | 09.09.2019 |

The above report was adopted by the Board of Directors at its meeting held on 30th June 2020.

‘Annexure – A’

DECLARATION REGARDING COMPLIANCE OF THE CODE OF CONDUCT.

To,
The Members of
Deepak Spinners Limited

It is hereby confirmed that all the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said Code of Conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended 31st March 2020.

Place : Chandigarh
Date : 29.06.2020

P. K. Daga
Chairman and Managing Director

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS
(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members of
Deepak Spinners Limited,
#121, Industrial Area, Baddi,
Tehsil: Nalagarh, Distt: Solan,
Himachal Pradesh.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Deepak Spinners Limited having CIN: L17111HP1982PLC016465 and having registered office at # 121, Industrial Area, Baddi, Tehsil: Nalagarh, Distt: Solan, Himachal Pradesh (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

| Sr. No. | Name of the Director | DIN | Date of appointment in the company |
|---------|--------------------------|----------|------------------------------------|
| 1. | Mr. Pradip Kumar Daga | 00040692 | 16.04.2012 |
| 2. | Mr. Yashwant Kumar Daga | 00040632 | 23.10.2006 |
| 3. | Mr. Pradeep Kumar Drolia | 00291966 | 24.11.2006 |
| 4. | Mrs. Nilu Agrawal | 03107052 | 01.04.2015 |
| 5. | Mr. Binod Kumar Agrawal | 00515967 | 01.04.2017 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A. Arora & Co.,**
Company Secretaries

Ajay K. Arora
(Proprietor)

M No. 2191

C P No. 993

UDIN: F002191B000411919

Date: 03.07.2020
Place: Chandigarh

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Members of Deepak Spinners Limited
121, Industrial Area, Baddi, Tahsil-Nalagarh
District-Solan (Himachal Pradesh) -173205

1. The Corporate Governance Report prepared by Deepak Spinners Limited (hereinafter the "Company"), contains details as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ('Applicable criteria') with respect to Corporate Governance for the year ended March 31, 2020. This certificate is required by the Company for annual submission to the Stock Exchange and to be sent to the Shareholders of the Company.

MANAGEMENT'S RESPONSIBILITY

2. The preparation of the Corporate Governance Report is the responsibility of the management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The management along with the Board of Directors of the Company are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

AUDITOR'S RESPONSIBILITY

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion whether the Company has complied with the specific requirements of the Listing Regulations referred to in paragraph 3 above.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised) and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes (Revised) requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

OPINION

7. Based on the procedures performed by us and according to the information and explanations given to us, that we are of the opinion that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in the Listing Regulations, as applicable for the year ended March 31, 2020, referred to in paragraph 1 above.

OTHER MATTERS AND RESTRICTION ON USE

8. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
9. This report is addressed to and provided to the Members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For JKVS & Co.

Chartered Accountants

ICAI Firm Registration Number: 318086E

Sajal Goyal

Partner

Membership Number: 523903

UDIN: 20523903AAAABC9468

Place: New Delhi

Date: 30th June, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Deepak Spinners Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Deepak Spinners Limited ("the Company"), which comprise the Balance sheet as at March 31, 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in

accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| S. N. | Key Audit Matter | Auditor's Response |
|-------|---|---|
| 1. | <p>Valuation of inventories</p> <p>We refer to Note 2 and 7 to the financial statements.</p> <p>As at March 31, 2020, the total carrying amount of inventories was ₹ 7,507 Lakhs. The assessment of impairment of inventories involves significant estimation uncertainty, subjective assumptions and the application of significant judgment.</p> | <p>How our audit addressed the key audit matter:</p> <p>We have analyzed the ageing of the inventories, reviewed the historical trend on whether there were significant inventories written off or reversal of the allowances for inventories obsolescence. We conducted a detailed discussion with the key management and considered their views on the adequacy of allowances for inventories obsolescence considering the current economic environment. We have also verified the subsequent selling prices in the ordinary course of business and compared against the carrying amounts of the inventories on a sampling basis at the reporting date. We found management's assessment of the allowance for inventory obsolescence to be reasonable based on available evidence.</p> |

| S. N. | Key Audit Matter | Auditor's Response |
|-------|---|---|
| | <p>Reviews are made periodically by management on inventories for obsolescence and decline in net realizable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving history. Key factors considered include the nature of the stock, its ageing, shelf life and turnover rate.</p> | |
| 2. | <p>Trade and other receivables As disclosed in Note 5,6,8,11 and 13 to the financial statements. The Company assesses periodically and at each financial year end, the expected credit loss associated with its receivables. When there is expected credit loss, the amount and timing of future cash flows are estimated based on historical, current and forward-looking loss experience for assets with similar credit risk characteristics. We focused on this area because of its significance and the degree of judgement required to estimate the expected credit loss and determining the carrying amount of trade and other receivables as at the reporting date.</p> | <p>How our audit addressed the key audit matter: We obtained an understanding of the Company's credit policy for trade receivables and evaluated the processes for identifying impairment indicators. We have reviewed and tested the ageing of trade and other receivables. We have reviewed management's assessment on the credit worthiness of selected customers for trade receivables. We further discussed with the key management on the adequacy of the allowance for impairment recorded by the Company and reviewed the supporting documents provided by management in relation to their assessment. We have also reviewed the adequacy and appropriateness of the impairment charge based on the available information. Based on our audit procedures performed, we found management's assessment of the recoverability of trade and other receivables to be reasonable and the disclosures to be appropriate.</p> |
| 3. | <p>Evaluation of uncertain tax positions Refer Notes 2, 23 and 36 to the Financial Statements. The Company has material uncertain tax positions including matters under dispute which involves significant judgment to determine the possible outcome of these disputes.</p> | <p>How our audit addressed the key audit matter: We have obtained details of complete tax assessments and demands as at March 31, 2020 from management. We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice, where available, including any information regarding similar cases with the relevant tax authorities. We assessed validity and adequacy of provisions for uncertain tax positions in respect of various tax demands and liabilities and found the appropriateness of management's assumptions and estimates reasonable.</p> |

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. We have obtained all other information prior to the date of this auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of

this other information; we are required to report that fact. We have nothing to report in this regard. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions, as applicable under the applicable laws and regulations

Responsibilities of Management for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance

about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure B" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the

Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 36 to the financial statements;

- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For JKVS & CO.

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Place: New Delhi

Date: 30th June 2020

Membership No. 523903

Udin: 20523903AAAABA7724

Annexure-A to the Auditor's Report

Annexure referred to in paragraph 1 of our report of even date on the other legal and regulatory requirements (Re: Deepak Spinners Limited)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular programme of physical verification of its property, plant and equipment by which property, plant and equipment are verified in a phased manner over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its property, plant and equipment. In accordance with this programme, property, plant and equipments were not physically verified during the year.
- (c) The title deeds of immovable properties included in property, plant and equipment are held in the name of the company except freehold land for ₹ 2.42 Lakhs for which registration in the name of the Company is pending.
- (ii) The management has conducted physical verification of inventories, except stock in transit, during the year at reasonable interval and no material discrepancies were noticed on such physical verification.
- (iii) The Company has not granted any loan to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Companies' Act, 2013. Therefore, the provisions of clause 3(iii) of the Order are not applicable.
- (iv) The Company has no transaction with respect to loan, investment, guarantee and security covered under section 185 and 186 of the Companies Act, 2013. Therefore, the provisions of clause 3(iv) of the Order are not applicable.
- (v) The Company has not accepted any deposits covered under section 73 to 76 of the Companies Act'2013 and the Companies (Acceptance of Deposits) Rules, 2014 (as amended) during the year. Therefore, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013 and are of the opinion that prima facie, the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
- (vii) a. According to the records of the Company, the Company is regular in depositing amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employee's State Insurance, Income-tax, Sales-tax, Service Tax, Goods and Service Tax, Duty of customs, Duty of excise, Value Added Tax, Cess and other material statutory dues with the appropriate authorities. There was no undisputed outstanding statutory dues as at the year end for a period of more than six months from the date they became payable.
- b. According to the records of the Company there are no dues outstanding on account of Income-tax, Sales-tax, Value Added Tax, Service Tax, Duty of customs, Duty of excise and Cess on account of any dispute except the followings :

| Name of Statute | Nature of dues | Amount * (₹ in Lakhs) | Forum where dispute is pending | Period |
|---|---|--------------------------|--|-------------------------|
| The Central Excise Act, 1944 | Demand for excise duty | 7.97 | CESTAT | 2004-05 to 2007-08 |
| Income Tax Act, 1961 | Dispute relating to carry forward unabsorbed depreciation and provision for doubtful debts. | 6.25 | CIT (Appeals) Kolkata | Assessment year 2011-12 |
| | Short allowance of Credit of TDS and Excess charge of Interest | 0.76 | ITAT | Assessment year 1998-99 |
| | Disallowance of expenses etc. | 1.21 | DCIT (Appeal), Kolkata | Assessment Year 2012-13 |
| | MAT Credit Disallowance | 21.39 | CIT (Appeals) Kolkata | Assessment year 2015-16 |
| Himachal Pradesh Tax on Entry of Goods into Local Area Act'2010 | Entry Tax | 553.05 | Additional Commissioner of Central Excise, Jammu | 2010-11 to 2017-18 |

*** net of deposited**

- (viii) The Company has not defaulted in repayment of dues to bank. The Company did not have any borrowing from any financial institution or Government and dues to debenture holders.
- (ix) During the year, the company did not raise any money by way of initial public offer or further public offer (including debt instruments) and loans or borrowing from banks and financial institutions. Therefore, the provision of clause 3(ix) of the order are not applicable.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given to us, no fraud by the Company or no fraud on the Company by its officers and employees has been noticed or reported during the year.
- (xi) The managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed

in the financial statements as required by the applicable accounting standards.

- (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, the provisions of clause 3(xiv) of the Order are not applicable.
- (xv) According to the information and explanations given to us, the Company has not entered into non-cash transactions with directors or persons connected with directors. Therefore, the provisions of clause 3(xv) of the Order are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Therefore, the provisions of clause 3(xvi) of the Order are not applicable.

For JKVS & CO.

Chartered Accountants
Firm Reg. No. 318086E

Sajal Goyal

Partner

Place: New Delhi

Date: 30th June 2020

Membership No. 523903

Udin: 20523903AAAABA7724

Annexure-B to the Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Deepak Spinners Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial

controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements

and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India however needs to be further strengthened.

For JKVS & CO.
Chartered Accountants
Firm Reg. No. 318086E
Sajal Goyal
Partner

Place: New Delhi
Date: 30th June 2020

Membership No. 523903
Udin: 20523903AAAABA7724

BALANCE SHEET AS AT 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | Note | As at 31st March, 2020 | As at 31st March, 2019 |
|--|-----------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, Plant and Equipment | '3' | 16,519.52 | 17,587.54 |
| Capital Work-in-Progress | | 78.11 | 79.36 |
| Right of use Assets | '4A' | 215.25 | - |
| Intangible assets | '4' | 54.81 | 78.42 |
| Financial Assets | | | |
| a. Other Non Current Financial Assets | '5' | 254.30 | 287.55 |
| Other Non-Current Assets | '6' | 52.18 | 53.05 |
| | | 17,174.17 | 18,085.92 |
| Current Assets | | | |
| Inventories | '7' | 7,507.00 | 8,190.15 |
| Financial Assets | | | |
| a. Trade Receivables | '8' | 2,852.60 | 3,680.99 |
| b. Cash and Cash Equivalents | '9' | 32.80 | 97.11 |
| c. Bank balances other than (b) above | '10' | 43.41 | 24.22 |
| d. Other Financial Assets | '11' | 205.88 | 186.17 |
| Current Tax Assets (Net) | '12' | 256.66 | 169.40 |
| Other Current Assets | '13' | 1,498.82 | 1,750.51 |
| | | 12,397.17 | 14,098.55 |
| | | 29,571.34 | 32,184.47 |
| Total Assets | | | |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity Share Capital | '14' | 718.94 | 720.11 |
| Other Equity | '15' | 13,626.75 | 12,393.35 |
| | | 14,345.69 | 13,113.46 |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Financial Liabilities | | | |
| a. Borrowings | '16' | 2,489.13 | 3,823.48 |
| b. Lease Liability | '16A' | 143.82 | - |
| Long-term Provisions | '17' | 213.86 | 235.21 |
| Deferred Tax Liabilities (Net) | '18' | 1,357.77 | 2,056.83 |
| | | 4,204.58 | 6,115.52 |
| Current Liabilities | | | |
| Financial Liabilities | | | |
| a. Borrowings | '19' | 5,059.03 | 5,407.25 |
| b. Trade Payables | '20' | | |
| a) total outstanding dues of micro and small enterprises | | 42.29 | 49.75 |
| b) total outstanding dues of creditors other than micro and small enterprises | | 2,387.38 | 2,980.75 |
| c. Other Financial Liabilities | '21' | 1,736.08 | 2,955.40 |
| d. Lease Liability | '21A' | 23.34 | - |
| Other Current Liabilities | '22' | 194.10 | 95.05 |
| Short Term Provisions | '23' | 1,578.85 | 1,433.31 |
| Current Tax Liabilities (net) | '24' | - | 33.98 |
| | | 11,021.07 | 12,955.49 |
| | | 15,225.65 | 19,071.01 |
| | | 29,571.34 | 32,184.47 |
| Total Equity and Liabilities | | | |
| Summary of significant accounting policies and other notes on financial statements | '1 to 47' | | |

The accompanying notes are an integral part of the financial statements

As per our report of even date attached.

For JKVS & Co.

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Membership No. 523903

Place : Kolkata

Dated : 30th June, 2020

PRADIP KUMAR DAGA

Chairman and Managing Director

DIN: 00040692

S B SHARDA

Chief Financial Officer & President

PUNEETA ARORA

Company Secretary

FCS: 7466

YASHWANT KUMAR DAGA - DIN:00040632

PRADEEP KUMAR DROLIA - DIN: 00291966

BINOD KUMAR AGRAWAL - DIN: 00515976

NILU AGRAWAL - DIN: 03107052

Directors

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | Note | For the Year ended 31st March, 2020 | For the Year ended 31st March, 2019 |
|---|--------------|--|--|
| I REVENUE | | | |
| Revenue from Operations | '25' | 46,067.56 | 47,468.52 |
| Other Income | '26' | 330.40 | 397.19 |
| Total Income | | 46,397.96 | 47,865.71 |
| II EXPENSES | | | |
| Cost of Materials Consumed | '27' | 27,316.93 | 31,152.89 |
| Changes in Inventories of Finished Goods, Work-in-Progress and Waste | '28' | 1,288.44 | (1,700.88) |
| Employee Benefits Expense | '29' | 5,591.59 | 5,246.10 |
| Finance Costs | '30' | 939.33 | 1,042.30 |
| Depreciation and Amortization Expense | '31' | 1,608.60 | 1,600.55 |
| Other Expenses | '32' | 8,411.88 | 8,796.13 |
| Total Expenses | | 45,156.77 | 46,137.09 |
| Profit before Exceptional item and Tax (I-II) | | 1,241.19 | 1,728.62 |
| Exceptional Item | '33' | - | 295.95 |
| Profit before Tax | | 1,241.19 | 2,024.57 |
| Tax Expense | | | |
| Current Tax | '34' | (453.00) | (752.53) |
| Deferred Tax (Charge)/Credit | 18' | 700.32 | 101.12 |
| Profit for the year (A) | | 1,488.51 | 1,373.16 |
| Other Comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of defined benefit plans | | 5.00 | 16.09 |
| Tax relating to remeasurement of defined benefit plans | | (1.26) | (5.62) |
| Total Other Comprehensive income for the year (B) | | 3.74 | 10.47 |
| Total Comprehensive income for the year (A+B) | | 1,492.25 | 1,383.63 |
| Basic & Diluted Earnings Per Equity Share of ₹ 10 each | '35' | 20.70 | 19.10 |
| Summary of significant accounting policies and other notes on financial statements | '1 to 47' | | |

The accompanying notes are an integral part of the financial statements

As per our report of even date attached.

For JKVS & Co.

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Membership No. 523903

Place : Kolkata

Dated : 30th June, 2020

PRADIP KUMAR DAGA

Chairman and Managing Director

DIN: 00040692

S B SHARDA

Chief Financial Officer & President

PUNEETA ARORA

Company Secretary

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PRADEEP KUMAR DROLIA - DIN: 00291966

BINOD KUMAR AGRAWAL - DIN: 00515976

NILU AGRAWAL - DIN: 03107052

Directors

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| Particulars | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|--|--|
| A. Cash Flow from Operating Activities | | |
| Net Profit before tax | 1,241.19 | 2,024.57 |
| <i>Adjustment for :</i> | | |
| Depreciation and Amortization Expense | 1,608.60 | 1,600.55 |
| Net profit on sale/discard of property, plant and equipment | (7.14) | 9.83 |
| Finance costs | 939.33 | 1,042.30 |
| Interest Income | (218.55) | (193.00) |
| Allowances for credit losses | 40.52 | 240.92 |
| Operating Profit Before Working Capital Changes | 3,603.95 | 4,725.17 |
| Movements in working capital :- | | |
| (Increase)/ Decrease in Inventories | 683.15 | (946.93) |
| (Increase)/ Decrease in Trade and other receivables | 1,053.04 | (554.02) |
| Increase/ (Decrease) in Trade and other payables | (369.68) | 445.67 |
| Cash Generated From Operations | 4,970.46 | 3,669.89 |
| Less : Income Tax Paid (net of refunds) | (574.24) | (757.50) |
| Net Cash From Operating Activities | 4,396.22 | 2,912.39 |
| B. Cash Flow from Investment Activities | | |
| Movement in fixed deposit | (0.43) | (7.69) |
| Interest received | 218.61 | 192.59 |
| Purchases of Property, Plant and Equipments (including capital advance) | (560.17) | (560.36) |
| Proceeds from sales of Property, plant & Equipments | 14.22 | 10.44 |
| Net Cash Used In Investing Activities | (327.77) | (365.02) |
| C. Cash Flow from Financing Activities | | |
| Repayment of Long Term Borrowings | (2,535.52) | (2,167.64) |
| Proceeds of Long Term Borrowings | - | 28.00 |
| Net proceeds/(Repayment) of Short Term Borrowings | (348.22) | 657.92 |
| Dividend including dividend distribution tax paid | (260.02) | - |
| Payment of Lease liability | (25.80) | - |
| Finance Costs (including capitalised ₹ 7.52 previous year ₹ 1.73) | (963.20) | (1,042.01) |
| Net Cash Used in Financing Activities | (4,132.76) | (2,523.73) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (64.31) | 23.64 |
| Cash and Cash Equivalents at the beginning of the year | 97.11 | 73.47 |
| Cash and Cash Equivalents at the end of the year (Refer Note 22) | 32.80 | 97.11 |
| | (64.31) | 23.64 |

Notes :

- A. The company has prepared cash flow statement as per indirect method.
- B. As per Ind AS 7, the Company is require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company did not have any material impact on the Statement of Cash Flows.

The accompanying notes are an integral part of the financial statements

As per our report of even date attached.

For JKVS & Co.

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Membership No. 523903

Place : Kolkata

Dated : 30th June, 2020

PRADIP KUMAR DAGA

Chairman and Managing Director

DIN: 00040692

S B SHARDA

Chief Financial Officer & President

PUNEETA ARORA

Company Secretary

FCS: 7466

YASHWANT KUMAR DAGA - DIN:00040632

PRADEEP KUMAR DROLIA - DIN: 00291966

BINOD KUMAR AGRAWAL - DIN: 00515976

NILU AGRAWAL - DIN: 03107052

Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| (a) Equity share capital | As at 31 March, 2020 | | As at 31 March, 2019 | |
|---|----------------------|--------|----------------------|--------|
| | No. of Shares | Amount | No. of Shares | Amount |
| Balance at the beginning of the year | 71,89,368.00 | 718.94 | 71,89,368.00 | 718.94 |
| Changes in equity share capital during the year | - | - | - | - |
| Balance at the end of the year | 71,89,368.00 | 718.94 | 71,89,368.00 | 718.94 |

| (b) Other equity | Reserves and Surplus | | | Item of | Total |
|---|----------------------|--|-----------------|----------------------------|------------------|
| | Securities Premium | General reserve | Capital Reserve | Other Comprehensive Income | |
| | Retained earnings | Remeasurement of defined benefit plans | | | |
| Balance at 01st April 2018 | 217.81 | 2,809.79 | 7,962.72 | 19.40 | 11,009.72 |
| Profit for the year | - | - | 1,373.16 | - | 1,373.16 |
| Other comprehensive income for the year | - | - | - | 10.47 | 10.47 |
| Balance at 31 March 2019 | 217.81 | 2,809.79 | 9,335.88 | 29.87 | 12,393.35 |
| Profit for the year | - | - | 1,488.51 | - | 1,488.51 |
| Annual Dividend & Dividend distribution tax (2018-19) | | | 130.01 | | 130.01 |
| Interim Dividend & Dividend distribution tax (2019-20) | | | 130.01 | | 130.01 |
| Other comprehensive income for the year (including Tax thereon) | - | - | 3.74 | - | 3.74 |
| Transfer from forfeited share capital | | | 1.17 | - | 1.17 |
| Transfer to Retained Earnings | | | 29.87 | (29.87) | - |
| Balance at 31 March 2020 | 217.81 | 2,809.79 | 1.17 | 10,597.98 | - |
| | | | | | 13,626.75 |

The accompanying notes are an integral part of the financial statements
 As per our report of even date attached.

For JKVS & Co.

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Membership No. 523903

Place : Kolkata

Dated : 30th June, 2020

PRADIP KUMAR DAGA

Chairman and Managing Director

DIN: 00040692

S B SHARDA

Chief Financial Officer & President

PUNEETA ARORA

Company Secretary

FCS: 7466

YASHWANT KUMAR DAGA - DIN:00040632

PRADEEP KUMAR DROLIA - DIN: 00291966

BINOD KUMAR AGRAWAL - DIN: 00515976

NILU AGRAWAL - DIN: 03107052

Directors

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

1. **Reporting Entity**

Deepak Spinners Limited referred to as “the Company” is domiciled in India. The Company’s registered office is at 121 Industrial Area, Baddi, Himachal Pradesh- 173212. The Company is a manufacturer of Synthetic Staple Fibres Yarn, Man-made Fibres blended yarn. It has two spinning units located at Guna (Madhya Pradesh) and Baddi (Himachal Pradesh).

These financial statements were authorised for issue by the Board of Directors in their meeting held on 30th June, 2020.

2. **Significant Accounting Policies**

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

2.1 **Basis of preparation**

The financial statements of the Company comply with all material aspects with Indian Accounting Standards (“Ind AS”) as prescribed under section 133 of the Companies Act, 2013 (“the Act”), as notified under the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India.

Accounting Policies have been consistently applied except where a newly issued accounting standards is initially adopted or a revision to an existing accounting standard required a change in the accounting policy hitherto in use.

2.2 **Basis of measurement**

The financial statements have been prepared under the historical cost convention on accrual basis except in case of claims lodged with insurance company but not settled, interest on overdue debts from customers due to uncertainty in realisation, export and other benefits doubtful of recovery are accounted for on receipt/settlement and the following items, which are measured on following basis on each reporting date:

- Certain financial assets and liabilities (including derivative instruments) that is measured at fair value
- Defined benefit liability (assets): present value of defined benefit obligation less fair value of plan assets.
- Financial instrument - measured at fair value;

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date;
- **Level 2** inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

2.3 Functional and presentation currency

These financial statements are presented in Indian National Rupee ('INR'), which is the Company's functional currency. All amounts have been rounded to the nearest Lakhs, unless otherwise indicated.

2.4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements have been given below:

Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for every period ended is included below:

- Measurement of defined benefit obligations: key actuarial assumptions;
- Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- Impairment test: key assumptions underlying recoverable amounts.
- Useful life and residual value of Property, Plant & Equipment
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Impairment of financial assets: key assumptions used in estimating recoverable cash flows

2.5 Classification of Assets and Liabilities as Current and Non-Current

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset/liabilities is treated as current when it is:

- Expected to be realised/settled (liabilities) or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading
- Expected to be realised/settled within twelve months after the reporting period, or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets/liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets/liabilities.

The operating cycle is the time between the acquisition of the assets for processing and their realisation in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

2.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of assets comprises of purchase price and directly attributable cost of bringing the assets to working condition for its intended use including borrowing cost and incidental expenditure during construction incurred up to the date when the assets are ready to use. Capital work in progress includes cost of assets at sites, construction expenditure and interest on the funds deployed less any impairment loss, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate item (major components) of property, plant and equipment. As per the assessment made by the management, property plant & equipment (other than building and captive power plant) does not comprise any significant components with different useful life. Any gain on disposal of property, plant and equipment is recognised in Statement of Profit and loss.

Subsequent Measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation on property, plant & equipment is calculated on Straight Line Method using the rates arrived at based on the estimated useful lives given in Schedule II of the Companies Act, 2013 or re-assessed by the Company on technically assessed as given below.

| Assets | Useful lives as per technical certificate |
|-------------------|---|
| Plant & Machinery | 30 Years (On single shift basis) |
| Power Plant | 36 Years |

Depreciation on additions to or on disposal of assets is calculated on pro-rata basis. Right of use assets is amortised over the lease period or estimated useful life whichever is less. Additions on rented premises are being amortised over the period of rent agreement.

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively. Individual assets costing below ₹ 5000 are fully depreciated in the year of purchase as these assets have no significant useful life.

2.7 Intangible assets

Intangible Assets acquired separately are stated at cost less accumulated amortization and impairment loss, if any. Intangible assets are amortized on straight line method basis over the estimated useful life. Estimated useful life of the Software is considered as 5 years. Amortisation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit and loss when the asset is derecognised. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired, impairment loss is recognised in the statement of profit & loss.

2.8 Non-current assets (or disposal groups) held for sale

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

2.9 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication on impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment loss in respect of assets other than goodwill is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years. A reversal of impairment loss is recognised immediately in the Statement of Profit & Loss.

2.10 Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets up to the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

The loan origination costs directly attributable to the acquisition of borrowings (e.g. loan processing fee, upfront fee) are amortised on the basis of the Effective Interest Rate (EIR) method over the term of the loan.

2.11 Foreign currency transactions

Transactions in foreign currencies are recorded by the Company entities at their respective functional currency at the exchange rates prevailing at the date of the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the exchange rates prevailing at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss with the exception of the following:

- exchange differences on foreign currency borrowings included in the borrowing cost when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of initial transactions. Non-monetary items measure at fair value in a foreign currency is translated using the exchange rates at the date when the fair value is determined.

2.12 Employee benefits

a. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The company has Provident Fund as defined contribution plan.

c. Defined benefit plans

For defined benefit retirement, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using yield of government bonds.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to the statement of profit and loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re measurement

The Company presents the first two components of defined benefit costs in the statement of profit and loss in the line item employee benefits expense.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

d. Other long-term employee benefits

The company has long term employment benefit plans i.e. accumulated leave. Accumulated leave is encashed to eligible employees at the time of retirement. The liability for accumulated leave, which is a defined benefit scheme, is provided based on actuarial valuation as at the Balance Sheet date, based on Projected Unit Credit Method, carried out by an independent actuary.

2.13 Revenue Recognition

- a. The Company recognises revenue from sale of goods when the titles have been passed at which time all the following conditions are satisfied:
- i) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - ii) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - iii) the amount of revenue can be measured reliably;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

- iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue represents net value of goods and services provided to customers after deducting for certain incentives including, but not limited to discounts, volume rebates, etc. Shipping and handling amounts invoiced to customers are included in revenue and the related shipping and handling costs incurred are included in freight and forwarding expenses when the Company is acting as principal in the shipping and handling arrangement. Sales exclude Goods and Service Tax.

- b. Revenue (other than sale) is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Export incentives and subsidies are recognized when there is reasonable assurance that the Company will comply with the conditions and the incentive will be received.
- c. Interest other than interest on overdue debts from customers, is recognised on time proportion basis.

2.14 Government Grants and Subsidies

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants that compensate the Company for expenses incurred are recognised in the statement of profit and loss, as income or deduction from the relevant expense, on a systematic basis in the periods in which the expense is recognised. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to Statement of Profit and Loss on a straight line basis over the expected lives of the related assets to match them with the costs for which they are intended to compensate and presented within other income.

2.15 Inventories

- i. Inventories are valued as follows:

| | |
|---|--|
| Raw materials, stores and spares | Lower of cost and net realisable value. Cost is determined on a weighted average basis. Materials and other items held for use in the production of inventories are not written down below costs, if finished goods in which they will be incorporated are expected to be sold at or above cost. |
| Work-in-progress, finished goods and traded goods | Lower of cost and net realisable value. Cost includes direct materials, labour and a proportion of manufacturing overheads. |
| Waste | At net realisable value. |

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

- ii. Provision for obsolete/ old inventories is made, wherever required.
- iii. In view of substantially large number of items in work- in- progress, it is not feasible to maintain the status of movement of each item at shop floor on perpetual basis. The Company, however, physically verifies such stocks at the end of the year and valuation is made on the basis of such physical verification.

2.16 Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the receivable is expected to be collected within a period of 12 months or less

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

from the reporting date (or in the normal operating cycle of the business, if longer), they are classified as current assets otherwise as non-current assets. Trade receivables are measured at their transaction price unless it contains a significant financing component in accordance with Ind AS 18 (or when the entity applies the practical expedient) or pricing adjustments embedded in the contract. Loss allowance for expected life time credit loss is recognised on initial recognition.

2.17 Provisions and contingencies, Contingent liabilities and Contingent Assets

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event and it is probable that it is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Major contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized in the financial statements but disclosed, where an inflow of economic benefit is probable.

2.18 Measurement of fair value

a. Financial instruments

The estimated fair value of the Company's financial instruments is based on market prices and valuation techniques. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data.

b. Derivatives

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value provided by the respective banks. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of profit and loss.

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments also include derivative contracts such as foreign currency foreign exchange forward contracts.

a. Financial Assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Classifications

The company classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Impairment of financial assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

The Company assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

With regard to trade receivable, the Company applies the simplified approach as permitted by Ind AS 109, Financial Instruments, which requires expected lifetime losses to be recognised from the initial recognition of the trade receivables.

b. **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of amortised cost, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities measured at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risks are recognized in OCI. These gains/loss are not subsequently transferred to Profit & Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

De-recognition of financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2.20 **Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

i. **Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if, the Company:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

- a) Has a legally enforceable right to set off the recognised amounts; and
- b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.21 Leases

The Company as lessor

Leases for which the Company is a lessor is classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent and variable rentals are recognized as expense in the periods in which they are incurred.

Lease Liability

The lease payments that are not paid at the commencement date are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments) payable during the lease term and under reasonably certain extension options, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re measured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re measured by discounting the revised lease payments using a revised discount rate.

Right of Use (ROU) Assets

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under Ind AS 37- Provisions, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset.

ROU assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The depreciation starts at the commencement date of the lease.

The ROU assets are not presented as a separate line in the Balance Sheet but presented below similar owned assets as a separate line in the PPE note under "Notes forming part of the Financial Statement".

The Company applies Ind AS 36- Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per its accounting policy on 'property, plant and equipment'.

As a practical expedient, Ind AS 116 permits a lessee not to separate non-lease components when bifurcation of the payments is not available between the two components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

Extension and termination options are included in many of the leases. In determining the lease term the management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of directors of the Company has been identified as being the chief operating decision maker by the Management of the company. The Business activity of the company falls within one business segment viz “Textile”.

2.23 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less for the purposes of the Cash Flow Statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.24 Standards issued but not yet effective

Ministry of Corporate Affairs (“MCA”) notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

‘3’. Property, plant and equipment

| Particulars | Tangible Assets | | | | | | | Total |
|---|--------------------|-----------------|---------------------|---------------|------------------------|------------------|-----------------|------------------|
| | Free hold land (a) | Buildings | Plant and Equipment | Vehicles | Furniture and Fixtures | Office Equipment | Lease Hold land | |
| Cost | | | | | | | | |
| As at 31st March, 2018 | 33.40 | 6,021.62 | 15,613.85 | 96.93 | 25.71 | 59.50 | 62.74 | 21,913.75 |
| Additions | - | 147.22 | 281.41 | 48.98 | 2.15 | 1.05 | - | 480.81 |
| Disposals | - | - | 17.34 | 2.93 | - | - | - | 20.27 |
| Adjustment | - | - | - | - | - | - | - | - |
| As at 31st March, 2019 | 33.40 | 6,168.84 | 15,877.92 | 142.98 | 27.86 | 60.55 | 62.74 | 22,374.29 |
| Additions | - | 57.91 | 420.62 | 27.53 | 50.51 | 5.73 | - | 562.30 |
| Disposals | - | - | 93.33 | - | 3.59 | 5.52 | - | 102.44 |
| Adjustment | - | - | - | - | - | - | - | - |
| Reclassification to Right of Use Assets | - | - | - | - | - | - | 62.74 | 62.74 |
| As at 31st March, 2020 | 33.40 | 6,226.75 | 16,205.21 | 170.51 | 74.78 | 60.76 | - | 22,771.41 |
| Depreciation | | | | | | | | |
| As at 31st March, 2018 | - | 441.47 | 2,719.91 | 24.97 | 5.69 | 29.33 | 1.94 | 3,223.31 |
| For the year | - | 230.88 | 1,302.05 | 14.82 | 2.82 | 11.90 | 0.97 | 1,563.44 |
| Deletions | - | - | - | - | - | - | - | - |
| Adjustment | - | - | - | - | - | - | - | - |
| As at 31st March, 2019 | - | 672.35 | 4,021.96 | 39.79 | 8.51 | 41.23 | 2.91 | 4,786.75 |
| For the year | - | 237.61 | 1,296.88 | 16.65 | 7.18 | 5.09 | - | 1,563.41 |
| Deletions | - | - | 88.66 | - | 3.41 | 3.29 | - | 95.36 |
| Adjustment | - | - | - | - | - | - | - | - |
| Reclassification to Right of Use Assets | - | - | - | - | - | - | 2.91 | 2.91 |
| As at 31st March, 2020 | - | 909.96 | 5,230.18 | 56.44 | 12.28 | 43.03 | - | 6,251.89 |
| Net block | | | | | | | | |
| As at 31st March, 2019 | 33.40 | 5,496.49 | 11,855.96 | 103.19 | 19.35 | 19.32 | 59.83 | 17,587.55 |
| As at 31st March, 2020 | 33.40 | 5,316.79 | 10,975.03 | 114.07 | 62.50 | 17.73 | - | 16,519.52 |

(a) Includes land Rs. 2.42 (Previous year Rs. 2.42) for which registration is pending.

(b) Property, Plant & Equipment given as security for borrowings refer note 16 & 19.

‘4’. Intangible Assets

| Particulars | Software IT ERP | Total |
|-------------------------------|-----------------|---------------|
| Cost | | |
| As at 31st March, 2018 | 153.55 | 153.55 |
| Additions | 8.70 | 8.70 |
| Disposals | - | - |
| Adjustment | - | - |
| As at 31st March, 2019 | 162.25 | 162.25 |
| Additions | - | - |
| Disposals | - | - |
| Adjustment | - | - |
| As at 31st March, 2020 | 162.25 | 162.25 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| Particulars | Software IT ERP | Total |
|-------------------------------|-----------------|---------------|
| Amortisation | | |
| As at 31st March, 2018 | 46.72 | 46.72 |
| For the year | 37.11 | 37.11 |
| Deletions | - | - |
| Adjustment | - | - |
| As at 31st March, 2019 | 83.83 | 83.83 |
| For the year | 23.61 | 23.61 |
| Deletions | - | - |
| Adjustment | - | - |
| As at 31st March, 2020 | 107.44 | 107.44 |
| Net block | | |
| As at 31st March, 2019 | 78.42 | 78.42 |
| As at 31st March, 2020 | 54.81 | 54.81 |

‘4(A)’. Right of use assets (Refer Note 37)

| | Leasehold Land | Leased Property | Total |
|---|----------------|-----------------|---------------|
| Cost | | | |
| Reclassification from Property, Plant & Equipment | 62.74 | - | 62.74 |
| Additions as per IND AS 116 (Lease) | - | 177.01 | 177.01 |
| Disposals | - | - | - |
| As at 31st March, 2020 | 62.74 | 177.01 | 239.75 |

Amortisation

| | | | |
|---|-------------|--------------|--------------|
| Reclassification from Property, Plant & Equipment | 2.91 | - | 2.91 |
| For the year | 0.97 | 20.62 | 21.59 |
| Deletions | - | - | - |
| As at 31st March, 2020 | 3.88 | 20.62 | 24.50 |

Net block

| | | | |
|-------------------------------|--------------|---------------|---------------|
| As at 31st March, 2019 | - | - | - |
| As at 31st March, 2020 | 58.86 | 156.39 | 215.25 |

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| ‘5’ Other Non-Current Financial Assets (Unsecured, Considered Good) | | |
| Security Deposits | 243.04 | 272.63 |
| Export Benefits/Claims Receivables # | 11.26 | 14.92 |
| | 254.30 | 287.55 |

Claim lying with department but hold against Service Tax dispute

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| '6' Other Non Current Assets | | |
| Capital Advances | 52.18 | 53.05 |
| | 52.18 | 53.05 |
| '7' Inventories | | |
| <i>(Valued at lower of cost or net realisable value except waste at net realisable value)</i> | | |
| Raw Materials | 2,225.72 | 1,466.55 |
| Work-in-Progress | 525.08 | 445.98 |
| Finished Goods | 4,501.11 | 5,868.38 |
| Stores and Spares | 250.24 | 404.12 |
| Waste | 4.85 | 5.12 |
| | 7,507.00 | 8,190.15 |
| Goods in transit included in above inventories are as under : | | |
| Raw materials | 17.90 | 132.45 |
| Stores and Spares | 31.82 | 42.53 |
| 7a' Write downs of inventories (net of reversal) to net realizable value related to finished goods amounted to ₹ 394.39 (Previous year ₹ 158.25). These were recognised as expense during the year and included in 'Cost of materials consumed' and Changes in inventories of finished goods, stock-in-trade and work-in-progress in statement of profit and loss. | | |
| 7b' Inventories are hypothecated to secure borrowings. Refer to Note No. 16 & 19. | | |
| '8' Trade Receivables | | |
| Unsecured | | |
| Considered Good | 2,852.60 | 3,680.99 |
| Credit Impaired | 293.60 | 253.08 |
| | 3,146.20 | 3,934.07 |
| Less: Allowances for credit losses | 293.60 | 253.08 |
| | 2,852.60 | 3,680.99 |
| 8a' No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person. Further no trade receivables are due from firms or private companies respectively in which any director is a partner, or director or member. | | |
| 8b' Trade Receivables are hypothecated to secure borrowings. Refer to Note No. 16 & 19. | | |
| '9' Cash and Cash Equivalents | | |
| Balance with Banks : | | |
| - In Current Accounts | 27.70 | 91.96 |
| Cash on hand | 5.10 | 5.15 |
| | 32.80 | 97.11 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---------------------------|---------------------------|
| '10' Other Bank Balances | | |
| Earmarked balances with banks | | |
| Unpaid Dividend Account | 28.44 | 9.68 |
| Fixed Deposit Account (maturity within one year)* | 13.04 | 12.61 |
| Fixed Deposit Account (Pledged with Sales Tax Department) | 1.93 | 1.93 |
| | <u>43.41</u> | <u>24.22</u> |
| (*Pledged as Margin with Bank) | | |
| '11' Other Current Financial Assets | | |
| (Unsecured, Considered Good) | | |
| Duty Refundable/Claims Receivables | 199.53 | 179.76 |
| Interest Accrued | 6.35 | 6.41 |
| | <u>205.88</u> | <u>186.17</u> |
| '12' Current Tax Assets (Net) | | |
| Advance Current Tax (Net of Provision) | 256.66 | 169.40 |
| | <u>256.66</u> | <u>169.40</u> |
| '13' Other Current Assets | | |
| Security Deposits against disputed demand | 350.00 | 50.00 |
| Indirect taxes recoverable | 887.93 | 1,400.24 |
| Export Benefit Receivable | 46.49 | 63.59 |
| Advances Recoverable in Cash or in Kind | 160.45 | 155.82 |
| Prepaid Expenses | 53.95 | 80.86 |
| | <u>1,498.82</u> | <u>1,750.51</u> |
| '14' Share Capital: | | |
| Authorised: | | |
| 80,00,000 (Previous year 80,00,000) Equity Shares of ₹10/- each. | 800.00 | 800.00 |
| 60,00,000 (Previous year 60,00,000) Unclassified Shares of ₹10/- each. | 600.00 | 600.00 |
| | <u>1,400.00</u> | <u>1,400.00</u> |
| Issued: | | |
| 72,12,868 (Previous year 72,12,868) Equity Shares of ₹10/- each | 721.29 | 721.29 |
| | <u>721.29</u> | <u>721.29</u> |
| Subscribed and Fully Paid-up Shares | | |
| 71,89,368 (Previous year 71,89,368) Equity Shares of ₹10/- each fully paid-up | 718.94 | 718.94 |
| Add: Forfeited Shares (Amount originally Paid-up) | - | 1.17 |
| | <u>718.94</u> | <u>720.11</u> |

a. Terms and Rights attached to Equity Shares

Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company in proportion to the number of equity shares held by the shareholders. There is no restriction on distribution of dividend. However dividend other than interim dividend, is subject to the approval of the shareholders in the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

b. **Reconciliation of number of shares outstanding at the beginning and end of the year :**

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| Equity Shares outstanding at the beginning of the year | 7189368 | 7189368 |
| Equity Shares allotted during the year | - | - |
| Equity Shares outstanding at the end of the year | 7189368 | 7189368 |

c. **Shareholders holding more than 5 percent Equity shares of the Company:**

| Name of shareholder | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|------------------------|-----------------------|------------------------|-----------------------|
| | Numbers of Shares held | Percentage of Holding | Numbers of Shares held | Percentage of Holding |
| M/s. Mangalam Engineering Projects Ltd. | 8,69,429 | 12.09 | 8,69,429 | 12.09 |
| Sh. Pradip Kumar Daga | 4,04,174 | 5.62 | 4,04,174 | 5.62 |
| M/s. Contransys Pvt. Ltd | 4,02,100 | 5.59 | 4,02,100 | 5.59 |
| M/s. Jalpaiguri Holdings Pvt. Ltd. | 4,00,070 | 5.56 | 4,00,070 | 5.56 |
| Smt. Asha Devi Daga | 3,86,428 | 5.38 | 3,86,428 | 5.38 |

'15' **Other Equity**

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| (i) Securities Premium | | |
| Balance as per last financial statements | 217.81 | 217.81 |
| (ii) General Reserve | | |
| Balance as per last financial statements | 2,809.79 | 2,809.79 |
| (iii) Capital Reserve | | |
| Transfer from forfeited share capital | 1.17 | - |
| (iv) Retained earnings | | |
| Balance at the beginning of the year | 9,335.88 | 7,962.72 |
| Add :- Transfer from Remeasurement of defined benefit Plans | 29.87 | - |
| Add :- Other Comprehensive income (including tax thereon) | 3.74 | - |
| Profit for the year | 1,488.51 | 1,373.16 |
| Total | 10,858.00 | 9,335.88 |
| Less: | | |
| Annual Dividend & Dividend Distribution Tax (2018-19) | 130.01 | - |
| Interim Dividend & Dividend Distribution Tax (2019-20) (Refer Note 45) | 130.01 | - |
| Total | 10,597.98 | 9,335.88 |
| (v) Remeasurement of defined benefit plans | | |
| Balance at the beginning of the year | 29.87 | 19.40 |
| Addition during the year | - | 10.47 |
| Less: Transfer to Retained Earning | 29.87 | - |
| Balance at the end of the year | - | 29.87 |
| Total (i to v) | 13,626.75 | 12,393.35 |

Nature and purpose of other reserves/ other equity

Securities Premium

This Reserve represents premium received on issue of shares and can be utilized in accordance with the provisions of the Companies Act, 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

General reserve

The Company appropriates a portion to general reserves out of the profits voluntarily to meet future contingencies. The said reserve is available for payment of dividend to shareholders as per the provisions of the Companies Act, 2013.

Retained Earnings

Retained earnings are profits earned by the Company after transfer to general reserve and payment of dividend to shareholders.

'16' Borrowings

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---------------------------|---------------------------|
| (i) Secured | | |
| (a) Term Loans from a Bank | 3,370.49 | 5,897.64 |
| (b) Vehicle Loans | | |
| (a) From a Bank | 27.16 | 35.53 |
| | 3,397.65 | 5,933.17 |
| (ii) Current Maturity of Borrowings disclosed under the head "Other financial liabilities" (Refer Note No. 21) | (908.52) | (2,109.69) |
| (Total i-ii) | 2,489.13 | 3,823.48 |

a. Securities

- (a) Term Loans from a bank is secured by first charge on the plant & machineries, other movable property, plant & equipment and extension of equitable mortgage on all immovable fixed assets and second charge on current assets of the textile business. These Loans are further secured by personal guarantee of the Chairman and Managing Director and a Director.
- (b) Secured by hypothecation of vehicles financed.

b. Terms of Repayments of Non-Current Portion:

| Rate of Interest | Repayment Periodicity | Installments Outstanding | | As at 31st March, 2020 | As at 31st March, 2019 |
|--|-----------------------|--------------------------|------------------------|------------------------|------------------------|
| | | As at 31st March, 2020 | As at 31st March, 2019 | | |
| 10.50% (previous year 11.60%) linked with MCLR | Quarterly Equal | 11 | 6 to 15 | 2,470.49 | 3,795.74 |
| 8.9% to 9.10 % (Previous year 8.90% to 9.10%) | Monthly Graded | 8 to 33 | 20 to 45 | 18.64 | 27.74 |
| | | | | 2,489.13 | 3,823.48 |

'16A' Lease Liability

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---|---------------------------|---------------------------|
| Finance lease obligations | 167.16 | - |
| | 167.16 | - |
| Current Maturity of Lease (Refer Note No. 21) | (23.34) | - |
| | 143.82 | - |

'17' Long Term Provisions

| | As at 31st March, 2020 | As at 31st March, 2019 |
|---------------------------------|---------------------------|---------------------------|
| Provision for Employee Benefits | 213.86 | 235.21 |
| | 213.86 | 235.21 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| '18' Deferred Tax Assets (Net) | As at 31st March, 2020 | As at 31st March, 2019 |
|---|-----------------------------------|-----------------------------------|
| Provision for Employees Benefit | 71.08 | 100.30 |
| Other Timing Differences | 538.88 | 629.01 |
| | 609.96 | 729.31 |
| Deferred Tax Liability on account of : | | |
| Deferred Tax Liabilities on account of : | | |
| Depreciation | 1,967.73 | 2,786.14 |
| | 1,967.73 | 2,786.14 |
| Deferred Tax Liabilities/ (Assets) Net | 1,357.77 | 2,056.83 |

A. Movement in deferred Tax balances

| | As at 31st March, 2019 | Recognized in Profit & Loss * | Recognized in OCI | As at 31st March, 2020 |
|---|-----------------------------------|--|------------------------------|-----------------------------------|
| Deferred Tax Assets | | | | |
| Provision for Employees Benefit | 100.30 | -27.96 | (1.26) | 71.08 |
| Other Timing Differences | 629.01 | -90.13 | | 538.88 |
| Sub- Total (a) | 729.31 | (118.09) | (1.26) | 609.96 |
| Deferred Tax Liabilities | | | | |
| Impact of difference in depreciation/ amortization on Property, plant and equipment in tax accounts and depreciation/amortization for financial reporting | 2,786.14 | -818.41 | | 1,967.73 |
| Sub- Total (b) | 2,786.14 | (818.41) | - | 1,967.73 |
| Net Deferred Tax Liability (b)-(a) | 2,056.83 | (700.32) | 1.26 | 1,357.77 |

* includes ₹ 575.42 Lakhs due to net impact of revised income tax rate of 25.168% adopted by the company.

| | As at 31st March, 2018 | Recognized in P&L | Recognized in OCI | As at 31st March, 2019 |
|---|-----------------------------------|----------------------------------|------------------------------|-----------------------------------|
| Deferred Tax Assets | | | | |
| Provision for Employees Benefit | 72.77 | 33.15 | (5.62) | 100.30 |
| Other Timing Differences | 466.17 | 162.84 | | 629.01 |
| Sub- Total (a) | 538.94 | 195.99 | (5.62) | 729.31 |
| Deferred Tax Liabilities | | | | |
| Impact of difference in depreciation/amortization on Property, plant and equipment in tax accounts and depreciation/ amortization for financial reporting | 2,691.27 | 94.87 | | 2,786.14 |
| Sub- Total (b) | 2,691.27 | 94.87 | - | 2,786.14 |
| Net Deferred Tax Liability (b)-(a) | 2,152.33 | (101.12) | 5.62 | 2,056.83 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

B. Amounts recognised in Other Comprehensive Income

| | For the year ended 31st March, 2020 | | | For the year ended 31st March, 2019 | | |
|---|--|-----------------------------|-------------|--|-----------------------------|--------------|
| | Before Tax | Tax (Expense)/ Income | Net of Tax | Before Tax | Tax (Expense)/ Income | Net of Tax |
| Remeasurements of defined benefit liability | 5.00 | (1.26) | 3.74 | 16.09 | (5.62) | 10.47 |
| | 5.00 | (1.26) | 3.74 | 16.09 | (5.62) | 10.47 |

C. Reconciliation of effective tax rate

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|--|--|--|
| Profit before tax from continuing operations | 1,241.19 | 2,024.57 |
| Tax using the Company's domestic tax rate @ 25.168% (31st March, 2019: 34.944%) | 312.38 | 707.47 |
| Tax effect of: | | |
| MAT credit entitlement related to earlier years utilised | - | (149.02) |
| Non-deductible expenses | 3.73 | 2.87 |
| Others (including change in tax rates for deferred tax) | (573.50) | 79.54 |
| Tax/Adjustments related to earlier years | 10.07 | 10.55 |
| Income tax expenses reported in the statement of profit and loss | (247.32) | 651.41 |
| Effective tax rate | -19.93% | 32.18% |

During the year the company has adopted revised income tax rate of 22% as the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted a new section 115BAA, in the Income Tax Act, 1961, which provides an option to the Company for paying income tax rate at reduced rates as per the provisions/conditions defined in the said section.

'19' Short-term Borrowings

A Secured

Loan repayable on demand

-From Banks

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| | 5,059.03 | 5,407.25 |
| | 5,059.03 | 5,407.25 |

Securities:-

Loan from banks are secured by first charge on current assets both present and future and additionally secured by way of second charge on all property, plant & equipment except assets charged exclusively for term loans under TUFs. The same is further secured by personal guarantee of the Chairman and Managing Director and a Director of the Company.

'20' Trade Payables

For Goods and Services

| | | |
|---|-----------------|-----------------|
| a) total outstanding dues of micro and small enterprises | 42.29 | 49.75 |
| b) total outstanding dues of creditors other than micro and small enterprises | 2,387.38 | 2,980.75 |
| | 2,429.67 | 3,030.50 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

'20.1' Based on the information available, there are certain vendors who have confirmed that they are covered under the Micro, Small and Medium Enterprises Development Act, 2006. Disclosures relating to dues of Micro and Small enterprises under section 22 of 'The Micro, Small and Medium Enterprises Development Act, 2006, are given below:

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
| a. Principal amount and Interest due thereon remaining unpaid to any supplier as on | 42.29 | 49.75 |
| b. Interest paid by the Company in terms of Section 16 of the MSMED Act along with the amounts of the payment made to the supplier beyond the appointed day | - | - |
| c. the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act | - | - |
| d. the amount of interest accrued and remaining unpaid during the accounting year. | - | 0.09 |
| e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of this Act. | - | - |
| '21' Other Financial Liabilities | | |
| Current maturities of long-term debts | 908.52 | 2,109.69 |
| Unpaid Dividends | 28.44 | 9.68 |
| Interest Accrued and Due | 38.74 | 78.56 |
| Security Deposits | 9.78 | 10.02 |
| Statutory Dues | 75.15 | 71.37 |
| Directors' Commission | 9.00 | 9.00 |
| Employees liabilities | 666.45 | 667.08 |
| | 1,736.08 | 2,955.40 |
| 21A' Lease Liability | | |
| Lease Obligations | 23.34 | - |
| | 23.34 | - |
| '22' Other Current Liabilities | | |
| Customers' Credit Balances and Advances against orders | 194.10 | 95.05 |
| | 194.10 | 95.05 |
| '23' Short Term Provisions | | |
| Provision for Disputed and Other Statutory Matters (Refer Note 23.1) | 1,510.27 | 1,381.48 |
| Provision for Employee Benefits | 68.58 | 51.83 |
| | 1,578.85 | 1,433.31 |
| '23.1' Movement of Provision for Disputed and Other Statutory Matters | | |
| Opening Balance | 1,381.48 | 1,242.94 |
| Addition during the year | 128.79 | 138.54 |
| Paid during the year | - | - |
| Closing balance | 1,510.27 | 1,381.48 |
| '24' Current Tax Liabilities (Net) | | |
| Current Tax Payable (Net of Provision) | - | 33.98 |
| | - | 33.98 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|--|--|--|
| '25' Revenue from Operations: | | |
| Sale of Manufactured goods: | | |
| Man Made Synthetic Yarn * | 45,834.47 | 47,120.25 |
| Sale of Electricity | 57.40 | 55.41 |
| Other Operating Revenue (including export incentives) | 175.69 | 292.86 |
| Revenue from Operations (Net) | 46,067.56 | 47,468.52 |
| *Sales includes Export Sales of ₹ 2824.99 (Previous year ₹ 3971.17) | | |
| '26' Other Income: | | |
| Interest Income | 218.55 | 193.00 |
| Net profit on sale/discard of property, plant and equipment | 7.14 | - |
| Scrap Sales | 64.62 | 81.23 |
| Miscellaneous Income | 5.12 | 76.62 |
| Net Gain on Foreign Currency transactions and translation | 4.18 | 36.93 |
| Sundry credit balances written back | 30.79 | 9.41 |
| | 330.40 | 397.19 |
| '27' Cost of Materials Consumed: | | |
| Man Made Fibres | 26,224.00 | 30,034.61 |
| Dyes & Chemicals | 1,092.93 | 1,118.28 |
| | 27,316.93 | 31,152.89 |
| '28' Changes in Inventories of Finished Goods, Work-in-Progress and Waste | | |
| Inventories as at 31st March, 2020 | | |
| Work-in-Progress | 525.08 | 445.98 |
| Finished Goods | 4,501.11 | 5,868.38 |
| Waste | 4.85 | 5.12 |
| Total (A) | 5,031.04 | 6,319.48 |
| Inventories as at 31st March, 2019 | | |
| Work-in-Progress | 445.98 | 738.00 |
| Finished Goods | 5,868.38 | 3,877.37 |
| Waste | 5.12 | 3.23 |
| Total (B) | 6,319.48 | 4,618.60 |
| Total (B-A) | 1,288.44 | (1,700.88) |
| '29' Employee Benefit Expense | | |
| Salaries, Wages and Bonus | 5,113.65 | 4,632.02 |
| Contribution to Provident and other Funds | 318.33 | 403.08 |
| Staff welfare expenses | 159.61 | 211.00 |
| | 5,591.59 | 5,246.10 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|---|--|--|
| '30' Finance Costs | | |
| Interest expenses* | 905.72 | 1,017.46 |
| Other Borrowing costs | 25.18 | 24.55 |
| Interest on lease obligations | 15.95 | - |
| Loss on foreign Currency translations & transactions (considered as finance costs) | - | 2.02 |
| | 946.85 | 1,044.03 |
| Less: Amount transferred to Capital Work-in-Progress/Capitalised | 7.52 | 1.73 |
| | 939.33 | 1,042.30 |
| *Net of Interest subsidies received ₹ 54.92 (Previous Year ₹ 121.91) under TUF (Technology Upgradation Fund) scheme and includes ₹ 4.98 (Previous Year ₹ 4.72) to Income Tax department. | | |
| '31' Depreciation and Amortization Expense | | |
| On Tangible Assets | 1,563.40 | 1,563.44 |
| On Intangible Assets | 23.61 | 37.11 |
| On Roght of Use Assets | 21.59 | - |
| | 1,608.60 | 1,600.55 |
| '32' Other Expenses | | |
| Consumption of Stores & Spares | 1,652.70 | 1,623.86 |
| Consumption of Packing Material | 714.57 | 791.84 |
| Job Charges | 155.73 | 181.19 |
| Power & Fuel | 4,087.77 | 4,143.30 |
| Rent | 30.45 | 28.54 |
| Insurance | 56.30 | 33.63 |
| Rates & Taxes | 11.50 | 8.18 |
| Repair and Maintenance | | |
| Buildings | 10.48 | 10.61 |
| Machinery | 106.18 | 108.12 |
| Freight & Forwarding | 1,006.77 | 1,091.62 |
| Net loss on sale/discard of property, plant and equipment | - | 9.83 |
| Auditor's Remuneration | | |
| As Auditor | 8.25 | 7.50 |
| For Limited Review | 2.48 | 2.25 |
| For Certification and other matters | 0.80 | 0.45 |
| Reimbursement of Expenses | 0.61 | 0.50 |
| Cost Audit Fee | 0.65 | 0.65 |
| Commission to Directors | 10.00 | 10.00 |
| Allowances for credit losses | 40.52 | 253.08 |
| Advances written off | 2.98 | 0.34 |
| CSR Expenses | 2.84 | 3.20 |
| Donation | 14.00 | 10.00 |
| Miscellaneous Expenses | 496.30 | 477.44 |
| | 8,411.88 | 8,796.13 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | For the year ended 31st March, 2020 | For the year ended 31st March, 2019 |
|--|--|--|
| '33' Exceptional Items** | - | 295.95 |
| ** Exceptional items represents subsidy received under TUFs Scheme by the Ministry of Textiles, Madhya Pradesh related to earlier years. | | |
| '34' Current Tax | | |
| Current Tax for the year | 453.00 | 891.00 |
| Less:- MAT Credit utilised | - | 149.02 |
| | 453.00 | 741.98 |
| Income Tax related to earlier year | - | 10.55 |
| Total Current Tax | 453.00 | 752.53 |
| '35' Earnings per share | | |
| Total profit for the year | 1,488.51 | 1,373.16 |
| Weighted average number of equity shares of ₹ 10/- each | 71,89,368 | 71,89,368 |
| EPS - Basic and Diluted (per share in ₹) | 20.70 | 19.10 |

| | As at 31st March, 2020 | As at 31st March, 2019 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

'36' Contingent liabilities, contingent assets and commitments

A. Contingent liabilities (not provided for) in respect of:

| | | |
|---|-------|-------|
| 1. Demand for Excise duty, being contested by the Company | 7.97 | 7.97 |
| 2. Demand for Income Tax, being contested by the Company (Amount deposited ₹ 25.06, Previous year ₹ 25.06) | 58.77 | 58.77 |
| 3. Legal Cases (Employees) | 7.80 | 7.13 |
| 4. Demand for Cess on own generation of electricity. | 45.89 | 45.89 |

The management believes that the Company has a strong chance of favorable decision in above cases, hence no provision has been considered necessary.

- The Hon'ble Supreme Court of India ("SC") by their order dated February 28, 2019, in the case of Surya Roshani Limited v/s EPFO, set out the principles based on which allowances paid to the employees should be identified for inclusion in basic wages for the purposes of computation of Provident Fund contribution. Subsequently, a review petition against this decision has been filed and is pending before the SC for disposal.

The Company is awaiting the outcome of the review petition, and also directions from EPFO, if any, to assess any potential impact on the Company and consequently no adjustments have been made in the books of account.

B. Commitments

| | | |
|--|--------|--------|
| 1. Estimated amount of Contracts remaining to be executed on Capital Account [Net of Advances] not provided for | 159.07 | 152.15 |
| 2. The Company has availed certain government subsidies. As per the term and conditions, the Company has to continue production for specified number of years and others conditions failing which amount of subsidies availed along with interest penalty etc. will have to be refunded. | | |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

37 Leases

As a Lessee

Effective April 01, 2019 the company adopted Ind AS 116 'Lease' using modified retrospective approach in accordance with the modified retrospective transition method, the comparatives have not been retrospectively adjusted. The adoption of Ind AS 116 has the following impact

- (A) The company recognised ROU assets for the following asset categories

(₹ In lakhs)

| ROU Assets Category | As at 1st April 2019 |
|---------------------|----------------------|
| Leasehold Land | 62.74 |
| Building | 177.01 |
| Total | 239.75 |

- (B) The change in accounting policy affected in increase of right of use asset and lease liability by ₹ 239.75 lakhs and 177.01 lakhs respectively in balance sheet:
- (C) Net impact on Retained Earning on 1st April, 2019 was Nil.
- (D) Practical expedients applied on initial application date
- The company has not reassessed whether a contract is or contains a lease at the date of initial application.
 - The company has utilised the exemption provided for short term lease (less than one year) and leases for low value assets.
 - The company has utilised hindsight in determining the lease terms where contracts contained options to extend or terminate the lease.
 - Initial direct cost are excluded from the measurement of right of use assets at the date of initial application.
 - The company has relied on its previous assessment on whether leases are onerous.
 - The weighted average of company's incremental borrowing rate applied to lease liabilities at the date of initial application was 10.55%
 - The company has carried forward the amount of the finance lease assets (reclassified as ROU assets) and lease liability recognised under Ind AS 17 immediately before the date of initial application.
- (E) A reconciliation of the operating lease commitments at 31st March, 2019, disclosed in the company's 2018-19 financial statement, to the lease liabilities recognised in the statement of financial position is provided below:

| Particulars | ₹ In Lakhs |
|--|---------------|
| Operating Lease commitments disclosed as at March 31, 2019 | - |
| Lease obligation identified related to building | 258.02 |
| Effect of discounting | (81.01) |
| Lease liability recognised as at April 01, 2019 | 177.01 |

38 Foreign exchange exposures outstanding at the year-end:

- (a) Foreign Currency exposure not hedged by derivative instrument or otherwise :

| | | |
|---------------|--------|-------|
| i. Receivable | 103.48 | 16.72 |
| ii. Payable | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

39 Employee benefits

The Company contributes to the following post-employment defined benefit plans in India.

(i) Defined Contribution Plans:

The Company makes contributions towards provident fund to a defined contribution retirement benefit plan for qualifying employees. Under the plan, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit plan to fund the benefits. During the year the Company has contributed to Government Provident Fund ₹ 318.33 (Previous year ₹ 293.98).

(ii) Defined Benefit Plan:

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. Gratuity liability is being contributed to the Group Gratuity-cum-life Assurance Cash Accumulation Policy administered by the LIC of India.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31st March, 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

- A. Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

| | <u>31st March, 2020</u> | <u>31st March, 2019</u> |
|---|-------------------------|-------------------------|
| Net defined benefit liability / (asset) | 63.01 | 86.23 |
| Liability for Gratuity | | |
| Non-current | 50.09 | 68.88 |
| Current | 12.92 | 17.35 |

B. Movement in net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

| | 31st March, 2020 | | | 31st March, 2019 | | |
|---------------------------------------|----------------------------|---------------------------|--|----------------------------|---------------------------|--|
| | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability |
| Balance as at 1 April | 736.40 | 650.17 | 86.23 | 634.59 | 567.19 | 67.40 |
| Included in profit or loss | | | | | | |
| Service costs | 115.19 | - | 115.19 | 103.84 | - | 103.84 |
| Interest cost / (income) | 56.34 | (49.74) | 6.60 | 49.50 | (44.24) | 5.26 |
| | <u>171.53</u> | <u>(49.74)</u> | <u>121.79</u> | <u>153.34</u> | <u>(44.24)</u> | <u>109.10</u> |
| Included in OCI | | | | | | |
| Actuarial loss / (gain) arising from: | | | | | | |
| - Demographic assumptions | (0.42) | | (0.42) | | | |
| - financial assumptions | (10.70) | - | (10.70) | 9.26 | - | 9.26 |
| - experience adjustment | (2.62) | - | (2.62) | (7.99) | - | (7.99) |
| - on plan assets | | 8.73 | 8.73 | | 8.46 | 8.46 |
| | <u>(13.73)</u> | <u>8.73</u> | <u>(5.01)</u> | <u>1.28</u> | <u>8.46</u> | <u>9.73</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | 31st March, 2020 | | | 31st March, 2019 | | |
|------------------------------------|----------------------------|---------------------------|--|----------------------------|---------------------------|--|
| | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability | Defined benefit obligation | Fair value of plan assets | Net defined benefit (asset)/ liability |
| Other | | | | | | |
| Contributions paid by the employer | | 140.00 | (140.00) | | 100.00 | (100.00) |
| Benefits paid | (61.84) | (61.84) | - | (52.80) | (52.80) | - |
| Acquisition adjustment | | | - | | | - |
| | (61.84) | 78.16 | (140.00) | (52.80) | 47.20 | (100.00) |
| Balance as at 31st March | 832.36 | 769.34 | 63.01 | 736.41 | 650.17 | 86.23 |

| | 31st March, 2020 | 31st March, 2019 |
|--|------------------------|------------------|
| C. Plan assets | | |
| Fund managed by insurer | 100% | 100% |
| D. Actuarial assumptions | | |
| The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages). | | |
| Discount rate | 6.80% | 7.65% |
| Expected rate of future salary increase | 5.00% | 6.00% |
| Mortality | 100% of IALM (2012-14) | |
| Assumptions regarding future mortality have been based on published statistics and mortality tables. | | |

E. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | 31st March, 2020 | | 31st March, 2019 | |
|---|------------------|----------|------------------|----------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.50% movement) | (34.06) | 37.37 | (30.93) | 33.93 |
| Expected rate of future salary increase (0.5% movement) | 37.39 | (34.35) | 33.97 | (31.23) |

Sensitivities due to mortality and withdrawals are insignificant, hence ignored. Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable being a lump sum benefit on retirement.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Description of Risk Exposures:

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such Company is exposed to various risks as follow -

- Salary Increases- Higher than expected increase in salary will increase the defined benefit obligation.
- Discount Rate: Reduction in discount rate in subsequent valuations can increase the plan's liability.
- Mortality & disability – Actual deaths & disability cases proving lower or higher than assumption in the valuation can impact the liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

D) Withdrawals – Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.

40 Related parties

A. Related parties and their relationships

i Key Managerial Personnel (KMP) and their relatives

| Name | Relationship |
|-------------------------|--|
| Sh. P. K. Daga | Chairman and Managing Director. |
| Sh. Yashwant Kumar Daga | Director (Son of Shri P. K. Daga) (KMP under Ind-AS) |
| Sh. Shantanu Daga | Senior Management Executive (Son of Shri Yashwant Kumar Daga). |
| Sh. Binod Kr. Agrawal | Independent Director (KMP under Ind-AS) |
| Sh. P. K. Drolia | Independent Director (KMP under Ind-AS) |
| Mrs. Nilu Agrawal | Independent Director (KMP under Ind-AS) |

ii. Enterprise over which Key Management Personnel and their relatives exercise significant influence and with whom transactions have taken place during the year

Deepak Industries Ltd.
 Contransys Pvt Ltd.
 Bansidhar Daga foundation
 Daga Seva Nidhi

B. Transactions with the above in the ordinary course of business

| a) Payments to Key Managerial Personnel and their relatives | Name | Nature | Category | For the year ended | |
|---|-------------------------|------------------|------------------------------|--------------------|------------------|
| | | | | 31st March, 2020 | 31st March, 2019 |
| | Sh. P. K. Daga | - Remuneration # | Short Term Employee Benefits | 84.56 | 76.88 |
| | Sh. Shantanu Daga | - Remuneration # | Short Term Employee Benefits | 41.60 | 33.18 |
| | Sh. Yashwant Kumar Daga | - Sitting Fees | Other Transactions | 1.50 | 1.28 |
| | | - Commission | Other Transactions | 2.50 | 2.50 |
| | Sh. P. K. Drolia | - Sitting Fees | Other Transactions | 1.55 | 1.33 |
| | | - Commission | Other Transactions | 2.50 | 2.50 |
| | Sh. Binod Kr. Agrawal | - Sitting Fees | Other Transactions | 1.55 | 1.33 |
| | | - Commission | Other Transactions | 2.50 | 2.50 |
| | Mrs. Nilu Agrawal | - Sitting Fees | Other Transactions | 0.80 | 0.65 |
| | | - Commission | Other Transactions | 2.50 | 2.50 |

The above remuneration is excluding provision for Gratuity & Leave Encashment, where the actuarial valuation is done on overall Company basis.

Apart from above Shri. P. K. Daga, Chairman and Managing Director and Shri Yashwant Kumar Daga (Son of Shri P.K. Daga) have given 'personal guarantees to the bankers of the company for securing various borrowings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| b) With Enterprises over which Key Management Personnel or his relative are able to exercise significant influence. are as under | For the year ended | |
|--|--------------------|------------------|
| | 31st March, 2020 | 31st March, 2019 |
| - Deepak Industries Limited | | |
| Purchase of Electricity | 194.35 | 196.16 |
| - Contransys Pvt. Ltd. | | |
| Lease rent received for premises leased out | 2.90 | 2.77 |
| -Bansidhar Daga foundation | | |
| Donation | 8.00 | - |
| - Daga Seva Nidhi | | |
| Donation | 6.00 | - |

| Closing Balance | As at 31st March, | As at 31st March, |
|----------------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Payable | | |
| - M/s. Deepak Industries Limited | 18.62 | 20.84 |
| - Sh. Shantanu Daga | - | 1.95 |
| - Sh. Yashwant Kumar Daga | 2.25 | 2.25 |
| - Sh. Binod Kumar Agarwal | 2.25 | 2.25 |
| - Sh. Pradeep Kumar Drolia | 2.25 | 2.25 |
| - Mrs. Nilu Agrawal | 2.25 | 2.25 |

41 Financial instruments

I. Fair value measurements

A. Financial instruments by category

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|------------------------|------------------|------------------------|------------------|
| | FVTPL | Amortised Cost | FVTPL | Amortised Cost |
| Financial assets | | | | |
| Trade receivables | - | 2,852.60 | - | 3,680.99 |
| Cash and cash equivalents | - | 32.80 | - | 97.11 |
| Bank balances other than above | - | 43.41 | - | 24.22 |
| Others | - | - | - | - |
| Non Current | - | 254.30 | - | 287.55 |
| Current | - | 205.88 | - | 186.17 |
| | - | 3,388.99 | - | 4,276.04 |
| Financial liabilities | | | | |
| Long Term Borrowings | - | 2,489.13 | - | 3,823.48 |
| Short terms borrowings | - | 5,059.03 | - | 5,407.25 |
| Trade payables | - | 2,429.67 | - | 3,030.50 |
| Other non-current financial liabilities | - | 143.82 | - | - |
| Other current financial liabilities | - | 1,759.42 | - | 2,955.40 |
| | - | 11,881.07 | - | 15,216.63 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

- recognised and measured at fair value and
- measured at amortised cost and for which fair values are disclosed in the financial statements.

There are no financial assets or financial liabilities which are required to measure at fair value using recurring fair value measurements.

Financial assets and liabilities measured at fair value - recurring fair value measurements

| | As at 31st March, 2020 | | | |
|------------------------------|------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | - | - | - | - |
| Financial liabilities | - | - | - | - |
| | - | - | - | - |

| | As at 31st March, 2019 | | | |
|------------------------------|------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | - | - | - | - |
| Financial liabilities | - | - | - | - |
| | - | - | - | - |

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between level 1 and level 2 during the year

C. Fair value of financial assets and liabilities measured at amortised cost

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|--------------------------------|------------------------|-----------------|------------------------|-----------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | |
| Trade receivables | 2,852.60 | 2,852.60 | 3,680.99 | 3,680.99 |
| Cash and cash equivalents | 32.80 | 32.80 | 97.11 | 97.11 |
| Bank balances other than above | 43.41 | 43.41 | 24.22 | 24.22 |
| Others | - | - | - | - |
| Non Current | 254.30 | 254.30 | 287.55 | 287.55 |
| Current | 205.88 | 205.88 | 186.17 | 186.17 |
| | 3,388.99 | 3,388.99 | 4,276.04 | 4,276.04 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|---|------------------------|------------------|------------------------|------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial liabilities | | | | |
| Long Term Borrowings | 2,489.13 | 2,489.13 | 3,823.48 | 3,823.48 |
| Short terms borrowings | 5,059.03 | 5,059.03 | 5,407.25 | 5,407.25 |
| Trade payables | 2,429.67 | 2,429.67 | 3,030.50 | 3,030.50 |
| Other non-current financial liabilities | 143.82 | 143.82 | - | - |
| Other current financial liabilities | 1,759.42 | 1,759.42 | 2,955.40 | 2,955.40 |
| | 11,881.07 | 11,881.07 | 15,216.63 | 15,216.63 |

The management considers that carrying amount of financial assets and financial liabilities are at amortised cost which approximates to their fair value.

II. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk

i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the processes to ensure that executive management controls risks through the mechanism of property defined framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by the board annually to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

ii. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The Company monitor credit risk very closely both in domestic and export market. The Management impact analysis shows credit risk and impact assessment as low.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

customer base, including the default risk of the industry and country in which customers operate.

The Company management has established a credit policy under which each new customer is analyzed individually for creditworthiness as per the Company's standard payment and delivery terms and conditions. The Company's review includes market check, industry feedback, past financials and external ratings, if they are available. Sale limits are established for each customer and reviewed periodically.

More than 60% of the Company's customers have been transacting with the Company for over four years. In monitoring customer credit risk, customers are reviewed according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry and existence of previous financial difficulties.

The Company establishes an allowance for impairment that represents its expected credit losses in respect of trade and other receivables. The management uses a simplified approach for the purpose of computation of expected credit loss for trade receivables

The carrying amount net of credit loss allowances of trade receivables is ₹ 2852.60 (31st March, 2019 – ₹ 3680.99)

Ageing of trade receivables are as under:-

| Particulars | Less than 6 months | 6-12 months | More than 12 months | Total |
|------------------|--------------------|-------------|---------------------|----------|
| As at 31.03.2020 | 2,628.18 | 106.44 | 411.58 | 3,146.20 |
| As at 31.03.2019 | 3,575.35 | 171.63 | 187.09 | 3,934.07 |

Reconciliation of loss allowance provision – Trade receivables

| | 31st March, 2020 | 31st March, 2019 |
|---------------------------|------------------|------------------|
| Opening balance | 253.08 | 12.16 |
| Changes in loss allowance | 40.52 | 240.92 |
| Closing balance | 293.60 | 253.08 |

iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are fallen due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected future cash flows. This is generally carried out at unit level and monitored through corporate office of the Company in accordance with practice and limits set by the Company. These limits vary by location to take into account requirement, future cash flow and the liquidity in which the entity operates. In addition, the Company's liquidity management strategy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

(a) Financing arrangements

The company had access to the following undrawn borrowing facilities at the end of the reporting period:

| | As at | |
|--|------------------|------------------|
| | 31st March, 2020 | 31st March, 2019 |
| Floating rate | | |
| Expiring within one year (bank overdraft and other facilities) | 1,342.51 | 1,397.31 |
| Expiring beyond one year (bank loans) | - | - |
| | 1,342.51 | 1,397.31 |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in Indian rupee and have an average maturity within a year.

(b) Maturities of financial liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and exclude contractual interest payment.

| | Carrying Amounts 31st March, 2020 | Contractual cash flows | | | | |
|---|--------------------------------------|------------------------|-----------------|-----------------|-----------|----------------------|
| | | Total | 0- 1 Year | 1-3 years | 3-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | |
| Borrowings | 3,397.65 | 3,397.65 | 908.52 | 2,489.13 | - | - |
| Short term borrowings | 5,059.03 | 5,059.03 | 5,059.03 | - | - | - |
| Trade payables | 2,429.67 | 2,429.67 | 2,429.67 | - | - | - |
| Other current financial liabilities | 850.90 | 850.90 | 850.90 | - | - | - |
| Total non-derivative liabilities | 11,737.25 | 11,737.25 | 9,248.12 | 2,489.13 | - | - |

| | Carrying Amounts 31st March, 2019 | Contractual cash flows | | | | |
|---|--------------------------------------|------------------------|------------------|-----------------|---------------|----------------------|
| | | Total | 0- 1 Year | 1-3 years | 3-5 years | More than 5 years |
| Non-derivative financial liabilities | | | | | | |
| Borrowings | 5,933.17 | 5,933.17 | 2,109.69 | 3,278.47 | 545.01 | - |
| Short term borrowings | 5,407.25 | 5,407.25 | 5,407.25 | - | - | - |
| Trade payables | 3,030.50 | 3,030.50 | 3,030.50 | - | - | - |
| Other current financial liabilities | 845.71 | 845.71 | 845.71 | - | - | - |
| Total non-derivative liabilities | 15,216.63 | 15,216.63 | 11,393.15 | 3,278.47 | 545.01 | - |

The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities held for liquidity / credit management purposes and which are not usually closed out before contractual maturity.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change.

iv. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

The Company uses derivatives like forward contracts to manage market risks on account of foreign exchange. All such transactions are carried out within the guidelines set by the Board of Directors.

v. Currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and small exposure in EUR and GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows. The objective of the hedges is to minimize the volatility of the INR cash flows of highly probable forecast transactions by hedging the foreign exchange inflows on regular basis.

Currency risks related to the principal amounts of the Company's foreign currency payables, if any, are partially hedged using forward contracts taken by the Company.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows (amounts in lacs)

| | As at 31st March, 2020 | | As at 31st March, 2019 | |
|--|------------------------|-----|------------------------|-----|
| | USD | EUR | USD | EUR |
| Financial assets | | | | |
| Trade receivables | 103.48 | - | 16.72 | - |
| Other payables | - | - | - | - |
| Payable for capital goods | - | - | - | - |
| Net statement of financial position exposure | 103.48 | - | 16.72 | - |

The following significant exchange rates have been applied

| | Average Rates | | Year end spot rates | |
|-------|------------------|------------------|---------------------|------------------|
| | 31st March, 2020 | 31st March, 2019 | 31st March, 2020 | 31st March, 2019 |
| USD 1 | 70.15 | 67.04 | 74.05 | 68.38 |
| EUR 1 | 77.51 | 77.62 | 80.20 | 76.24 |

Interest rate risk

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 31st March, 2020 and 31st March, 2019, the Company's borrowings at variable rate were denominated in Indian Rupees and US Dollars.

Currently the Company's borrowings are within acceptable risk levels, as determined by the management, hence the Company has not taken any hedge to mitigate the interest rate risk and movement in foreign currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instrument is as follows

| | Nominal Amount | |
|----------------------------------|------------------|------------------|
| | 31st March, 2020 | 31st March, 2019 |
| Fixed-rate instruments | | |
| Financial assets | 258.01 | 287.16 |
| Financial liabilities | 27.16 | 35.53 |
| | 285.17 | 322.69 |
| Variable-rate instruments | | |
| Financial assets | | - |
| Financial liabilities | 8,429.52 | 11,300.33 |
| | 8,429.52 | 11,300.33 |

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| | Profit or loss | | Equity, net of tax | |
|------------------------------|----------------|----------------|--------------------|----------------|
| | 50 bp increase | 50 bp decrease | 50 bp increase | 50 bp decrease |
| 31st March, 2020 | | | | |
| Variable-rate instruments | 42.15 | (42.15) | 31.54 | (28.21) |
| Cash flow sensitivity | 42.15 | (42.15) | 31.54 | (28.21) |
| 31st March, 2019 | | | | |
| Variable-rate instruments | 56.50 | (56.50) | 37.82 | (37.82) |
| Cash flow sensitivity | 56.50 | (56.50) | 37.82 | (37.82) |

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

- 42** Balances of certain trade receivables, advances, trade payables and other liabilities are in the process of confirmation and/or reconciliation.

43 Segment Reporting

According to Ind AS 108, identification of operating segments is based on Chief Operating Decision Maker (CODM) approach for making decisions about allocating resources to the segment and assessing its performance. The business activity of the company falls within one broad business segment viz. "Textile" and substantially sale of the product is within the country. The Gross income and profit from the other segment is below the norms prescribed in Ind AS 108. Hence, the disclosure requirement of Ind AS 108 of 'Segment Reporting' is not considered applicable.

44 Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2020

(All amounts are in Rupees Lakhs, unless otherwise stated)

capital as well as the level of dividends to ordinary shareholders. The following table summarises the capital of the Company :

| Particulars | 31.03.2020 | 31.03.2019 |
|--|------------------|------------------|
| Equity Share Capital | 718.94 | 720.11 |
| Other Equity | 13,626.75 | 12,393.35 |
| Total Equity | 14,345.69 | 13,113.46 |
| Non-Current Borrowings | 2,489.13 | 3,823.48 |
| Current maturities of Non-Current Borrowings | 908.52 | 2,109.69 |
| Current Borrowings | 5,059.03 | 5,407.25 |
| Total Debts | 8,456.68 | 11,340.42 |

45 Interim Dividend

The Board of directors in their meeting held on 5th March, 2020 have recommended interim dividend of ₹ 1.50 (Previous Year final dividend ₹ 1.50) per equity share aggregating ₹ 130.01 (Previous Year final dividend 130.01) including corporate dividend tax of Rs. 22.17 (Previous Year 22.17) for the financial year ended March 31, 2020.

46 The Company's operations were affected during the quarter ended 31st March, 2020 due to lockdown announced on account of COVID-19 pandemic by State/Central Govt. w.e.f. 23rd March, 2020. Company has re-started its operations on 10th April 2020 and 20th April 2020 for Baddi & Guna unit respectively, after seeking necessary permission and approvals and following social distancing, hygiene and other safety measures. The Company estimates to recover the carrying amount of all its assets including inventories and receivables in the ordinary course of business based on information available on current economic conditions. These estimates are subject to uncertainty and may be effected by the severity and duration of pandemic. The Company is continuously monitoring any material changes in future economic conditions.

47 Previous Year's figures have been reclassified/regrouped to conform to current year figure.

The accompanying notes are an integral part of the financial statements
 As per our report of even date attached.

For **JKVS & Co.**

Chartered Accountants

Firm Reg. No. 318086E

Sajal Goyal

Partner

Membership No. 523903

Place : Kolkata

Dated : 30th June, 2020

PRADIP KUMAR DAGA

Chairman and Managing Director

DIN: 00040692

S B SHARDA

Chief Financial Officer & President

PUNEETA ARORA

Company Secretary

FCS: 7466

YASHWANT KUMAR DAGA - DIN:00040632

PRADEEP KUMAR DROLIA - DIN: 00291966

BINOD KUMAR AGRAWAL - DIN: 00515976

NILU AGRAWAL - DIN: 03107052

Directors

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