

To,
The Corporate Relations Department
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Dalal Street,
Mumbai – 400 001

Stovec Industries Ltd.

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Reference : Scrip Code- 504959
Date : April 14, 2023
Subject : Notice convening 49th Annual General Meeting & Annual Report 2022

Dear Sir/Madam,

Pursuant to Regulation 34 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed full Annual Report of the Company for the financial year ended December 31, 2022, including Notice of convening the 49th Annual General Meeting scheduled to be held on Tuesday, May 9, 2023 at 2:15 p.m. via video conferencing/other audio visual means (VC/OAVM).

The full Annual Report is also available on the website of the Company at www.stovec.com

Kindly take the same on your record.

Thanking you,

Yours sincerely,
For **Stovec Industries Limited**,

Sanjeev Singh Sengar
Company Secretary & Compliance Officer
Encl: As above

spgprints®

STOVEC®
INDUSTRIES LIMITED



49th Annual Report 2022

Printing tomorrow.

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Disclaimer

This document contains statements about expected future events and financials of Stovec Industries Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

Continued technology support from our parent company SPGPrints, a global leader in textile printing and digital printing technology, our multi-decadal experience in the textile printing machinery space, our growing relations with marquee players in the textile sector in India and across the globe, and our penchant for the new...positions us as thought leaders.

We are able to envision today what our customers will need tomorrow. We are able to curate solutions for our customers that allow them to address requirements of theirs.

At Stovec, we are

Printing Tomorrow.

About the Company

Stovec is a technology and global market leader in the rotary screen-printing technology

Stovec is proud that it has come a long way since its incorporation in 1973.

Stovec, as a holistic printing solutions provider, offers a product portfolio that includes capital & consumables range of products for textile & graphics printing industry. Our excellence in engineering and innovation has made us a key international player in the textile printing industry. Be it:

- Pre-press & Rotary screens alongwith conventional rotary printing machines or
- Inks alongwith Digital printing machines.

In the non-textile segment, Stovec manufactures electroformed products for Packaging and Graphic printing industry.

Through the years, Stovec's industrial roots have proven to be a solid platform for countless inspired innovations that have put Stovec on the map as a global market leader for textile rotary screen-printing technology.

Stovec is the 'Global Competence Center' for rotary printing machines in SPGPrints Group, having global footprint in markets of Europe, America, Latin America, CIS countries, Turkey, China, South-East Asia and the Indian sub-continent. We have further strengthened our commitment to

the adoption, development and support to the digital textile printing technology especially, by setting up an 'Experience Center' for our newly launched digital textile printing machine.

As we seek to cross new milestones of growth, we continue to focus on expanding our reach and creating value for all with a long-term perspective.

The Company's state-of-the-art R&D facility, managed by a team of technical experts continues to fuel its passion for developing new products and solutions that align with sectoral and customer dynamism.

The sophistication of this facility and the expertise resident within it have positioned the R&D Center as the 'Global Competence Center' for rotary printing machines for the SPGPrints Group.

In addition to catering to the requirements of the textile and graphic printing industry, the Company also serves the healthcare, packaging, among other sectors.

About SPGPrints Group:

SPGPrints is Netherlands-based pioneering company in textile printing and a key player in the market for digital printing. In 1991 SPGPrints were the first in the industry to launch a digital textile printer followed by not much later started producing ink for all leading digital technologies.

SPGPrints aims to bring colour to the world and proudly say that they have earned many loyal customers through their experience, knowledge, understanding of businesses and true partnership. Their solutions empower customers worldwide at all stages of the printing process – from pre-press to printing, from textile to industrial, and beyond. That is the global impact of a global player.

Sectors we cater to



Textile printing



Packaging and
Label Printing



Industrial Solutions



Higher
purpose

To provide a
full printing
solutions



Mission

To deliver
reliable
innovative
solutions for
textile and
industrial
printing
applications.



Our
brand
promise

'Printing
tomorrow'

FY22, a snapshot

2,358.49

Revenue (₹ Million)

338.33

EBITDA (₹ Million)

247.67

Net Profit (₹ Million)

317.03

Cash flow from Operations
(₹ Million)

4,802.25

Market capitalization
(₹ Million)
(As on December 31, 2022)

From the Chairman's Office

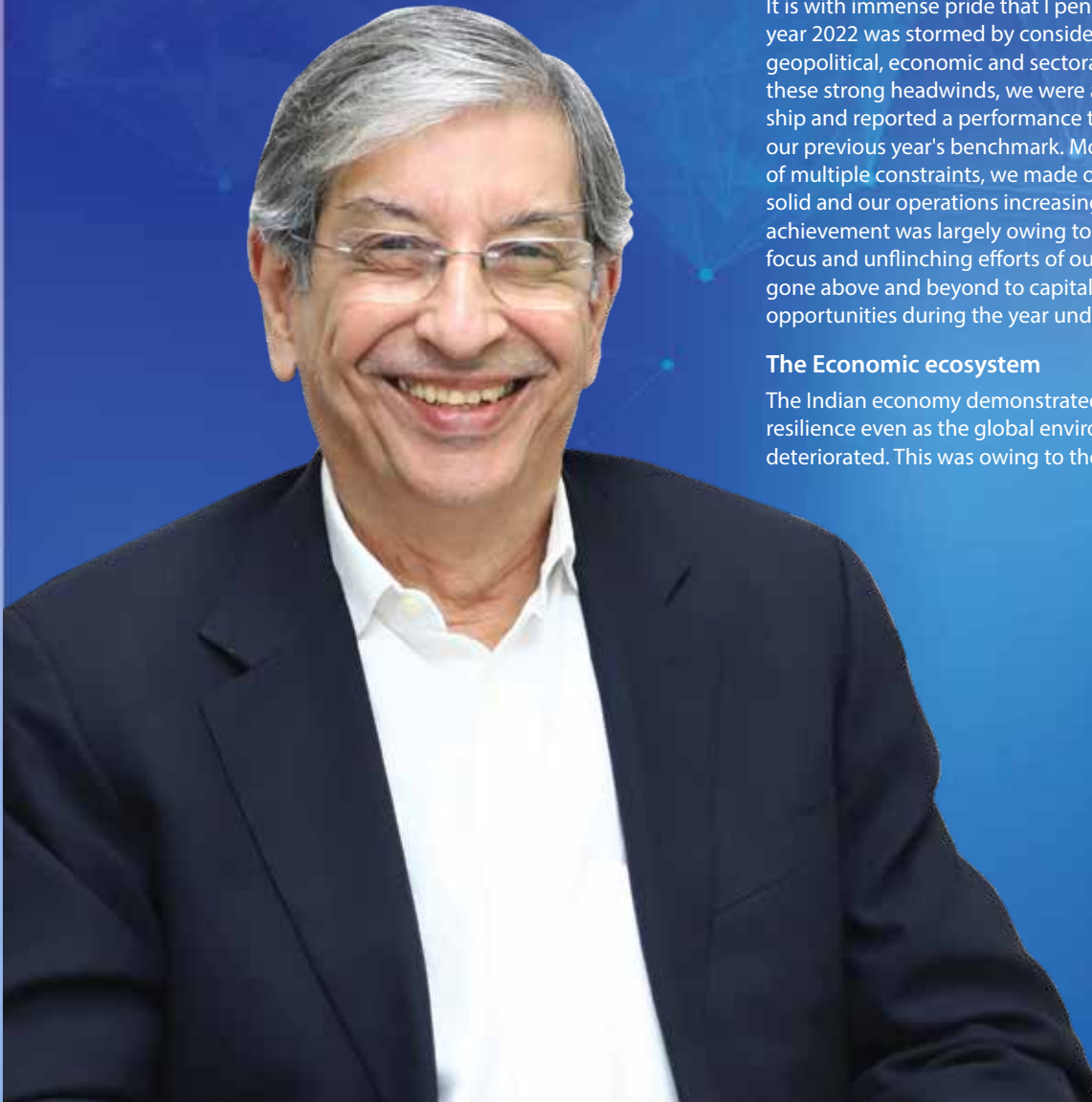
"We are working overtime to seize emerging growth opportunities by widening our product basket with technology-packed products that serve our customers' printing needs of tomorrow. We will continue to focus on our strategic blueprint that enhances value for our customers and continue to uplift the Stovec brand in the textile industry."

Dear Shareholders,

It is with immense pride that I pen this statement. The year 2022 was stormed by considerable challenges, geopolitical, economic and sectoral. In the face of these strong headwinds, we were able to stabilise our ship and reported a performance that was closer to our previous year's benchmark. Moreover, in the face of multiple constraints, we made our enterprise more solid and our operations increasingly liquid. This achievement was largely owing to the unwavering focus and unflinching efforts of our team who have gone above and beyond to capitalise on growth opportunities during the year under review.

The Economic ecosystem

The Indian economy demonstrated remarkable resilience even as the global environment deteriorated. This was owing to the strong



macroeconomic fundamentals that place it ahead of other emerging market economies.

While the Omicron scare was short-lived, Russia's invasion of Ukraine further dented the already fragile global supply chain equation and significantly increased polarisation across the world. Inflation emerged as a critical global challenge leading to monetary policy tightening measures by major central banks of the world. Developed nations faced a considerable slowdown in economic activity with the fear of slipping into a recession.

In India, despite retail inflation, remaining above the RBI's upper tolerability level of 6% for 10 consecutive months to November 2022, robust domestic demand continued to support India's economic progress. Also, India continued to export to the world despite global headwinds, adding wind to its economic winds.

2023 holds hope for sustaining the momentum in India's growth story, backed by the growing strength in domestic demand. Credit Suisse's Global Equities Strategy team has also upgraded India from "Underweight" to "Benchmark" for 2023, platformed on the nation's underlying economic strength. Moreover, the recent Union Budget has significantly enhanced the allocation for creating world-class infrastructure which promises to provide a solid platform for economic progress.

Sectoral backdrop

The textile industry's performance was a mixed bag. After a stellar performance in the second half of 2021, the fortunes of the textile industry moderated primarily owing to raw material price issues. 2022 was historic for cotton – owing to strong prices and volatile price swings. Other factors that impacted demand in India and across the globe were an environment of gloom that depressed discretionary spending and global supply chain issues. The silver lining in an

otherwise dull textile environment was a recovery in garment exports towards the close of 2022.

Our Performance

Even as economic and sectoral headwinds persisted, the Company reported a heartening financial performance. Even as margins remained under pressure, the team worked relentlessly to optimise costs and working capital requirements.

- Revenue from operations stood at ₹2358.49 Million in FY 2022 compared to ₹2333.61 Million in 2021
- Profit Before Tax achieved at ₹324.46 Million for 2022 against that of ₹390.46 of 2021
- Earnings per share achieved at ₹118.61 per share as against ₹141.96 for the previous year
- Net increase in cash and cash equivalents reported at ₹80.44 Million during 2022 as against ₹20.65 Million during 2021

Outlook

The future for the textile industry appears to be promising owing to several important factors:

- India's endorsing Free Trade Agreements (FTA) with UAE and more recently Australia creates a level playing field with competing nations; FTA discussions with the UK and EU are also at an advanced stage and could see the light of day soon.
- Renewed enthusiasm and energy among domestic consumers owing to economic progress, job creation efforts and a promise for higher earnings.
- Resurgence in important global consuming markets where India enjoys a healthy presence.

This augurs well for the growth of the domestic textile industry. We, on our part, are working overtime to seize emerging growth opportunities by widening our product basket with technology-packed products that serve our customers' printing needs of

India's cotton import bill jumped 200% to cross the US\$1 Billion mark between April 2022 and January 2023. This was primarily owing to record-high cotton prices amid a global shortage.

tomorrow. We will continue to focus on our strategic blueprint that enhances value for our customers and continue to uplift the Stovec brand in the textile industry.

In closing

I wish to express my most sincere gratitude towards our employees, who are our most precious assets, in addition to our customers, for their undeterred trust in our brand, and all our stakeholders for their continued support and faith. It is this synergy that navigates us ahead, motivates us to exceed stakeholder expectations, and remain value driven.

I am certain that we will script an exciting growth journey ahead. Looking forward to our prosperous future at Stovec Limited.

Warm regards

K. M. Thanawalla
Chairman





PARENTAGE

Part of a global group recognised world-over for its leadership in the field

Stovec is part of SPGPrints Group, a global leader in printing technology in the world. This association provides Stovec with rich global insights and technology trends which ensures that the Company continues to remain relevant to its customers.



POSITION

Dominant position in the domestic market

Stovec is a market leader in developing and delivering rotary printing machines to the textile printing industry globally. Its ability to stay at the cutting edge of technology allows it to strengthen its relations with textile majors and sustain its market dominance in the domestic space.



PRODUCT RANGE

Wide range of solutions

Over the years, the Company has created a wide array of products and solutions to cater to multiple requirements and we offer complete solutions to the printing industry. Moreover, our range of solutions also caters to diverse high-growth sectors. This diversity widens our opportunity horizon.



PRECISION

Superior quality is the hallmark

Quality is the undeniable hallmark of every Stovec product. The Company's rigorous quality control process across the supply chain and operations ensures that every product leaving its portals matches its stringent standards. Moreover, the Company continues to streamline its processes regularly to incorporate customers feedback into its existing and new developments.



PRESENCE

An expansive presence across the globe

In addition to having the largest market share in the fabric printing space in India, the Company enjoys a strong presence globally. This allows Stovec to ride the opportunity wave in multiple economies.



PLATFORM

Pivoted on a strong platform

Stovec's promising future is underscored by a robust financial position. Its debt-free position and strong cash flow allow it to seamlessly undertake capital-intensive initiatives to sustain its business growth and deliver value for its shareholders.

Key performance indicators

GROWTH

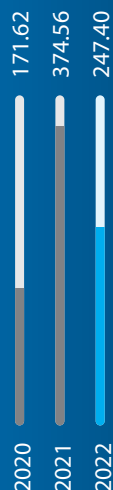
Revenue from operations
(₹ Million)



EBITDA before exceptional items
(₹ Million)



PAT before exceptional items
(₹ Million)



VALUE CREATION

Earnings per share (₹)



Book value per share (₹)

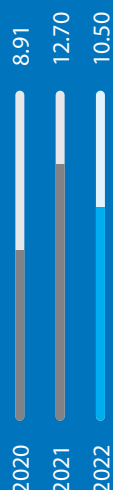


PROFITABILITY

EBITDA margin (%)



PAT margin (%)



ROCE (%)



STABILITY

Cash flow from operations
(₹ Million)



Networth (₹ in Million)





Business highlights, 2022



Operations

- Implemented important initiatives which improved operational productivity and efficiency
- Invested in contemporary manufacturing equipment to replace legacy variants – this would improve product quality, operational efficiency and make operating processes more sustainable
- Deployed statistical tools for accurate inventory planning and forecasting; altered the stock level standards based on the highest service levels
- Replaced existing lighting solutions with LED variants; initiated a change in the packaging material from wooden boxes to corrugated boxes
- Planned for deploying renewable energy solutions; also working on ideas to reuse and recycle resources wherever possible



Engineering

- Added the 'Universal Repeat' feature to the Standard Pegasus EVO machine
- Added 2450mm print width rotary printing machine in portfolio, facilitated the fast-emerging fashion industry
- Upgraded the manufacturing equipment for improving screen quality which will go a long way in improving the quality of printing
- Developed a new infra-red drier for the digital machine which improved the print productivity and support to optimise the cost of printing
- Developed the double-side drier for the African market.
- Developed steam dryer to facilitate customer to re-use and re-cycle the steam generated from other process case to case basis



Marketing

- Delivered machine to Uzbekistan for the first time with Rotary printing machine
- Delivered the double-side drier machine to the African market in August 2022, and received a repeat opportunity for delivering two more machines



Finance

- Implemented various initiatives to optimise costs to protect profitability margins
- Sharpened focus on the receivable collection and increasing the credit cycle from existing suppliers to optimise working capital requirements.
- Created inventory for inputs in short supply for uninterrupted manufacturing operations

Our outreach initiatives

At Stovec, we believe that it is our responsibility to foster strong relationships with the society in which we operate with the objective of uplifting it. We are, therefore, committed to conducting our operations in a socially responsible manner. All our CSR initiatives are undertaken through various implementing agencies registered with MCA that operate in accordance with Schedule VII of the Companies Act, 2013. Our CSR policy emulates the best policies to attain the objectives in the defined areas of social welfare.

a) Scholarships in engineering courses

We provide merit-based financial assistance for education to students of low-income families. We trust that our scholarship program helps deserving students from poor economic backgrounds break financial barriers and avail opportunities that can help them grow and eventually break free from the cycle of poverty.

Scholarships reward a student’s academic achievement and whether one is about to start one’s career or one studies in a high school, receiving a scholarship is a big achievement. Scholarships are especially appealing to young aspirants who are just about to begin their careers. A scholarship can open the doors to various educational centers and/or employment opportunities. Our program is, therefore, a golden opportunity for genuine aspirants. At Stovec, we believe that the returns of better education are manifold and can potentially lead to upliftment of the beneficiary holistically.

To meet our objective, we shook hands with the Protean eGov Technologies Limited which offers the Vidyasaarathi digital platform for providing scholarships to students on pan-India basis. We offered scholarships in the engineering courses to 88 deserving students in the first year of our program.

b) Operators’ training program

Our continued patronage of Ahmedabad Textile and Industrial Research Association (ATIRA) for providing operators training on textile printing machines under a skill development program, with an objective to empower unskilled people with skills for the textile sector, will give them employment opportunities and enhance their family incomes.

During the year, we completed four batches in local regions with 20 persons per batch. ATIRA conducted these training programs in various industrial units in and around Ahmedabad. Generally these candidates are selected from industrial units for providing them classroom-cum-practical training on the textile printing machines. Upon completion of the training program, successful candidates are awarded certificates which enhance their employment prospects in the printing industry.

STOVEC INDUSTRIES LTD SCHOLARSHIP

ELIGIBILITY CRITERIA

- Open to All Gender
- Minimum 60% in Class 10th & 12th
- Annual Family income to be 8 Lakhs & below

COURSES

- Bachelor Of Design (B.Des)
- B.E./B.Tech
- Diploma





c) Revival of batik printing

Batik printing is a traditional craft being practised in Kutch. The craft form passed through many challenges over time and ended up being confined to certain places in the country including Kutch. The number of Batik printing units also reduced and few closed down during the Covid pandemic.

In view of the above backdrop, and to protect/save the local art, we took up this initiative to support this unique craft form and revive batik printing through Khamir, a craft organisation based in Kutch.

Khamir undertook a comprehensive study. Various strategies were planned for developing new designs, introducing natural dyes, marketing and promotion, etc. under this project. In-depth field research was carried out and its team spoke with different community leaders, traders, artisans in villages of East Kachchh to prepare a comprehensive document. The document will serve as a reference to carry out all future interventions in craft.

We believe, this initiative will not only help in the survival of the batik and other crafts;

it will also empower artisans grow their livelihoods and further enhance the quality of their lives. We assume that through these integrated efforts, the traditional craft forms would receive a new identity. As a result, the artisans' incomes would increase, and the growth of crafts would become more sustainable in the long-term.



Management Discussion & Analysis

An economic overview

World Economy: In 2022, the global economy returned to more normal growth – registering a growth of 3.4% against a global GDP growth of 6.1% in 2021. Inflationary pressures, the Russia-Ukraine war and the resurgence of COVID-19 in China weighed on global economic activity in 2022.

Even as these headwinds persisted across the globe, real GDP surprisingly surged in the third quarter of 2022 in numerous economies, including the US, the euro area, and major emerging markets and developing economies. However, the

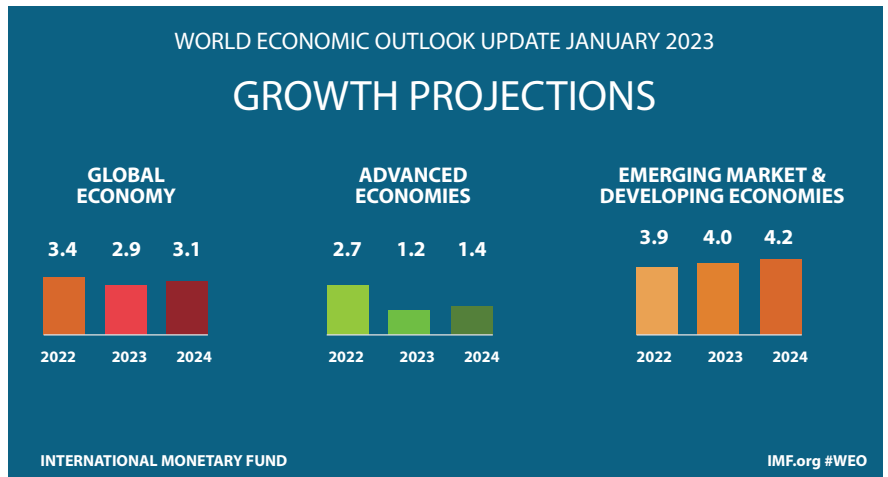
uptick faded considerably in the last quarter of 2022.

Global headline inflation appeared to have peaked in the third quarter of 2022. This is owing to a considerable drop in the prices of fuel and nonfuel commodities.

Initial estimates put global trade at US\$32 trillion in 2022, Trade in goods and services saw good growth, despite the Ukraine situation. Trade in goods grew 10% from last year to US\$25 trillion, while trade in services grew 15% to US\$7 trillion. A slowdown in global trade towards the close of the year could intensify in 2023.

Going forward, global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The forecast of low growth in 2023 reflects the rise in central bank rates to fight inflation - especially in advanced economies, as well as the war in Ukraine.

Also, global inflation is likely to come down from 8.8% in 2022 to 6.5% in 2023 and further drop to 4.1% in 2024. Structural reforms will help in the fight against inflation by improving productivity and easing supply constraints. Demand for environmentally sustainable products is expected to spur global demand.



(Source: World Economic Update, An IMF report, January 2023)

Domestic Economy: Recovering from pandemic-induced contraction, the Russian-Ukraine conflict, and inflation, the Indian economy staged a broad-based recovery across sectors. According to the first advance estimate for 2022-23 released by the National Statistical Office (NSO), India's gross domestic product (GDP) growth is estimated at 7% for 2022-23 (8.7% in 2021-22) on the back of a rebound in services and farm sectors.

The Capital Expenditure of the Central Government and crowding in the private Capex led by the strengthening of the balance sheets of corporates is one of the growth drivers of the Indian economy in the

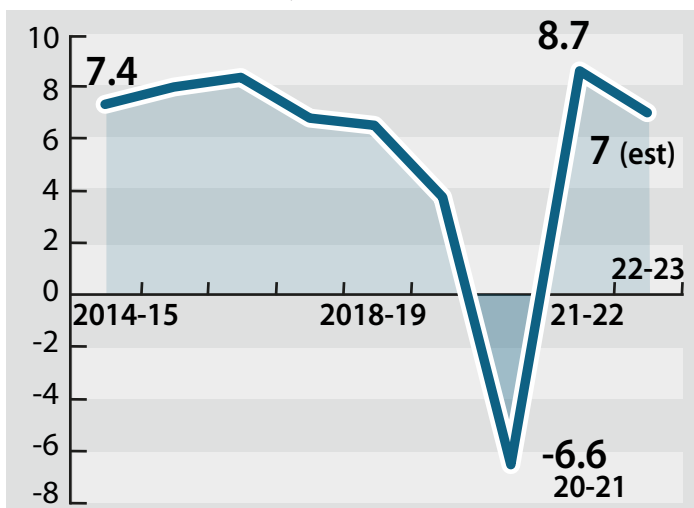
current year. The Indian Rupee performed well compared to other Emerging Market Economies in Apr-Dec2022.

India's revenue remained robust in FY23. Direct tax collections, net of refunds, reached ₹12.31 trillion as of January 10, 2023 - 19.5% higher than collections in the corresponding period last year. According to experts, direct tax collection (comprising corporate tax and personal tax) could exceed ₹17.50 trillion, which would surpass the budgeted estimate by almost 23%. GST revenue in FY23 up to January 2023 was 24% higher than the collection during the same period in the previous year.

While India's retail inflation rate peaked at 7.8% in April 2022, (above the RBI's upper limit of 6%), the overshoot above the upper tolerance level was however one of the lowest in the world. This was owing to the government's multi-pronged approach to tame the increase in price levels.

The Economic Survey for 2022-23 has projected a GDP growth rate in the range of 6 to 6.8% for FY 2023-24. The renewed thrust for capital expenditure, especially for infrastructure creation in the recent budget is expected to provide impetus to India's economic growth.

India's GDP growth over the years



Sources: Indian Express, Times of India, Mint, Worldbank.

"India's economy has been remarkably resilient to the deteriorating external environment, and strong macroeconomic fundamentals have placed it in good stead compared to other emerging market economies."

Auguste Tano Kouame, World Bank's Country Director in India.



The Textile Industry

Textile is the most important basic necessity in the world after food. As such, the entire world's population is a user of textiles. For an individual, textile symbolise her/his cultural, social, economic, political, and religious norms. Textile is a powerful medium to express oneself and influence people.

Textile is one of India's oldest industries and has a formidable presence in the national economy owing to its employment generation, contribution to industrial production and foreign exchange.

Not only is the textile sector highly labour intensive, but it also employs unskilled and semi-skilled labour force and is also an important source of employment for women.

India's textile industry is one of the largest in the world with a huge raw material and textiles manufacturing base. It is significantly diversified with hand-spun and hand-woven textiles at one end of the spectrum and state-of-the-art plants at the other end.

Indian textile products are used by consumers across the globe owing to the

high-quality fabric used and the affordable cost.

Sources: *Fibre2fashion, The Lio blog, Invest India*

Performance: After 18 months of robust growth through mid-2022, India's US\$200 Billion textile and apparel industry is facing a crisis. This is primarily because of huge cuts in spending by consumers in the United States, Europe and other big markets following a surge in inflation after the war in Ukraine.

Exports, which constitute about 22% of the industry, have fallen for five months in a row - declining over 15% year-on-year in November to \$3.1 Billion.

The home textile segment, which is the second largest export contributor in the textile industry after ready-made garments, also dropped sharply. Also, the, bed, table, and bath linen imports by US and Europe contracted considerably owing to depressed consumer sentiments.

In addition, exports from India have also suffered owing to preferential tariff treatment towards countries like Bangladesh and Vietnam, cheap imports from China and some other countries in certain segments. This is hurting the domestic industry.

Domestic sales remained sluggish, despite the healthy economic progress made by India, due to high raw material costs and cheap imported garments and other textile products with the reopening of China.

The escalated raw material prices also impacted domestic demand. The price of cotton in India had more than doubled to cross the ₹100,000 mark per candy during the current financial year, leading to an increase in yarn prices too. This impacted the profitability of textile majors who could not pass on the raw material cost hike to the end consumer.

While the overall economy is relatively strong and is outperforming major economies, the textile sector is a notable exception and orders suggest the downturn will continue well into 2023.

Despite this downturn in fortunes of the textile industry, the government remains steadfast on its goal of increasing textile exports from India, from the current US\$ 44.4 Billion to US\$ 100 Billion in the next five years. This will require addressing the challenges faced by the sector to ensure an efficient and integrated textile sector.

Sources: *EconomicTimes, ThePrint, Business Standard*



Government initiatives: The Government has taken important steps for strengthening the domestic textile sector. They include the following:

- The government of India (GoI) launched PLI (Production Linked Incentive) scheme with an outlay of ₹10,683 crore to promote the production of MMF (Man-made Fibre) apparel, MMF fabrics and technical textiles to facilitate the textile industry to achieve both size and scale.
- GoI approved the setting up of 7 PM Mega Integrated Textile Region and Apparel (PM MITRA) parks to develop world-class infrastructure with a total allocation of ₹4445 crore for a period of up to 2027-28.
- Under National Technical Textile Mission (NTTM), 74 research proposals valued at ₹232 crore have been approved in the category of specialty fibre and technical textiles.
- Investment of ₹10,218 crore confirmed by the industry in 2,443 subsidy cases. ₹621.41 crore subsidy released in 3,159 cases under Amended Technology Upgradation Fund Scheme (ATUFS) and Special campaigns.

- A total of 73,919 people have been trained out of which 38,823 persons were given placement under the SAMARTH scheme for capacity building in the textile sector.
- A new campus of NIFT (National Institute of Fashion Technology) has been initiated for 2022-23 in Daman. Other new campus buildings are coming up in Bhopal and Srinagar.
- 44 R&D projects in the silk sector have been initiated and 23 were concluded with the achievement of training 9,777 persons in various activities related to the sector.
- Cotton cultivation has increased by 5% to 125.02 lakh hectares as against 119.10 lakh hectares last year. KASTURI COTTON INDIA, the brand name for Indian cotton has been launched. Further, to boost the mechanised harvesting of cotton, improve the quality of cotton and reduce labour costs, 75,000 handheld kapas plucker machines are being distributed.

Source: PIB

Global efforts: The Comprehensive Economic Partnership Agreement with the UAE became operational on May 1, 2022.

This Government initiative allows most of the country's exports duty-free access to the Emirates.

The free trade agreement (FTA) between India and Australia, came into effect on Thursday, December 29. This agreement promises to strengthen trade ties and will help scale bilateral trade in goods and services in the next five years.

The Government intensified its efforts to finalise the FTA with the UK. The two nations reaffirmed their commitment to the early conclusion of a "balanced and comprehensive" FTA in early 2023.

These Government initiatives should go a long way in strengthening the competitive edge of the domestic textile industry.

Sources: Economic Times, Outlook India, Hindustantimes

India ranked 2nd in textile export with 6% of the global share and stood 5th in apparel export with 4% of the global share.

Growth drivers

Easy availability of raw materials: India is one of the largest cotton producers in the world. As of 2022, about 120.69 lakh hectares of land are under cotton cultivation and a total of 362.18 lakh bales have been produced in 2021-22 which is one of the largest in the world. Also, cotton comes in a large variety. India is also the 2nd largest producer of silk and 95% of the hand-woven fabrics come from India.

Sources :TEXMiN,

Affordable production infrastructure and qualified personnel: India is present across the entire value chain of textiles, right from raw material production to packaging and selling in the retail market and adds considerable value at each stage of the value chain. The entrepreneurial mindset of entrepreneurs, qualified personnel trained in good institutions, low wages, technology upgradation and continuous government support has enabled India to build a robust textile manufacturing infrastructure that serves as a textile hub for global brands.

The China+1 policy deepening: Repeated disruptions in China, owing to policy changes and multiple waves of Covid-19 have appreciably dampened the trust factor in Chinese textile players. As a result, Western apparel majors have intensified

their efforts in widening their supplier base. This augurs well for the Indian textile industry.

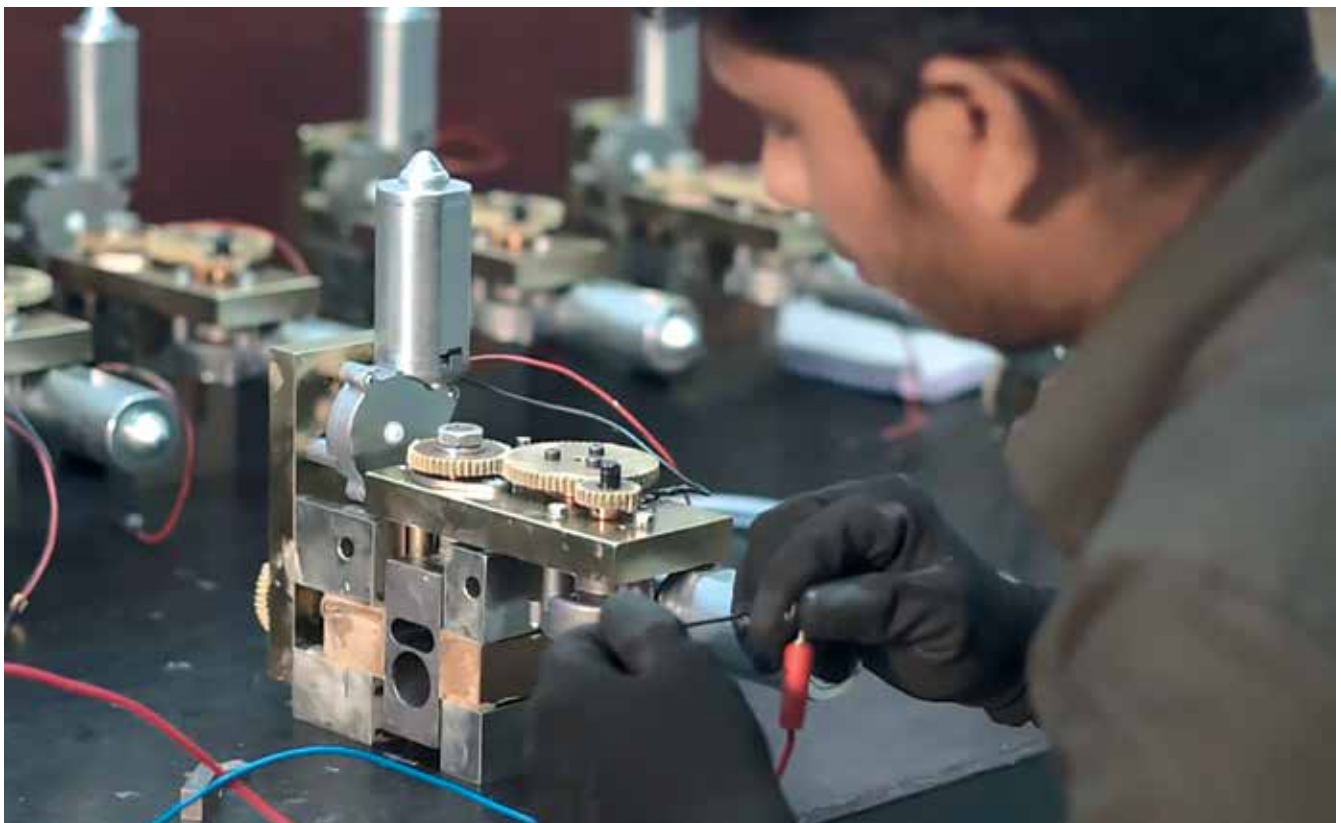
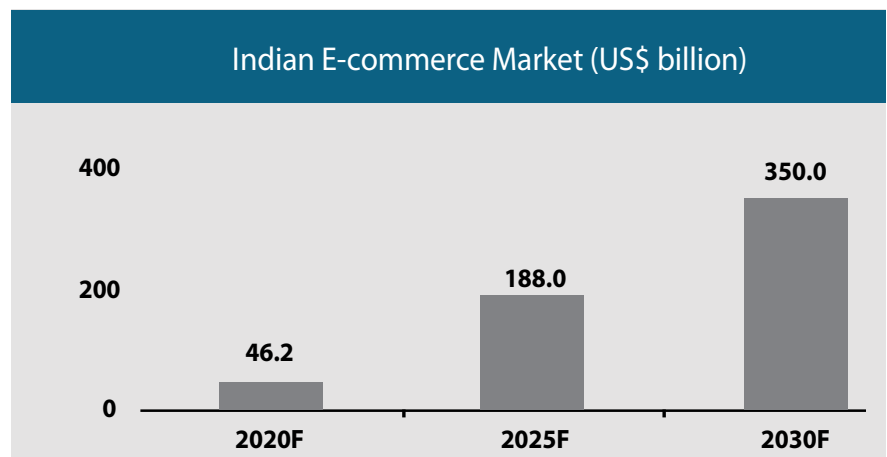
A strong domestic market: Strong economic performance, tamed inflation and increased disposable income in the hands of the average Indian are expected to shore up the domestic demand for textile products. Coupled with that, the rapid growth in e-commerce and organised retail have made the Indian textile market increasingly lucrative where every industry player is competing to get a sizable chunk of the pie.

E-commerce and organised retail: E-commerce has catapulted the fortunes of numerous sectors and the textile industry

is no exception. Experts suggest that e-commerce is going to be the catalyst for development in the future, not just in the textile industry, but in the overall economy as well.

In recent years, the Indian retail sector experienced a massive boom across various categories which marked the changing attitude of Indian consumers as well as their acceptance of organised retail formats. With domestic consumption increasing appreciably post-Covid, experts believe a majority of this demand will be met by organised retail in the years to come.

Long term estimates: The Indian textile and apparel industry is expected to grow at 10% CAGR from 2019-20 to reach US\$190 Billion by 2025-26





Opportunities for Rotary and Digital Textile Printing

Rising disposable incomes: India's per capita income has more than doubled over the past nine years to ₹1.97 lakh. This has left more disposable income in the hands of the average Indian. This is expected to fuel the demand for textile products.

Middle-class boom: India's 63 biggest cities (which includes Tier 1 & 2 cities) are now home to more than a quarter of its middle class. They also generate 29% of the country's disposable income which fuels the demand for goods and services, supporting economic progress.

Youth and fashion textile: Powered by rapid urbanisation, higher purchasing power, a dramatic change in lifestyle, a rising number of young people and ever-changing fashion trends, the demand for

printed fabrics is expected to increase exponentially. Creating niche designs specifically to cater to the youth is expected to emerge as a key driver for the growth of printed fabrics.

Fashion as a growth driver: The fashion industry which is heavily inclined towards the demand of the youth is one of the growth drivers for the fabric printing space. Diverse fabrics and diverse designs provide a new look to outfits which usually triggers a new fashion trend that help faster product sales. However, these fashion industry cycles have a short duration. As a result, it becomes imperative for fabric printers to reinvent themselves to start a new fashion cycle each time the last trend fades away.

An uptick in real estate: According to the CBRE-CII joint report named 'Indian Realty – Charting the growth roadmap for 2022', the real estate sector experienced steady growth through the year 2022. This upward growth was primarily on the back of rising demand from office, retail and residential

spaces as the government reforms continued to encourage the overall realty sector. This trend is expected to continue, which should provide a healthy uptick in the demand for home furnishings.

Travel & adventure: 2022 has been a year of recovery for the travel sector – best indicated by the fact that 24% of Indians took at least one vacation a month on average, compared to the global average of 11%. The travel-tourism-hospitality troika is reasonably confident that this trend will only grow in 2023. This should provide a spurt to travel-friendly printed fabrics.

Expanding textiles capacities: Buoyed by the sizeable opportunities ahead in the global and domestic markets further fuelled by favourable government incentives, textile players, small and large are making a sizeable investment to expand their manufacturing infrastructure. This should increase the demand for textile printing solutions over the coming years.

Sources: Moneycontrol, Fortun India, Business India

Threats

Economic challenges: Muted economic growth by major economies of the world, which could be further dampened by the banking crisis which has only started unfolding could impact the demand for textiles from global consumers.

Inflationary challenges: Continuing geopolitical stress and the probability of escalation of the war between Russia and Ukraine is expected to fuel inflation further. This would dampen consumer sentiments and the prospects for the textile sector.

Fiscal challenges: Increasing interest rates across the world and in India as a tool to control inflation would put investment

plans on the backburner for most industry houses.

Company overview

Stovec Industries is a part of the prestigious SPGPrints Group headquartered in Boxmeer, Netherlands and is globally renowned for its new innovations in cutting-edge printing technology in the textile industry.

Stovec provides diverse technology-driven textile printing solutions to marquee textile majors in India and across the globe. The Company deals primarily with rotary printing systems, digital textile printing machines and related consumables.

Aligning with the parent, Stovec uniqueness rests on its passion to develop

innovative machines that meet the dynamic requirements of its customers. Its ability to stay ahead of the curve has positioned Stovec as the leader in the fabric printing technology space.

Headquartered in Ahmedabad, Gujarat, the Company's operations are spearheaded by Mr. Shailesh Wani, Managing Director and managed by a strong team of experienced professionals. The Company's equity is listed on the BSE in India.

Financial performance

The Company recorded an annual revenue of ₹2,358.49 Million in 2022 compared to ₹2,333.61 Million in 2021. The Profit Before Tax stood at ₹324.46 Million in 2022 against ₹390.46 in 2021.

Changes in financial ratios over last year

| Financial ratios | 2022 | 2021 | Change (%) |
|------------------------------|-------|-------|------------|
| Debtors Turnover (in days) | 48 | 49 | 2 |
| Inventory Turnover (in days) | 85 | 62 | (37) |
| EBITDA Margin (%) | 14.35 | 19.84 | (38) |
| Net Profit Margin (%) | 10.50 | 12.70 | (21) |
| Return on Net Worth (%) | 14.81 | 20.02 | (35) |

- 1) Inventory turnover ratio effected due to increase in level of raw material and finished goods inventory.
- 2) EBITDA margin decreased primarily on account of decrease in net profit before exceptional item for the year.
- 3) Return on net-worth reduced due to decrease in net profit before exceptional Item for the current year.

Segment-wise performance

The Company's segment-wise revenue performances are as follows:

(₹ in Million)

| Particulars | 2022 | 2021 |
|---------------------------------|----------|----------|
| Textile consumables & machinery | 2,060.54 | 1,851.26 |
| Graphic products | 118.47 | 103.29 |
| Galvanic | 179.48 | 379.52 |

Product branding

Inspired by nature, we have rebranded our products with the elements of the environment. The digital printers Rose, Jasmine, Magnolia are named after “flowers”; digital inks Morpho, Alcon & Pasha named after “butterflies”; and our conventional rotary machines Teak, Palm, Kapok are named after “rainforest trees” & many other products in a similar way. The new names are complemented with new logos and a new colours scheme.



Participation in exhibitions

Stovec has been forthcoming in participating in exhibitions, relating to both label & textile market, to showcase the latest innovations in the respective field. ‘Exhibitions’ have also served Stovec as an influential platform to engage, share knowledge and foster lasting relations with industry professionals & experts.

LabelExpo India exhibition

In November 2022, Stovec participated in LabelExpo India exhibition, the largest event for the label and package printing industry in India. The Company showcased its RotaMesh®, RotaPlate® screens at its 24

sq. mtr. stall at this 4-day event. The team at the stall interacted with all prospective customers, introducing them to the unique benefits of rotary screen printing in field of ‘printed electronics’.

India ITME 2022

Stovec also participated in the India ITME 2022 exhibition held in December 2022, a prestigious textile engineering and technology B2B Exhibition which is hosted once in 4 years in the country. The 135 sq. mtr. SPGPrints booth witnessed huge footfall of visitors for all four days of the exhibition to understand the latest innovations launched by the Company in rotary & digital textile printing relating to fashion and the home-furnishing industry.

At the exhibition, the Company launched two new products - the new robust entry level digital printer - DART for Indian customers who wish to kick start their journey in digital textile printing and TEAK, its latest innovation in rotary portfolio which is a 2.45 meters wide rotary printing machine with Universal Repeat functionality.

With the introduction of TEAK, Stovec now possesses the complete rotary printing machine portfolio to meet all customer demands in the market up to 2.45 meter wide fabrics.

The Company’s investments in exhibitions is expected to yield promising business and healthy returns over the medium term.





Human Resource & Internal Management

The Company recognises its human assets as the most important resource for growth. The Company accords the highest importance to human resource development and continuously endeavors to enhance the capacity and capability of all the team members.

The Company continued to enhance the teams skills and capabilities through its training curriculum which includes technical, commercial and behavioural skills which is imparted through the conventional and digital methods. The HR team continued to curate engagement forums for its team to strengthen team bonding and uplift their motivation.

Further, the Company's employee-friendly HR policies and its seamless roll-out ensures harmony throughout the Company, nurtures growth, makes communication easier between different level of the organisation and looks after the overall well-being of all the team members.

Internal Control System

Internal controls are an important aspect of the Company's overall structure and ensure compliance with rules & regulations. These controls safeguard assets, prevent frauds & errors, and aid in tracking of financial transactions. The effectiveness of the internal control systems is audited by the Company's internal and statutory auditors. The Board's Audit Committee examines the internal audit plan and guarantees adequacy and efficacy of these controls. It also examines the operation of the whistleblower system and keeps track of the actions taken in response to the reported cases.

Cautionary Statement

The cautionary statement forming a part of this Report may contain certain forward-looking remarks within the meaning of applicable Laws and Regulations. Many factors could cause the Company's actual results, performances, or achievements to be materially different from any future results, performances, or achievements. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions, changes in Government regulations, tax regimes and other statutes.

Risks and Concerns

Risk management is integral to any business. Stovec has devised its risk management mechanism to predict, preempt and prevent financial or commercial risks, errors and frauds. It simultaneously strengthens the Company's business model with the objective of making profitable growth sustainable. The framework involves an integrated risk appraisal system and mitigation strategy with all key managers being part of the mechanism. The control measures are placed before the Company's board for periodic review and improvement.

Corporate information

Board of Directors

Mr. Khurshed M. Thanawalla,
Chairman & Independent Director

Mr. Shailesh Wani,
Managing Director

Mr. Garrett Forde,
Non-executive Director

Mr. Eiko Ris,
Non-executive Director

Mr. Marco Wadia,
Independent Director

Mrs. Kiran Dhingra,
Independent Director

Chief Financial Officer

Mr. Paras Mehta

Company Secretary & Compliance Officer

Mr. Sanjeev Singh Sengar

Statutory Auditor

**SRBC & CO LLP,
Chartered Accountants**

Secretarial Auditor

**Sandip Sheth & Associates,
Company Secretaries**

Registrar & Share Transfer Agents

Link Intime India Private Limited
5th Floor, 506 to 508, Amarnath Business Center -I (ABC-I),
Besides Gala Business Center,
Near St. Xavier's College Corner,
Off. C.G. Road, Navrangpura,
Ahmedabad - 380 009, Gujarat
Phone: +91 79 26465179/86/87,
Fax: +91 79 26465179
Email: ahmedabad@linkintime.co.in

Bankers

**Axis Bank Limited
Citibank N.A
HDFC Bank Limited**

Registered Office and Factory

N.I.D.C., near Lambha Village,
Post: Narol, Ahmedabad - 382 405,
Gujarat, India

Investor's helpdesk

Email: secretarial@stovec.com
Phone no: +91 79 6157 2300

Investor Information:

AGM date & time: 9th May, 2023 at 2:15 p.m.

AGM venue: Through VC/OAVM

CIN: L45200GJ1973PLC050790

BSE Code: STOVACQ (504959)

Proposed dividend : ₹47 per share (470%)

Website: www.stovec.com

STATUTORY REPORTS

Notice 23, Board's Report 34, Corporate Governance Report 40,
Business Responsibility & Sustainability Report 54

NOTICE

NOTICE is hereby given that the 49th Annual General Meeting (“AGM”) of the members of **STOVEC INDUSTRIES LIMITED** will be held on **Tuesday, 9th May, 2023 at 2:15 pm (IST)** through video conferencing (“VC”)/other audio-visual means (“OAVM”) from the registered office of the Company at NIDC, Near Lambha Village, Post Narol, Ahmedabad – 382 405 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the financial year ended 31st December, 2022, together with the Report of the Board of Directors and the Auditor’s thereon;
2. To declare dividend on equity shares of the Company;
3. To appoint a director in place of Mr. Eiko Ris (DIN: 07428696), who retires by rotation and being eligible, offers himself for re-appointment;

SPECIAL BUSINESS:

4. To approve commission to the Independent Directors

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution-**

“**RESOLVED THAT** pursuant to Sections 197, 198 and schedule V of the Companies Act, 2013 (“the Act”) read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 17(6)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or amendment(s) or re-enactment(s) thereof for the time being in force), other applicable provisions, if any, consent of the members be and is hereby accorded for payment of commission to the Independent Directors for a period of three financial years commencing from 1st January, 2023 provided that the total commission payable to all the non-executive directors during a financial year shall not exceed 1% (one percent) of the net profits of the Company of that financial year as computed in the manner prescribed under Section 198 of the Act, and the said remuneration is in addition to sitting fees and reimbursement of expenses for attending the meetings of the Board of Directors or Committees thereof and the said remuneration be paid in such amount, proportion and manner as may be decided by the Board of Directors of the Company or Committee thereof from time to time:”

5. To approve commission payable to Mr. K. M. Thanawalla, Chairman for FY2022 exceeding fifty per cent of the total commission payable to all non-executive directors of the Company

To consider and, if thought fit, to pass the following resolution as a **Special Resolution-**

“**RESOLVED THAT** pursuant to Regulation 17(6) (ca) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment, modification, or re-enactment thereof for the time being in force and other applicable provisions, if any, of the Companies Act, 2013 and on the recommendation of Board of Directors of the Company, approval of members be and is hereby accorded for commission of ₹1.02 Million

payable to Mr. K. M. Thanawalla, Chairman, for the financial year 2022, being an amount exceeding fifty per cent of the total commission payable to all the non-executive directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters as may be deemed necessary and expedient in this regard.”

6. To ratify remuneration of Cost Auditors of the Company payable for FY2023

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution-**

“**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or amendment(s) or re-enactment(s) thereof for the time being in force), the Company hereby ratifies the remuneration of ₹0.15 Million (Rupees One Lac Fifty Thousand only) plus applicable taxes and re-imbursalment of out-of-pocket expenses payable to M/s Dalwadi & Associates, Cost Accountants (Firm Registration No. 000338), who have been appointed by the Board of Directors on the recommendation of the Audit Committee, as Cost Auditors of the Company, to conduct the audit of the cost records maintained by the Company as prescribed under the Companies (Cost Records and Audit) Rules, 2014, as amended, for the Financial Year ending 31st December, 2023.

RESOLVED FURTHER THAT the Board of Directors of the Company (including Committee(s) of the Board), be and is hereby authorised to do all acts and take all such steps as may be necessary, proper, or expedient to give effect to this resolution.”

By Order of the Board,
For **Stovec Industries Limited**

Sanjeev Singh Sengar

Company Secretary
Membership No. FCS 7835

Date: 28th February, 2023
Place: Ahmedabad

NOTES:

1. Ministry of Corporate Affairs in India (MCA) vide its General Circular No. 10/2022 dated 28th December, 2022, permitted companies to conduct their AGM through Video Conferencing (VC) or Other Audio-Visual Means (OAVM) dispensing personal presence of the members at the meeting provided that such companies shall follow the procedures as prescribed in MCA General Circular No. 20/2020 dated 5th May, 2020 (**‘MCA Circulars’**). In order to encouraging wider participation of the shareholders at the AGM, Company is providing facility to attend and participate in the AGM through VC/OAVM. Thus, Members can attend and participate in the meeting through VC/OAVM from their respective locations following the instructions given herein.
2. In line with above MCA Circulars, SEBI vide its circular dated 5th January, 2023 relaxed from the requirement of sending hard copy of annual report to shareholders who have not

registered their email address. It is, therefore, Annual Report of the Company for the financial year 2022 is being sent through electronic mode only to the members whose email addresses are registered/available with the Company/ Depositories. The full Annual Report together with the Notice of convening this AGM is available on the website of the Company at www.stovec.com; Stock Exchanges i.e. BSE Limited at www.bseindia.com and on the website of Link Intime India Private Limited (agency for providing the e-Voting facility) at <https://instavote.linkintime.co.in>.

In case the shareholder/s has not registered his/her email address with the Company/ RTA/Depositories or wish to make change or update the same, he/she can do so by following the instructions given at sr. no. 3.

- SEBI vide its circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated 3rd November 2021 read with SEBI Circular no. SEBI/HO/MIRSD/MIRSD_RTAMB/P/C/2021/687 dated 14th December, 2021 (“SEBI Circular”), requires listed companies to record and register the KYC details of all incomplete folio (including joint holders) i.e., PAN, contact details (postal address, Mobile Number & E-mail), Nomination and Bank Account details of first holder. In compliance thereof, Company had sent individual communication to the physical shareholders whose KYC details was pending to be updated and such members were requested to please update/ complete their KYC on or before March 31, 2023. **Please note that the folios which remains incomplete with reference to KYC and Nomination details etc., shall be frozen on or after 1st April, 2023 .**

Accordingly, RTA shall freeze all incomplete folios after the due date. The security holder of frozen folios shall be eligible to unfreeze it only after furnishing the complete documents. In case of such frozen securities who are remained frozen as on December 31, 2025, same shall be referred to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/or the Prevention of Money Laundering Act, 2002.

Investor may visit the Company/RTA website for registering/ changing/ updating all or any of the above details by furnishing required documents along with the duly filled appropriate form such as ISR-1 (for KYC), ISR-2 (for signature verifications), ISR-3 (for opting out from nomination) and Nomination forms SH-13/14, as the case may be.

- We would like to reiterated here that SEBI thorough its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25th January, 2022, mandated listed companies to issue the securities in dematerialised form only while processing any service request of the investors holding shares in physical. Accordingly, Company issue a Letter of confirmation (LC) for getting shares in demat against all such service request in place of sending physical share certificate(s) to the claimant/ securities holder upon verifying documents submitted with the company. In case the security holder/claimant fails to submit demat request along with such ‘Letter of confirmation’ within 120 days from the date thereof, such shares shall be credited to the “Suspense Escrow Demat Account” of the Company. The concerned shareholder can claim his/her shares back from such account by placing service request in ISR-4.
- SEBI vide its circular dated 30th May, 2022, has provided SOP effective from 1st June, 2022, for resolving disputes between

the Company and its all shareholders through the stock exchange arbitration mechanism. In furtherance to this, SEBI directed listed companies to inform its physical shareholders availability of said dispute resolution mechanism through emails or SMS on their mobile. Company has accordingly informed to its physical shareholders whose email ID or mobile no. registered with the company regarding availability of said dispute resolution mechanism. Investor may note that the said SOP is available on the website of the stock exchange and the Company.

- Sections 124 of the Companies Act, 2013 provides that dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account required to be transferred to Investor Education and Protection Fund (“IEPF”) established by the Central Government. During the year, the Company has transferred unclaimed dividend of ₹0.98 Million pertaining to the financial year 2014 to IEPF. Shareholders who have not claimed their dividend pertaining to financial year 2015 and all subsequent years are requested to claim their dividend as early as possible, failing which it would be transferred to IEPF as per the (tentative) date mentioned below. The details of unclaimed dividends are available on the Company’s website at <http://www.stovec.com> and Ministry of Corporate Affairs’ website at <http://www.iepf.gov.in>.

| Relating to FY | Unclaimed dividend amount | Tentative date of transfer |
|----------------|---------------------------|--------------------------------|
| | (₹ in Million) | |
| 2015 | 1.65 | 28 th June, 2023 |
| 2016 | 1.79 | 13 th June, 2024 |
| 2017 | 1.15 | 3 rd June, 2025 |
| 2018 | 1.81 | 11 th June , 2026 |
| 2019 | 1.51 | 15 th October, 2027 |
| 2020 | 0.69 | 8 th June, 2028 |
| 2021 | 1.54 | 3 th June, 2029 |

Further, pursuant to Section 124(6) of the Act read with relevant rule of Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (“IEPF Rules”), all shares on which dividend has not been paid or claimed for seven consecutive years or more are required to be transferred to Demat Account of IEPF. During the year, Company would be sending individual communications to all such shareholders whose dividend has not been paid or claimed for any year during the said seven consecutive years requesting them to claim their dividend before the due date of transfer failing which their shares would be transferred to the IEPF. The Shareholders whose shares are transferred to the IEPF Authority can claim their shares back from such authority by filing form IEPF-5 and following such procedures as may be prescribed in the IEPF Rules from time to time.

- The Register of Members and Share Transfer Book shall remain closed from 3rd May, 2023, to 9th May, 2023 (both days inclusive). The dividend, if declared, will be paid on or before its due date to the shareholders whose names appear in the Register of Members as on **cut-off date i.e., 2nd May, 2023**, upon close of business hours. The voting rights of Members shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date.

8. The dividend upon declaration at the AGM will be remitted electronically by RTGS/NECS/ NACH etc. to the bank account of the shareholders whose bank details are registered with the Company.
9. Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to their Depository Participant ("DP") only. However, Members holding shares in physical mode are required to notify any change pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to Registrar and Share Transfer Agent i.e., M/s. Link Intime India Private Limited, 5th Floor, 506 to 508, Amarnath Business Centre-I (ABC-I), Besides Gala Business Centre, Nr. St. Xavier's College Corner, off. C.G. Road, Navrangpura, Ahmedabad – 380 009, Gujarat.
10. The explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of special businesses and brief profile of Director(s) seeking appointment/re-appointment in the annual general meeting are annexed herewith and forms integral part of the Notice.
11. The documents and registers required to be open for inspection are open for inspection at the registered office of the Company on all working days except Saturdays, Sundays and Public holidays between 11.00 a.m. to 4.00 p.m. up to the date of the AGM and also available electronically on the website of the Company.
12. **Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 5 days before the date of the meeting so that the information sought may be made available at the meeting.**
13. A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by e-mail to ahmedabad@linkintime.co.in latest by 30th April, 2023. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20% excluding surcharge & cess.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents, i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an e-mail to ahmedabad@linkintime.co.in latest by that date.
14. Providing route map of the venue of the meeting is not applicable in case of VC meeting.
15. **INFORMATION AND OTHER INSTRUCTIONS RELATING TO E-VOTING:**
 - a) Pursuant to the provisions of Section 108 and other applicable provisions of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and Regulation 44 of the Listing Regulations and MCA Circulars the Company is pleased to provide its Members facility to exercise their right to vote on resolutions proposed to be passed in the AGM by electronic means.
 - b) The Company has engaged the services of Link Intime India Private Limited to provide remote e-voting facility as well as e-voting during the AGM to the Members.
 - c) The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 members on first come first served basis. This will not include large shareholders (shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
 - d) The Members who have cast their vote by remote e-voting prior to the AGM may also attend the meeting through VC or OAVM but shall not be entitled to cast their vote again. Once the vote on a resolution is cast by the members, the members shall not be allowed to change it subsequently.
 - e) The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
 - f) Since the AGM is being held through VC/OAVM in accordance with MCA Circulars, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM and hence the proxy form and attendance slip are not annexed to this Annual Report. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.
 - g) The Notice calling the AGM has been uploaded on the website of the Company at www.stovec.com. The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at www.bseindia.com. The AGM Notice is also disseminated on the website of Link Intime India Private Limited (agency for providing the Remote e-Voting facility and e-voting system during the meeting) at <https://instavote.linkintime.co.in>.
 - h) The AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA Circulars.
 - i) M/s. Sandip Sheth & Associates, Practicing Company Secretaries, Ahmedabad (Firm Regn. No. P2001GJ041000), has been appointed as the Scrutiniser to scrutinise the remote e-voting process and e-voting on the date of AGM in a fair and transparent manner.
 - j) The voting results will be declared on receipt of scrutiniser's report. The voting results along with the Scrutiniser's Report will be placed on the website of the

agency at <https://instavote.linkintime.co.in> and also on the website of the Company at www.stovec.com, within two working days of the conclusion of the AGM of the Company and will also be submitted to the Bombay Stock Exchange (BSE) where the shares of the Company are listed..

electronically. The e-voting module shall be disabled by e-voting agency for voting thereafter.

The remote e-voting will not be allowed beyond the aforesaid date and time and the e-voting module shall be disabled upon expiry of the aforesaid period.

As per the SEBI circular dated 9th December, 2020, individual shareholders holding securities in demat mode can register directly with the depository or will have the option of accessing various evoting service providers (ESP) portals directly from their demat accounts.

16. INSTRUCTIONS RELATING TO REMOTE E-VOTING:

The remote e-voting period shall begin on **6th May, 2023 @ 9.00 hours (IST)** and ends on **8th May, 2023 @ 17.00 hours (IST)**. During this period, shareholders of the Company, holding shares either in physical or dematerialised form, as on the **cut-off date i.e., 2nd May, 2023** may cast their vote

◆ LOGIN METHOD FOR INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN DEMAT MODE:

| Type of shareholder | Login method |
|---|--|
| Individual Shareholders holding securities in demat mode with NSDL | <ol style="list-style-type: none"> Existing IDeAS user can visit the e-Services website of NSDL viz. https://eservices.nsdl.com either on a personal computer or on a mobile. On the e-Services home page click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name i.e., LINKINTIME and you will be re-directed to "InstaVote" website for casting your vote during the remote e-Voting period. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com Select "Register Online for IDeAS Portal" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com either on a personal computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e., your sixteen-digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name i.e., LINKINTIME and you will be redirected to "InstaVote" website for casting your vote during the remote e-Voting period. |
| Individual Shareholders holding securities in demat mode with CDSL | <ol style="list-style-type: none"> Existing users who have opted for Easi / Easiest, can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasinew/home/login or and click on New System Myeasi. After successful login of Easi/Easiest the user will be able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e., LINKINTIME. Click on LINKINTIME and you will be redirected to "InstaVote" website for casting your vote during the remote e-Voting period. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasinew/Registration/EasiestRegistration. Alternatively, the user can directly access e-Voting page by providing demat account number and PAN No. from a link in home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e., LINKINTIME. Click on LINKINTIME and you will be redirected to "InstaVote" website for casting your vote during the remote e-Voting period. |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name i.e., LINKINTIME and you will be redirected to "InstaVote" website for casting your vote during the remote e-Voting period. |

◆ LOGIN METHOD FOR INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN PHYSICAL FORM:

Individual Shareholders of the company, holding shares in physical form as on the **cut-off date i.e., 2nd May, 2023**, for e-voting may register for e-Voting facility of Link Intime as under:

- Open the internet browser and launch the URL: <https://instavote.linkintime.co.in>
- Click on "Sign Up" under 'SHARE HOLDER' tab and register with your following details: -

- A. User ID:** Shareholders holding shares in **physical form shall provide** Event No + Folio Number registered with the Company.
- B. PAN:** Enter your 10-digit Permanent Account Number (PAN) (Shareholders who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable).
- C. DOB/DOI:** Enter the Date of Birth (DOB) / Date of Incorporation (DOI) (As recorded with your DP / Company - in DD/MM/YYYY format)
- D. Bank Account Number:** Enter your Bank Account Number (last four digits), as recorded with your DP/Company.

*Shareholders/ members holding shares in physical form but have not recorded details as per point 'C' and 'D' above, shall provide their Folio number in 'D'.

- Set the password of your choice (The password should contain minimum 8 characters, at least one special Character (@! # \$ & *), at least one numeral, at least one alphabet and at least one capital letter).
 - Click "confirm" (Your password is now generated).
3. Click on 'Login' under '**SHARE HOLDER**' tab.
 4. Enter your User ID, Password, and Image Verification (CAPTCHA) Code and click on '**Submit**'.

Cast your vote electronically:

1. After successful login, you will be able to see the notification for e-voting. Select '**View**' icon.
2. E-voting page will appear.
3. Refer the resolution description and cast your vote by selecting your desired option '**Favour / Against**' (If you wish to view the entire resolution details, click on the 'View Resolution' file link).
4. After selecting the desired option i.e., Favour / Against, click on '**Submit**'. A confirmation box will be displayed. If you wish to confirm your vote, click on '**Yes**', else to change your vote, click on 'No' and accordingly modify your vote.

◆ **GUIDELINES FOR INSTITUTIONAL SHAREHOLDERS:**

Institutional shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodians are required to log on the e-voting system of LIPL at <https://instavote.linkintime.co.in> and register themselves as '**Custodian / Mutual Fund / Corporate Body**'. They are also required to upload a scanned certified true copy of the board resolution / authority letter / power of attorney etc. together with attested specimen signature of the duly authorised representative(s) in PDF format in the '**Custodian / Mutual Fund / Corporate Body**' login for the Scrutiniser to verify the same.

◆ **HELPDESK FOR INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN PHYSICAL MODE/ INSTITUTIONAL SHAREHOLDERS:**

Shareholders facing any technical issue in login may contact Link Intime INSTAVOTE helpdesk by sending a request at enotices@linkintime.co.in or contact on: - Tel: 022 – 4918 6000.

◆ **HELPDESK FOR INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN DEMAT MODE:**

Individual Shareholders holding securities in demat mode may contact the respective helpdesk for any technical issues related to login through Depository i.e., NSDL and CDSL.

| Login type | Helpdesk details |
|---|---|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at : 022 - 4886 7000 and 022 - 2499 7000. |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33. |

◆ **INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN PHYSICAL MODE HAS FORGOTTEN THE PASSWORD:**

If an Individual Shareholders holding securities in physical mode has forgotten the USER ID [Login ID] or Password or both then the shareholder can use the "Forgot Password" option available on the e-Voting website of Link Intime: <https://instavote.linkintime.co.in>

- Click on 'Login' under '**SHARE HOLDER**' tab and further Click '**forgot password?**'
- Enter User ID, select Mode and Enter Image Verification code (CAPTCHA). Click on "SUBMIT".

*In case shareholders is having valid email address, Password will be sent to his / her registered e-mail address. Shareholders can set the password of his/her choice by providing the information about the particulars of the Security Question and Answer, PAN, DOB/DOI, Bank Account Number (last four digits) etc. as mentioned above. The password should contain minimum 8 characters, at least one special character (@! # \$ & *), at least one numeral, at least one alphabet and at least one capital letter.*

User ID for Shareholders holding shares in Physical Form (i.e., Share Certificate): Your User ID is Event No + Folio Number registered with the Company.

◆ **INDIVIDUAL SHAREHOLDERS HOLDING SECURITIES IN DEMAT MODE WITH NSDL/ CDSL HAS FORGOTTEN THE PASSWORD:**

Shareholders who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned depository/ depository participants website.

- It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- For shareholders/ members holding shares in physical form, the details can be used only for voting on the resolutions contained in this Notice.
- During the voting period, shareholders/ members can login any number of time till they have voted on the resolution(s) for a particular "Event".

17. PROCESS AND MANNER FOR ATTENDING THE ANNUAL GENERAL MEETING THROUGH INSTAMEET:

1. Open the internet browser and launch the URL: <https://instameet.linkintime.co.in>

- Select the "**Company**" and '**Event Date**' and register with your following details: -
 - A. Demat Account No. or Folio No:** Enter your 16-digit Demat Account No. or Folio No
 - Shareholders/ members holding shares in **CDSL demat account shall provide 16 Digit Beneficiary ID**
 - Shareholders/ members holding shares in **NSDL demat account shall provide 8 Character DP ID followed by 8 Digit Client ID**
 - Shareholders/ members holding shares in **physical form shall provide** Folio Number registered with the Company
 - B. PAN:** Enter your 10-digit Permanent Account Number (PAN) (Members who have not updated their PAN with the Depository Participant (DP)/ Company shall use the sequence number provided to you, if applicable.
 - C. Mobile No.:** Enter your mobile number.
 - D. Email ID:** Enter your email id, as recorded with your DP/Company.
- Click "Go to Meeting" (You are now registered for InstaMeet, and your attendance is marked for the meeting).

Please refer the instructions given in Annexure below for the software requirements and kindly ensure to install the same on the device which would be used to attend the meeting. Please read the instructions carefully and participate in the meeting. You may also call upon the InstaMeet Support Desk for any support on the dedicated number provided to you in the instruction/ InstaMEET website.

◆ **INSTRUCTIONS FOR SHAREHOLDERS/ MEMBERS TO SPEAK DURING THE ANNUAL GENERAL MEETING THROUGH INSTAMEET:**

1. **Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least (3) three days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at secretarial@stovec.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries 5 days in advance prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at secretarial@stovec.com. The queries will be replied suitably by the Company.**
2. Shareholders will get confirmation on first cum first basis depending upon the provision made by the Company.
3. Shareholders will receive "speaking serial number" once they mark attendance for the meeting.
4. Please remember speaking serial number and start your conversation with panellist by switching on video mode and audio of your device.

Shareholders are requested to speak only when moderator of the meeting/ management will announce the name and serial number for speaking.

18. INSTRUCTIONS FOR SHAREHOLDERS/ MEMBERS TO VOTE DURING THE ANNUAL GENERAL MEETING THROUGH INSTAMEET:

Once the electronic voting is activated by the scrutiniser/ moderator during the meeting, shareholders/ members who have not exercised their vote through the remote e-voting can cast the vote as under:

1. On the Shareholders VC page, click on the link for e-Voting “Cast your vote.”
2. Enter your 16-digit Demat Account No. / Folio No. and OTP (received on the registered mobile number/ registered email Id) received during registration for InstaMEET and click on ‘Submit’.
3. After successful login, you will see “Resolution Description” and against the same the option “Favour/ Against” for voting.
4. Cast your vote by selecting appropriate option i.e., “Favour/Against” as desired. Enter the number of shares (which represents no. of votes) as on the cut-off date under ‘Favour/Against’.
5. After selecting the appropriate option i.e., Favour/Against as desired and you have decided to vote, click on “Save”. A confirmation box will be displayed. If you wish to confirm your vote, click on “Confirm”, else to change your vote, click on “Back” and accordingly modify your vote.
6. Once you confirm your vote on the resolution, you will not be allowed to modify or change your vote subsequently.

Note: Shareholders/ Members, who will be present in the Annual General Meeting through InstaMeet facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting facility during the meeting. Shareholders/ Members who have voted through Remote e-Voting prior to the Annual General Meeting will be eligible to attend/ participate in the Annual General Meeting through InstaMeet. However, they will not be eligible to vote again during the meeting.

Shareholders/ Members are encouraged to join the Meeting through Tablets/ Laptops connected through broadband for better experience.

Shareholders/ Members are required to use Internet with a good speed (preferably 2 MBPS download stream) to avoid any disturbance during the meeting.

Please note that Shareholders/ Members connecting from Mobile Devices or Tablets or through Laptops connecting via Mobile Hotspot may experience Audio/Visual loss due to fluctuation in their network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

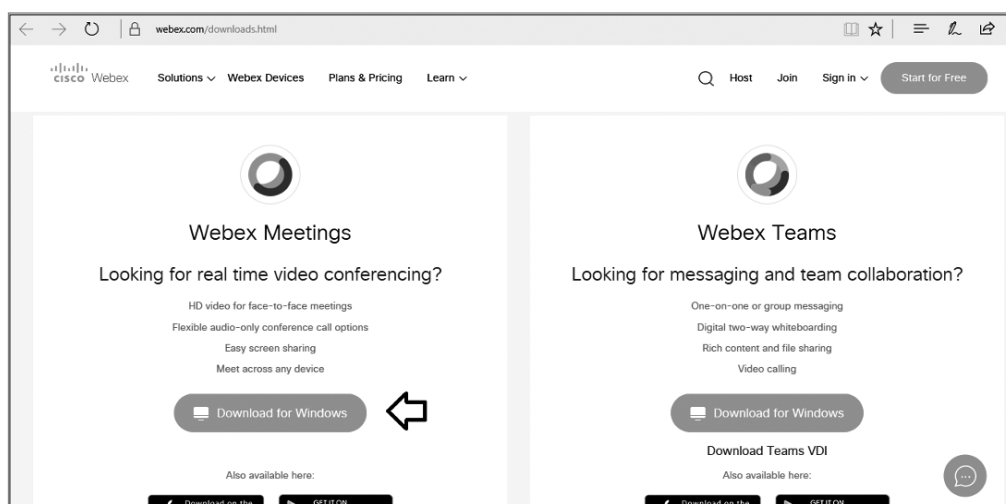
In case shareholders/ members have any queries regarding login/ e-voting, they may send an email to instameet@linkintime.co.in or contact on: - Tel: 022-49186175.

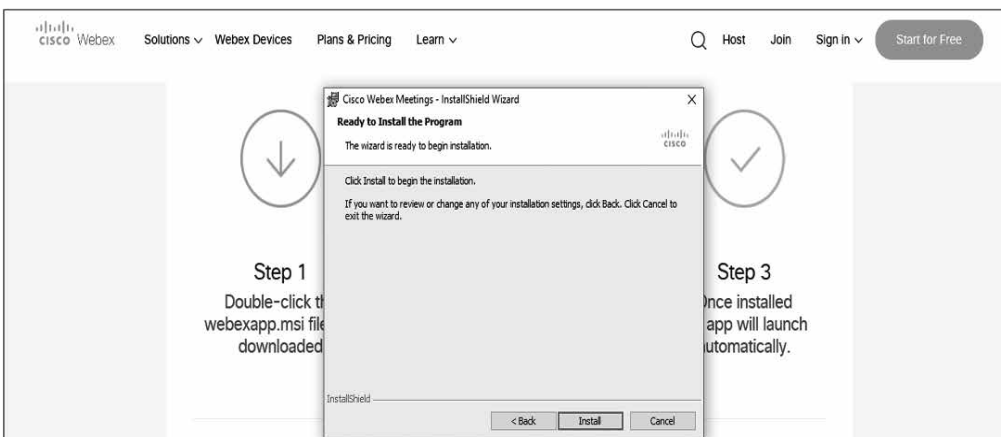
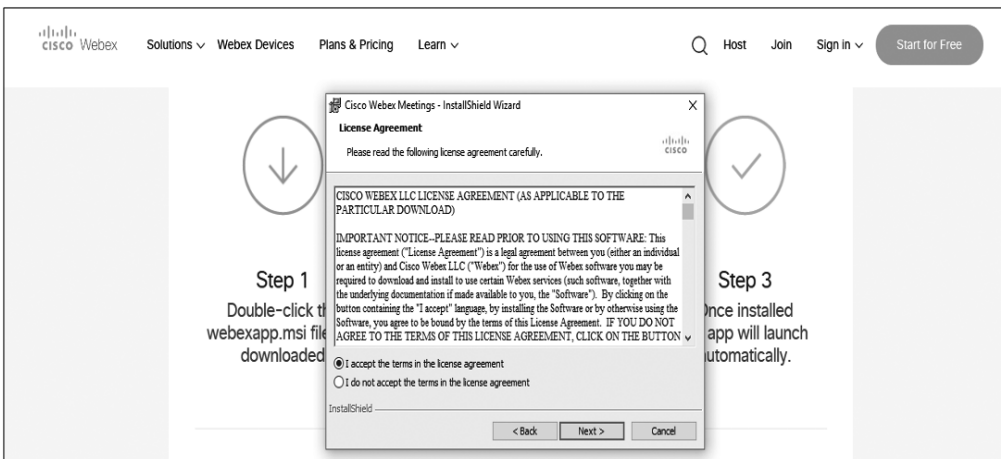
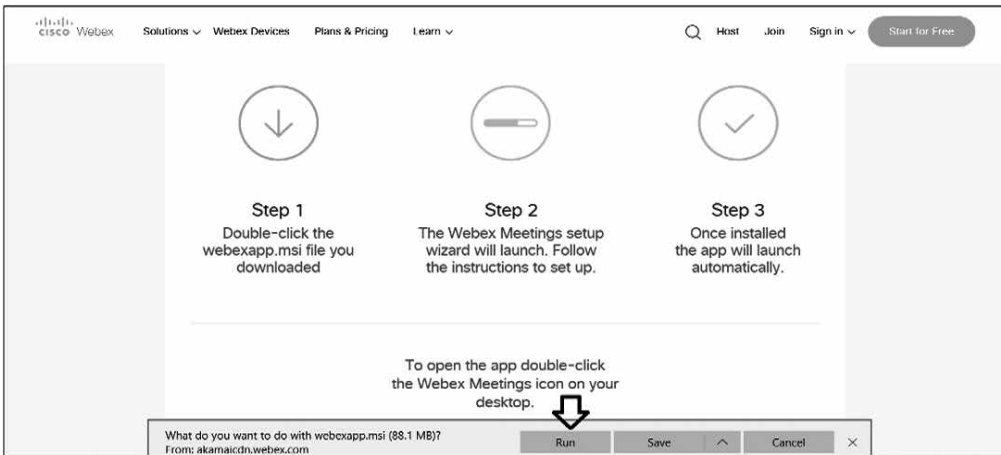
ANNEXURE

GUIDELINES TO ATTEND THE AGM THROUGH INSTAMEET

For a smooth experience of viewing the AGM proceedings of Link Intime India Pvt. Ltd. InstaMEET, shareholders/ members who are registered as speakers for the event are requested to download and install the Webex application in advance by following the instructions as under:

- a) Please download and install the Webex application by clicking on the link <https://www.webex.com/downloads.html/>





or

- b) If you do not want to download and install the Webex application, you may join the meeting by following the process mentioned as under:

| | |
|---------------|--|
| Step 1 | Enter your First Name, Last Name and Email ID and click on Join Now. |
| 1 (A) | If you have already installed the Webex application on your device, join the meeting by clicking on Join Now |
| 1 (B) | If Webex application is not installed, a new page will appear giving you an option to either Add Webex to chrome or Run a temporary application. |
| | Click on Run a temporary application, an exe file will be downloaded. Click on this exe file to run the application and join the meeting by clicking on Join Now |

The screenshot displays the Cisco Webex interface for joining an event. It includes a header with the Cisco Webex logo and a language/time selector (English - Mumbai Time). The main content area is divided into 'Event Information' on the left and a registration form on the right. The registration form contains a 'Join Event Now' button, a message indicating the event has not started, and input fields for 'First name', 'Last name', 'Email address', and 'Event password'. A 'Join Now' button is also located at the bottom of the form. A callout box with an arrow points to the registration fields, stating 'Mention your First name, Last name and email address'. Another callout box with an arrow points to the 'Join Now' button. The page also includes a link to the Cisco Webex Terms of Service and Privacy Statement and a note for hosts to 'start your event'.

Regd. Office:

N.I.D.C. Nr. Lambha Village, Post: Narol, Ahmedabad – 382 405
Gujarat, INDIA.
CIN: L45200GJ1973PLC050790
Tel: +91 (0) 79 6157 2300, Fax: +91 (0) 79 2571 0406,
E-mail: secretarial@stovec.com, Website: www.stovec.com

Date: 28th February, 2023
Place: Ahmedabad

By Order of the Board,
For **Stovec Industries Limited**,

Sanjeev Singh Sengar
Company Secretary
Membership No. FCS 7835

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

The statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 ("the Act"), concerning the Special Businesses set out in the Notice is annexed hereto and forms part of this Notice.

ITEM NO. 4

Section 197 of the Companies Act, 2013 provides that the commission up to 1% of the net profits of the company may be paid to the non-executive directors without the approval of members of the company but the Regulation 17(6)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires members approval by means of passing an ordinary resolution for payment of all fees / compensation to the non-executive directors (includes Independent Director).

The Company had taken approval of the members, from time to time, for payment of remuneration in the form of commission to Independent Director (Non-Executive Directors) not exceeding 1% of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Act and the present approval is valid till FY2022. Your company has three independent directors with diverse knowledge who play a very vital roles in Board's decision-making process through active participation, upholding good governance and ensuring regulatory checks & control etc. Having regard to their contributions, the members of Nomination and Remuneration Committee and Board of Directors at their meetings held on 28th February, 2023 recommended the proposal for remuneration payable to independent Directors of the Company, by way of commission, not exceeding 1% (one percent) of the net profits of the Company calculated in accordance with the provisions of the Act, for three year effective from the financial year 2023, subject to the approval of members in general meeting, accordingly, approval of members is being sought for passing an ordinary resolution for the payment of commissions to them. Commission shall be in addition to the payment of sitting fees and reimbursement of expenses incurred for attending the meetings of the Board of Directors of the Company and/or Committee(s) thereof. Board recommends the resolution for the approval of members.

Independent Directors and their relatives are deemed to be interested in the resolution, to the extent of the remuneration/commission they may receive. None of the other Directors, key managerial personnel, and their relatives, are in anyway concerned or interested, financially or otherwise, in the resolution.

ITEM NO. 5

Members may be aware that company has passed resolution at its 46th Annual General Meeting for paying commission to its independent directors for a period of three financial years commencing from 1st January, 2020, with powers to Board or Committee thereof, to pay commission to each of the Independent Directors as it may think fit. Within that authority, Board has approved commission to the independent directors for FY2022 in its meeting held on 28th February, 2023, but the commission payable to Mr. Thanawalla exceeds the fifty percent of the total commission payable to all Independent Directors of the Company which requires approval members in terms of Regulation 17(ca) of SEBI Listing Regulations.

Regulation 17(ca) of the SEBI Listing Regulations requires listed entity to obtain, every year, approval of members by way of passing special resolution for payment of remuneration to a single non-executive director that exceed 50% of the total remuneration payable to all the non-executive directors.

Mr. Thanawalla, 80, is a Non-Executive Director and Chairman of the Company for more than two decades. He graduated from the Bombay University, fellow member of The Institute of Chartered Secretaries & Administrators, London, UK, and Fellow of The British Institute of Management. He is also an Associate of The Textile Institute, U.K. He has over 4 decades of experience in establishing and managing green field projects across the spectrum of the textiles, shipping, trading and other industries in India, E. Africa, and S.E. Asia. Having regards to his ironic experience and in-depth knowledge of the textile industry around of five decades vis a vis his eminence role in the Company, Board recommends him higher remuneration for approval of members of the company.

Except Mr. Thanawalla, none of the other Directors and key managerial personnel and relatives thereof, is in any way concerned or interested, financially or otherwise, in the resolution.

ITEM NO. 6

The Board of Directors of the Company, on the recommendation of the Audit Committee, has approved the appointment of M/s Dalwadi & Associates, Cost Accountants (Firm Registration No. 000338), as the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st December, 2023.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (as amended), the remuneration payable to the Cost Auditors must be ratified by the Members of the Company. Accordingly consent of the Members is sought by way of an ordinary resolution as set out in the Notice for ratification/approval of the remuneration amounting to ₹0.15 Million/- plus applicable Goods and Service Tax and out of pocket expenses, if any, payable to the Cost Auditors for Cost Audit for the financial year ending on 31st December, 2023, in respect of products/ activities of the Company covered under the Companies (Cost Records and Audit) Rules, 2014 (as amended).

Board recommends the resolution for the approval of members.

None of the Directors, key managerial personnel, and relatives thereof, are in any way concerned or interested, financially or otherwise, in the resolution.

Brief profile of Director(s) seeking appointment/re-appointment at the Annual General Meeting of the Company pursuant to Regulation 36(3) of SEBI Listing Regulations and SS-2.

| | |
|--|---|
| Name of Director | Mr. Eiko Ris |
| Director Identification Number | 07428696 |
| Date of Birth | 17 th October, 1958 |
| Nationality | Dutch |
| Date of Appointment | 12 th March, 2019 |
| Expertise in specific functional areas | Finance & General Management |
| Qualifications & experience | He holds the degree of MsC (RA) from the Netherlands Institute of Registrar Accounts He has rich experience of about four decades in finance. |
| Terms and conditions of appointment/re-appointment | Non-Executive Director liable to retire by rotation. |
| Remuneration to be paid | Nil |
| Remuneration last drawn by the Director | Nil |
| Details of relationship with other Directors, Manager and Key Managerial Personnel of the Company | None |
| Details of shares held in the Company | Nil |
| No. of Board Meetings attended during the financial year 2022 | 3 (Three) |
| List of listed entities in which directorship held as on 31st December, 2022 | None |
| Listed entities from which the person has resigned in the past three years. | None |
| Chairman/Member of the Committees of other public Companies as on 31st December, 2022 (includes Audit Committee and Stakeholders' Relationship Committee only) | None |

BOARD'S REPORT

To the Members,

Your Company's Board of Directors ("Board") is pleased to present the Forty Ninth Annual Report of Stovec Industries Limited ("Stovec" or "Company") for the financial year ended 31st December, 2022 ("year under review" or "year" or "FY22").

1. FINANCIAL PERFORMANCE

(₹ in Million except EPS)

| Particulars | FY22 | FY21 |
|--|-----------------|-----------------|
| Revenue from Operations (net) | 2,358.49 | 2,333.61 |
| Other Income | 46.17 | 56.20 |
| Total Income: | 2,404.66 | 2,389.81 |
| Total Expenditure: | 2,097.48 | 1,964.22 |
| Gross Profit before Depreciation and Amortisation exp. | 307.18 | 425.58 |
| Less: Depreciation & Amortisation expenses | 59.78 | 51.02 |
| Profit Before Exceptional Items and Tax | 247.40 | 374.56 |
| Add: Exceptional items | 77.06 | 15.90 |
| Profit before tax | 324.46 | 390.46 |
| Current Tax | 83.82 | 91.74 |
| Deferred tax | (5.17) | 1.90 |
| (Excess)/Short provision of income tax of earlier years (Net) | (1.86) | 0.41 |
| Profit After Tax | 247.67 | 296.41 |
| Add: Profit brought forward from previous year | 1,514.35 | 1,267.16 |
| Dividend on equity shares (Refer Note below) | (119.02) | (45.94) |
| Remeasurement gains/(losses) on defined benefit plans (net of tax) | 0.49 | (3.28) |
| Profit available for appropriation & carried forward to Balance Sheet | 1,643.49 | 1,514.35 |
| EPS | 118.61 | 141.96 |

During the year, your Company has achieved standalone revenue from operations of ₹2,358.49 Million as compared to ₹2,333.61 Million in previous year, and Operational Profit (PBT) stood at ₹324.46 Million as compared to ₹390.46 Million in previous year. A detailed overview of the global and Indian economy has been provided in the Management, Discussion and Analysis Report.

Decommissioning of Contract Manufacturing Agreement (CMA) with Atul Sugar Screens Private Limited has been completed during the year in May 2022.

The Company has launched new innovative rotary textile screen printing machine "Teak" at the ITME exhibition in India. Teak is the next generation Pegasus EVO, with universal repeat functionality and can print up to 2.45m printing width. With this development, the Company now has a complete rotary printing machine portfolio, to meet all customer demands in the market up to 2.45m printing width.

The Company has no subsidiary, associate and joint venture company during the year.

2. RESERVES AND SURPLUS

There is no amount transferred to the reserves.

3. DIVIDEND

Committed towards the stakeholders' return vis a vis company's performance in the year, Board has recommended dividend of ₹47 per equity share of ₹10/- each (i.e. 470%) for the financial year ended on 31st December, 2022 subject to the approval of members in the ensuing annual general meeting of the Company.

Unclaimed dividend of ₹0.98 Million pertaining to FY2014 has been transferred to the Investor Education and Protection Fund (IEPF) in the reporting year upon completion of seven years in accordance with IEPF Rules.

4. SHARE CAPITAL

During the year under review, there was no change in the paid-up share capital of the Company. The Company's paid-up equity share capital stood at ₹20.88 Million as on 31st December, 2022. No shares or securities were issued by the Company during the year.

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as required to be given under Section 134(3)(m) of the Companies Act, 2013 ("**Act**") read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is provided in **Annexure-I** to this Report.

6. DEPOSITS

Neither the Company has accepted nor renewed any deposits during the year which falls under Section 73 of the Act and rules made thereunder.

7. CORPORATE GOVERNANCE

Report on Corporate Governance pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), is annexed to the Annual Report as **Annexure-II** along with the certificate of Practicing Company Secretary for compliance of the conditions of Corporate Governance.

8. AUDIT COMMITTEE

The Company has in place Audit Committee in terms of requirements of the Act read with rules framed thereunder and the Listing Regulations. The details relating to the Audit Committee are given in the Corporate Governance Report forming part of this report. During the year under review, Board has accepted all recommendations of the Audit Committee.

9. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Shailesh Wani (DIN: 06474766) was re-appointed as Managing Director of the Company for a further period of 5 years with effect from 1st October, 2022 and no other changes had taken place in Board of Directors of the company during the year.

Mr. Eiko Ris (DIN: 07428696) Non-executive director of the Company is liable to retire by rotation at the ensuing AGM and being eligible offers himself for re-appointment. The particulars of the re-appointment have been given in the notice of the AGM.

Company meets the requirement of section 203 of the Companies Act, 2013 of having KMP and Mr. Shailesh Wani, Managing Director (DIN: 06474766), Mr. Paras Mehta, Chief Financial Officer and Mr. Sanjeev Singh Sengar, Company Secretary are the Key Managerial Personnel of the Company.

The Company's Independent Directors have given requisite declarations confirming that they continue to meet the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. The Independent Directors have also confirmed that they have complied with Schedule IV of the Act and the Company's Code of Conduct. The Independent Directors of the Company have registered themselves with the Indian Institute of Corporate Affairs (IICA) towards the inclusion of their names in the data bank maintained with it and they meet the requirements of proficiency self-assessment test.

The independent directors are regularly updated on company's performance, industry's overview, business model, associated risks and opportunities through various presentations at the meeting of the board of directors of the company and regulatory updates are presented or circulated to the Board members from time to time towards their familiarisation program.

10. BOARD MEETING

During the financial year, four meetings of the Board were held, details of which are given in the Corporate Governance Report annexed to this report.

Disclosure on the compliance of Secretarial Standards: The Board affirms to the best of their knowledge that the Company has complied with all the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India.

11. PERFORMANCE EVALUATION

The performance evaluation of the Directors, Chairman, Board as a whole and Committees of the Board were made during the year in accordance with the provisions of the Act and Listing Regulations.

Nomination and remuneration committee has evaluated the aforesaid performance taking into accounts inter alia feedback of the each of the directors on structured questionnaire made for evaluating the above performance. Independent Directors in their meeting has also evaluated the performance of Chairman and the directors individually. The evaluation has been further elaborated in corporate governance report section.

12. CORPORATE SOCIAL RESPONSIBILITY

In accordance with Section 135 of the Act and Rules framed thereunder, the Corporate Social Responsibility ("CSR") Committee has been constituted consisting of three members, details of which is given in the Corporate Governance Report. The Company has implemented its CSR projects during the year through the implementing agencies approved by the Committee and Board. The details of CSR policy and Annual report on CSR activities of the Company as prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014, have been provided in **Annexure-III** to this report.

13. BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT ("BRSR")

Pursuant to regulation 34(2)(f) of the Listing Regulations, BRSR describing the initiatives taken by the Company from an environmental, social and governance perspective, in the prescribed format is enclosed to this report separately as **Annexure -IV**. Company has taken initiative to publish its first BRSR voluntarily in pursuance of regulation 3(2) of Listing Regulations..

14. NOMINATION AND REMUNERATION POLICY

The details of the Nomination and Remuneration Policy are mentioned in the Corporate Governance Report. A Statement of Disclosure of Remuneration pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, (as amended) is provided as **Annexure-V** to this Report.

15. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control system commensurate with the size, scale and complexity of its operations and they are well defined. Management and the Internal Auditors monitors and evaluates the efficacy and adequacy of internal control systems of the Company with reference to the Financial Statement, its compliance with standard operating procedures, accounting procedures and policies. Reports of Internal Auditor are quarterly placed before the Audit Committee for its review. Based on the report of Internal Auditors, process owners undertake corrective actions in their respective areas and thereby strengthening the controls continuously. Significant audit observations, if any, and corrective actions suggested and taken are presented to the Audit Committee.

Our internal control system, supports orderly and efficient conduct of its business including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. During the year under review, no material weakness is reported and observed. Regular audit and review processes ensure that such systems are reinforced on an ongoing basis.

16. ANNUAL RETURN

Annual Return for FY2022 is available on the Company's website at www.stovec.com as required by section 92 of the Act.

17. CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES

All the transactions with related parties that were entered during the year were at arms' length and in the ordinary course of business of the Company and none of them were material except one which was approved by the members in previous AGM. Particulars of such material related party transactions in Form AOC-2 is reported as required by section 134 read with section 188 of the Companies Act, 2013 and Rule 8 (2) of the Companies (Accounts) Rules, 2014 by way of **Annexure-VI** to this report.

During the period under review, all the Related Party Transactions (RPTs) were placed before the audit committee for its prior approval and audit committee grants its approval/ omnibus approval, as the case may be, considering, inter alia, their nature and repetitiveness. There was no material modification in any of the RPTs during the year. Omnibus approvals are reviewed by the audit committee quarterly. The Company has framed a policy on RPTs for the purpose of identification, approval and monitoring of such transactions. The policy on Related Party Transactions is hosted on the Company's website at www.stovec.com. Necessary related party disclosures are made in note no. 29 of notes to financial statements.

18. PARTICULARS OF LOANS, GUARANTEE OR INVESTMENTS

The Company has no Inter-Corporate Loans/Guarantees/ Security. Investments made in the shares/securities of the companies are provided in the notes to financial statement forming part of this Annual Report. The investments are within the limits as specified in Section 186 of the Act.

19. VIGIL MECHANISM

Your company believes in doing business with integrity and displays zero tolerance for any form of unethical behaviour. In terms of Section 177(9) of the Act, vigil mechanism for the Directors and employees has been framed to report the unethical behaviour, malpractices, wrongful conduct, frauds, violations of the Company's code of conduct, which also provides for adequate safeguards against victimisation of director(s) / employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional circumstances. Audit Committee oversees and review the functioning of this policy from time to time.

The whistleblower policy of the company is available on the Company's website at www.stovec.com at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/Whistle%20Blower%20Policy.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/Whistle%20Blower%20Policy.pdf)

20. RISK MANAGEMENT

Your company has developed and implemented a Risk Management Policy pursuant to Section 134(3)(n) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, which includes identification of elements of risk, if any, which in the opinion of the Board, may threaten the existence of the Company.

The risk management process is designed to safeguard the organisation from various risks through adequate and timely action. It is designed to anticipate, evaluate and mitigate

risks in order to minimise its impact on the business. The risk management framework of the Company is appropriate compared to the size of the Company and the environment under which the Company operates. The Audit Committee oversees the risk management system and its adequacy.

21. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134 (3)(c) and 134 (5) of the Act, your directors confirm, to the best of their knowledge and belief:

- a) that in the preparation of the annual financial statements for the year ended 31st December, 2022, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that such accounting policies have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2022 and of the profit of the Company for the year ended on that date;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual financial statements for the year ended 31st December, 2022, have been prepared on a going concern basis;
- e) that proper internal financial controls are in place in the Company and that such internal financial controls are adequate and are operating effectively; and
- f) that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

22. POLICY ON PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

Company has framed a policy on Sexual Harassment at workplace which aims to provide protection to women employees at workplace and prevent and redress complaints of sexual harassment and for matters connected therewith or incidental thereto, with the objective of providing a safe working environment, where employees feel secure. An internal complaint's committee has been set up to redress complaints regarding sexual harassment.

The Company has not received any complaint under the sexual harassment of women at workplace during the year under review.

23. AUDITORS AND AUDITORS REPORT

STATUTORY AUDITORS

Pursuant to the provisions of Section 139 of the Act read with the Companies (Audit and Auditor's) Rules, 2014, M/s. SRBC & CO LLP, Chartered Accountants (FRN 324982E/E300003) was appointed as Statutory Auditors of the Company for a term of 5 consecutive years to hold office from the conclusion of 46th Annual General Meeting until the conclusion of 51st Annual

General Meeting to be held in the year 2025. Hence, M/s. SRBC & CO is the auditor of the Company.

COST RECORDS AND COST AUDITORS

In terms of Section 148 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, your company duly maintain the cost accounts and records.

Board on the recommendation of the audit committee, have reappointed M/s Dalwadi and Associates, Cost Accountants (Firm Registration No.000338) as its Cost Auditors to audit the cost records of the Company for the financial year 2023. The Audit report on the cost records of the Company will be submitted to the Central Government in due course. A certificate has been received from the Cost Auditors to the effect that their appointment as Cost Auditors of the Company, if made, would be in accordance with the limit as specified under Section 141 of the Act and Rules framed thereunder. A resolution seeking member's approval for the remuneration payable to Cost Auditors forms part of the Notice convening 49th Annual General Meeting of the Company and the same is recommended for approval of Members.

SECRETARIAL AUDIT

Pursuant to Section 204 of the Act and SEBI Listing Regulations, M/s Sandip Sheth & Associates, Practicing Company Secretaries (COP No. 4354) was appointed secretarial auditor of the Company for conducting secretarial audit for the financial year ended on 31st December, 2022. The secretarial audit report provided by him is annexed to this report as **Annexure-VII**.

AUDITORS REPORT

The Auditors' Report to the members for the year under review does not contain any qualifications or reservations or adverse remarks of the respective auditors and need not require any comments or explanation under section 134(3)(f) of the Act.

There have been no instances of fraud reported by any of the auditors under Section 143(12) of the Act and Rules made thereunder, either to the Company or to the Central Government.

24. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments have occurred between the end of the financial year to which the Financial Statements relate and the date of this Report, which affect the financial position of the Company.

25. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

As on date of this report, there are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and operations of the Company in future.

26. PARTICULARS OF EMPLOYEES

The information on employees' particulars as required under Section 197 (12) of the Act read with Rule 5 (2) and 5 (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended), forms part of this Report. In terms of Section 136 of the Act, the Report

and Financial Statements are being sent to the Members and others entitled thereto, excluding such information. The said information is available for inspection by any members at the Registered Office of the Company on any working day (i.e. except Saturday, Sunday and Public Holidays) up to the date of Annual General Meeting. Any Member interested in obtaining a copy of the same may write to the Company Secretary.

27. ENVIRONMENT, HEALTH AND SAFETY

The Company is committed to health and safety of its employees, contractors and visitors. We are compliant with all EHS Regulations stipulated under the Water (Prevention and Control of Pollution) Act, The Air (Prevention and Control of Pollution) Act, The Environment Protection Act and the Factories Act and Rules made thereunder. Our mandate is to go beyond compliance standards, and we are progressive in this direction.

The health and safety of our people is paramount. We prepare our people as much as possible for facing the potential risks in our facilities. This preparation includes adherence to clear standards, education, training, auditing and follow-up to reinforce accountability.

28. GENERAL

- a. There was no application made or proceeding pending against the Company under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year.
- b. The Company is debt free and has no loan. Hence, there has been no such instance of valuation done for settlement or for taking loan from the Banks or Financial Institutions.

29. ACKNOWLEDGEMENT

The Board express its appreciation for the contribution, co-operation and confidence reposed by SPG Prints B.V. – the Parent Company. The Directors further express their deep sense of gratitude to the Central and State Government Ministries and departments, shareholders, customers, suppliers, business associates, bankers, employees, and all other stakeholders for their support and look forward to their continued co-operation and support.

For and on behalf of Board of Directors

K. M. Thanawalla

Chairman

DIN: 00201749

Date: 28th February, 2023

Place: Mumbai

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

(Pursuant to provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014).

A. CONSERVATION OF ENERGY

| | |
|--|---|
| (i) The steps taken or impact on conservation of energy | <ul style="list-style-type: none"> • Constantly modernising outdated electroplating baths for rotary screens to meet energy-saving objectives • Ensuring continuous reduction of Electrical Energy Consumption in Conventional pumps of HWG system & remaining Air handling units through Integration of variable frequency drives • For the safe transfer of electrical energy in electroplating baths, electrical energy providing cables were replaced by bus trunking • Maintained & improved power factor close to unity by installing additional capacitor banks • Followed regular practice of replacing old inefficient lighting fixtures with LED lighting fixture and old industrial fans with BLDC industrial fans • Adhered to a regular schedule of well-planned maintenance to guarantee the effective operation of all plant machineries |
| (ii) The steps taken by the company for utilising alternate sources of energy. | Company evaluates the viability of utilising various accessible options in the market for alternate energy on a regular basis. |
| (iii) The capital investment on energy conservation equipment's | <ul style="list-style-type: none"> • Installation of VFD control in AHU and higher capacity pumping system • Replacement of old inefficient rectifiers with new energy efficient rectifiers |

B. TECHNOLOGY ABSORPTION

| | |
|---|--|
| (i) The efforts made towards technology absorption | Company constantly strives to improve product quality and process improvement to achieve the maximum degree of efficiency in order to acquire customer satisfaction, and R&D activities have become an essential component of our corporate culture. |
| (ii) The benefits derived like product improvement, cost reduction, product development or import substitution | <ul style="list-style-type: none"> • Product cost reduction • Product and Process improvement • Improved product features, • Improved functionalities |
| (iii) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) (a) the details of technology imported; (b) the year of import; (c) whether the technology been fully absorbed; (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and | Not Applicable |
| iv) The expenditure incurred on Research and Development. | ₹3.64 Million |

FOREIGN EXCHANGE EARNINGS AND OUTGO

(₹ in Million)

| Particulars | Amount |
|--|--------|
| Earnings in foreign exchange from Goods and Services exported, Commission etc. | 430.00 |
| Value of imports of raw materials, components, stores, spares, Commission, technical know-how fees, royalty etc. | 991.91 |

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Stovec firmly believes in transparency and has immense value for the principles of corporate governance. Stovec understands that accountability, equity and total transparency in its interaction with all stakeholders is its responsibility while conducting its business and hence is totally committed to achieving highest level of standards in corporate governance practice. It is a well-accepted fact, both in India and world over that a good, governed organisation results in maximising its stakeholders' value in long run. Stovec always seek to ensure that it attains performance goals with integrity. Corporate Governance has indeed been an integral part of the way Stovec have done business. This emanates from our strong belief that strong governance is essential in creating value on a sustainable basis. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

The Company has complied with all the requirements stipulated under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended ("Listing Regulations"), as applicable,

with regard to Corporate Governance and listed below is the status with regard to same:

2. BOARD OF DIRECTORS

The Board, being the trustee of the Company, is responsible for the establishment of cultural, ethical, sustainable and accountable growth of the Company, is constituted with a high level of integrated, knowledgeable, and committed professionals. At the helm of the Company's Corporate Governance practice is its Board. The Board provides strategic guidance and independent views to the Company's senior management while discharging its fiduciary responsibilities. The Board also provides direction and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations.

The composition of the Board with reference to the number of Executive, Non-Executive Directors and Woman Directors, meets the requirement of Regulation 17(1) of Listing Regulations and it consists of an optimal combination of Executive, Non-Executive and Independent Directors, representing a judicious mix of in-depth knowledge and experience.

| Name of Director | Category | *Outside Directorship | **No. of Committee positions held outside | | Directorship in other listed entities | |
|---------------------------------------|--|-----------------------|---|----------|---|--|
| | | | Member | Chairman | Name of Entity | Designation |
| Mr. K M Thanawalla (DIN: 00201749) | Non-Executive & Independent (Chairman) | 13 (Thirteen) | 3 | 2 | Standard Industries Limited | Independent Director |
| Mr. Marco Wadia (DIN: 00244357) | Non-Executive & Independent | 8 (Eight) | 1 | 1 | Josts Engineering Company Limited Mangalore Chemicals and Fertilizers Limited | Independent Director Independent Director |
| Mr. Garrett Forde (DIN: 09040078) | Non-Executive & Non-Independent | - | - | - | - | - |
| Mr. Eiko Ris (DIN: 07428696) | Non-Executive & Non-Independent | - | - | - | - | - |
| Mrs. Kiran Dhingra (DIN: 00425602) | Non-Executive & Independent | 3 (Three) | 4 | 0 | Goa Carbon Limited Astra Microwave Products Limited Paradeep Phosphates Limited | Independent Director Independent Director Independent Director |
| Mr. Shailesh Wani (DIN: 06474766) | Executive (Managing Director) | - | - | - | - | - |

* Excluding companies incorporated under Section 8 of the Companies Act, 2013 and Companies incorporated outside India

** Includes Audit and Stakeholders Relationship Committee of all other listed and unlisted public limited companies

Based on declarations received from the Independent Directors, the Board of Directors are of the opinion that the Independent Directors fulfill the conditions specified in the Listing Regulations and the Companies Act, 2013 ("the Act") and are independent of the management and none of the Directors are related to any other Director.

The four meeting of the board were held during the year on 25th February, 2022, 6th May, 2022, 10th August, 2022, and 14th November, 2022 within the permissible time gap between any two consecutive meetings. None of the Directors is a director in more than 20 Companies or more than 10 Public Limited Companies or acts as an Independent Director in more than 7 Listed Companies. None

of the Executive Directors act as Independent Director of more than 3 listed entities. None of the Directors is a member in more than 10 Committees or is Chairperson of more than 5 Committees amongst the Companies in which he/she hold directorships. The attendance record of the Directors at the Board as well as Annual General Meeting are as follows-

DETAILS OF THE BOARD MEETINGS, ATTENDANCE AND SHAREHOLDING

| Directors | Board Meetings held | Board Meetings attended | Attendance at the last AGM | No. of Shares held | % of total shares held in the company |
|----------------------------|---------------------|-------------------------|----------------------------|--------------------|---------------------------------------|
| Mr. K. M. Thanawalla (KMT) | 04 | 04 | Yes | Nil | - |
| Mr. Garret Forde (GF) | 04 | 02 | Yes | Nil | - |
| Mr. Eiko Ris (ER) | 04 | 03 | Yes | Nil | - |
| Mr. Marco Wadia (MW) | 04 | 04 | Yes | 3,910 | 0.19 |
| Mrs. Kiran Dhingra (KD) | 04 | 04 | Yes | Nil | - |
| Mr. Shailesh Wani (SW) | 04 | 04 | Yes | Nil | - |

DISCLOSURE OF EXPERTISE OR SKILLS OF DIRECTORS

The Board has identified the following skill set with reference to its Business and Industry which are available with the Board and individual directors:

| Sr. | List of core skills/expertise/ competence | KMT | GF | ER | MW | KD | SW |
|-----|---|-----|----|----|----|----|----|
| a) | Knowledge of the Manufacturing sector and Textile Industry | √ | √ | √ | √ | √ | √ |
| b) | General Business Understanding, Administration and management | √ | √ | √ | √ | √ | √ |
| c) | Sales and Marketing Functions | √ | √ | - | - | - | √ |
| d) | Business Strategy Formation | √ | √ | √ | √ | √ | √ |
| e) | Corporate Strategy/Restructuring | √ | √ | √ | √ | √ | √ |
| f) | Finance, Accounting and Costing | √ | √ | √ | √ | √ | √ |
| g) | Legal, Regulatory Compliance | - | - | - | √ | - | - |
| h) | Corporate Governance | √ | √ | √ | √ | √ | √ |
| i) | Human Resource Management | - | √ | √ | √ | - | √ |
| j) | Risk Management and Mitigation Planning | √ | √ | √ | √ | - | √ |

APPOINTMENT / RE-APPOINTMENT

Disclosure in relation to appointment/re-appointment is given at Sr. No. 9 to the Directors' Report.

ANNUAL PERFORMANCE EVALUATION

The Annual performance evaluations of the Board, Committees of the Board and Directors including Chairman of the Board was carried out through a structured questionnaire by Nomination and Remuneration Committee (NRC). The structured questionnaires were circulated to each of the board members to evaluate the said performances. The director's feedback on the questionnaire was sent to Chairman of the Board directly except feedback on his own evaluation which was sent to the Chairman of NRC. Based on directors' feedback, Committee has evaluated the performance. Evaluation mechanism was based on various parameters relating to leadership qualities, understating with critical matters, individual contribution to the company performance, maintaining confidentiality wherever required, effective and efficient participation, independence in judgment, vis a vis understanding of the Company's business and strategy, guidance on corporate strategy etc. Board has taken note of evaluation made by NRC.

Based on the evaluations made, it was determined that all the independent Directors shall continue with remaining period of their current term.

The Independent Directors in their meeting assessed the performance evaluations and the quality, sufficiency and timeliness of flow of information from the Company's management, which they found effective and reasonable to perform their duties. Board acknowledged and endorsed above evaluations.

FAMILIARISATION PROGRAM

The Independent Directors are familiarised by the management with respect to their roles and responsibilities, industry behaviour, Company's business model, risks, threats and opportunities initially at the time of joining and thereafter from time to time through various business presentations at meeting of the board of directors. Moreover, the board members keep on abreast with regulatory changes from time to time under the familiarisation program. The details of familiarisation program is available at the website of the Company at www.stovec.com at https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media/Stovec%20investor%20relations/4.%20Shareholder%20Information%20and%20Disclosures/Familiarization_Programme.pdf

INDEPENDENT DIRECTOR'S MEETING

Pursuant to the provisions of the Act and Regulation 25 of Listing Regulations, a meeting of Independent Directors was held on 24th February, 2022 without the presence of Non-

Independent Directors and members of the Management to evaluate the Board and director's performance and to assess the flow of information to them.

3. COMMITTEES OF THE BOARD

The Committees of the Board are constituted as per the Act and Listing Regulations.

3.1 AUDIT COMMITTEE

The terms of reference of the Audit Committee are in line with the requirement of Section 177 of the Act, rules framed thereunder and the Listing Regulations. They are:

- (i) Review Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible and also to examine the financial statement and the auditors' report thereon;
- (ii) Review with the management, of the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement forming part of the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013 or any amendment or re-enactment thereof;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions;
 - g. Qualifications in the draft audit report.
- (iii) Review with the management of the quarterly financial statements before submission to the Board for approval
- (iv) Recommending to the Board, the appointment, re-appointment, terms of appointment/re-appointment, fixation of audit fees and, if required, the replacement or removal of the Auditor;
- (v) Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- (vi) Review and monitor the auditor's independence and performance and effectiveness of audit process;
- (vii) Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (viii) May call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the Internal and Statutory Auditors and the Management of the Company;
- (ix) Reviewing with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems;
- (x) Review of the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xi) Discussion with Internal Auditors of any significant findings and follow up there on;
- (xii) Evaluation of internal financial controls and risk management systems;
- (xiii) Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (xiv) Review of information relating to:
 - a) Management discussion and analysis of financial condition and results of operations;
 - b) Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
 - c) Internal Audit reports relating to internal control weaknesses;
 - d) The appointment, removal and terms of remuneration of the Chief internal auditor
 - e) quarterly statement of deviation(s) including report of monitoring agency, if applicable, and annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice.
- (xv) Approval or any subsequent modification of transactions of the Company with related parties;
- (xvi) Scrutiny of inter-corporate loans and investments;
- (xvii) Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), The statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- (xviii) Valuation of undertakings or assets of the Company, wherever it is necessary;
- (xix) To look into the reasons for substantial defaults in the payment to the depositors, if any, debenture holders, if any, shareholders (in case of non-payment of declared dividends) and creditors;
- (xx) To review the functioning of the Whistle Blower/Vigil Mechanism; Details of establishing the Vigil Mechanism have been disclosed on the Company's website and in the Director's Report;
- (xxi) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing

the qualifications, experience and background, etc. of the candidate;

- (xxii) To review the financial investments, in particular, the investments made by the unlisted subsidiary company;
- (xxiii) Reviewing the utilisation of loans and/ or advances from investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision;
- (xxiv) Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholder;
- (xxv) Other matters as may be prescribed from time to time to be dealt with or handled by the Audit Committee pursuant to provisions of the Companies Act, 2013, the Rules framed thereunder, the Listing Regulation and the guidelines, circulars and notifications issued by Securities and Exchange Board of India ("SEBI")/Ministry of Corporate Affairs ("MCA") from time to time;
- (xxvi) Carrying out any other function as may be assigned to it by the Board from time to time.

Composition & attendance at the meeting

The composition of the Audit Committee and details of meetings attended by its members during the FY2022 are given below:

| Name | Designation | No of meetings | |
|----------------------|-------------|----------------|----------|
| | | Held | Attended |
| Mr. K. M. Thanawalla | Chairman | 04 | 04 |
| Mr. Marco Wadia | Member | 04 | 04 |
| Mr. Shailesh Wani | Member | 04 | 04 |

The Committee met 4 (four) times during the year i.e., 25th February, 2022, 6th May, 2022, 10th August, 2022 and 14th November, 2022 and time gap between any two meetings did not exceed 120 days.

Company Secretary act as the secretary to the Committee. The Chairman of the Audit Committee was present in the last Annual General Meeting to answer the shareholders queries.

3.2 NOMINATION AND REMUNERATION COMMITTEE ('NRC'):

The terms of reference of NRC have been formulated in line with the requirement of Section 178 of the Act, rules framed thereunder and the Listing Regulations, the brief whereof are as under:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- 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 their appointment and removal.

- Whether to extend or continue the term of appointment of the independent director.
- Recommend to the board, all remuneration, in whatever form, payable to senior management
- Carrying out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable

Composition & attendance at the meeting

The composition of NRC and details of meetings attended by its members during the FY2022 are given below:

| Name | Designation | No of meetings | |
|----------------------|-------------|----------------|----------|
| | | Held | Attended |
| Mr. Marco Wadia | Chairman | 02 | 02 |
| Mr. K. M. Thanawalla | Member | 02 | 02 |
| Mr. Eiko Ris | Member | 02 | 01 |

The NRC met 2 (two) times during the year on 25th February, 2022 and 6th May, 2022. Company Secretary acts as the Secretary to the Committee.

The Chairman of the NRC was present in the last Annual General Meeting to answer the shareholders queries.

Nomination and Remuneration policy

The Nomination and Remuneration policy of the Company is performance driven and structured to motivate employees, recognise their merits and achievements, in order to retain the talent in the Company and stimulate excellence in their performance.

The Nomination & Remuneration Policy of the Company is available on the website of the Company at www.stovec.com and gist of nomination and remuneration policy which, inter alia, deals with the manner of selection of persons who are qualified to become directors, KMP and in senior management, determination of their remuneration and performance evaluation thereof are as follows.

Appointment criteria and qualification

- NRC considers, inter alia, following attributes/criteria, whilst recommending to the Board the candidature for appointment as director or key managerial person or senior management in line with corporate HR policy of the Company:
 - Qualification, expertise and experience of the persons in their respective fields;
 - Personal, Professional or business standing;
 - Diversity of the Board etc.
- NRC shall, based on the criteria laid down in Corporate HR Policy, identify person for appointment or removal of KMP or Senior Management level and recommend to the Board.
- Independent Director shall fulfil the criteria of independence as provided in Section 149(6) of the Act, as amended from time to time.

- In case of appointment of Independent Directors, the NRC satisfies itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively; disqualifications as prescribed under Section 164 of the Act; balance of skills, knowledge, backgrounds, board diversity, time commitment and experience on the Board, performance evaluation etc. Person recommended to the Board for appointment as an independent director shall have the capabilities identified by the committee.
- Term of appointment/re-appointment of any person as Managing Director or Whole-time Director or Executive Director shall not exceed five years at a time.

Remuneration:

The remuneration is divided into fixed component comprising of salary, perquisites and retirement benefits, and variable component. Variable pay is paid based on the financial performance of the company. Remuneration is determined keeping in view the industry benchmark, performance of the Company vis a vis industry performance and prevailing market trend. Variable pay of the Executive/Managing Director shall be as per the scheme applicable to Managing Directors of SPGPrints Operating Companies. Remuneration to other Directors and KMPs are determined as per Act and the Listing Regulations.

(i) Remuneration to Managing/Whole-time/Executive Director:

The NRC shall consider and recommend to the board remuneration and annual increment payable to the Managing/Whole-time/Executive Director and in case the approval of shareholders is required, the board recommend the same to the shareholders for their approval.

The Board on the recommendation of NRC decide the remuneration of the Managing Director/Executive Director's, subject to the approval of the members. Remuneration comprises of fixed components viz. salary, perquisites, allowances and variable pay not exceeding to 50% of the remuneration (as per the scheme applicable to Managing Directors' of SPGPrints Group Companies) based on the targets achieved. The Managing Director will be entitled to bonus provided the conditions for awarding bonus have been met.

Remuneration and sitting fees paid/payable in respect of the FY2022 are as follows:

(A) MANAGING DIRECTOR:

(₹ in Million)

| Name | Salary & Allowances | Perquisites & Benefits | Contribution to Provident and other Funds | Total |
|-------------------|---------------------|------------------------|---|--------|
| Mr. Shailesh Wani | 17.75 | 1.22 | 0.74 | 19.71* |

* Remuneration includes variable pay of previous year paid in current year.

SERVICE CONTRACT AND NOTICE PERIOD

The shareholders of the company, at their annual general meeting held on 6th May, 2022, have re-appointed Mr. Shailesh Wani as Managing Director of the Company for a further period of 5 years with effect from 1st October, 2022. The renewed contract with Managing Director for a period of 5 years is commenced from 1st October, 2022 to 30th September, 2027, terminable by six months' notice by either side or amount equivalent to six months' salary in lieu thereof.

The sitting fees for attending meetings of the Board and/ or its Committees do not paid to MD/WTD/ED.

(ii) Remuneration to Non-executive/Independent Director:

A Non-Executive Director (Independent Director) shall be entitled to receive sitting fees for each meeting of Board or Committees of the Board attended by him/her as approved by the Board of Directors within the prescribed limit under the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

A Non-Executive Director (Independent Director) may be paid commission of such sum as may be approved by the Board on the recommendation of the Nomination and Remuneration Committee and members approval is sought wherever necessary.

Independent Directors shall not be entitled to participate in the Stock Option Scheme of the Company, if any, pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

No sitting fee and/or commission are payable to non-executive Non-Independent Directors.

(iii) Remuneration of KMPs and Senior Management Employees:

Remuneration and annual increments of KMPs (other than ED/MD) and senior management persons shall be determined as per corporate HR policy of the Company. In case of remuneration of such KMPs, NRC recommend remuneration or annual increments to the Board.

Performance Evaluations:

Performance evaluation of directors are done annually by the NRC or any external agency as the Company may think fit in accordance with the prevailing provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Performance evaluation of senior management persons shall be done annually as per corporate HR policy of the Company.

(B) NON-EXECUTIVE DIRECTORS:

The sitting fees for attending Board/Committee meetings and commission paid to the Independent Directors are as follows:

(₹ in Million)

| Name | *Sitting Fees | Comm- ission | Total |
|----------------------|---------------|-----------------|-------|
| Mr. K. M. Thanawalla | 0.38 | 1.51 | 1.89 |
| Mr. Marco Wadia | 0.35 | 0.52 | 0.87 |
| Mrs. Kiran Dhingra | 0.22 | 0.52 | 0.74 |

*Exclusive of Goods and Service Tax.

NOTE:

- Sitting fee and commission are paid to independent directors only
- During the year, there had been no pecuniary relationships or transactions between the Non-Executive Directors and the Company

Commission

Company at its 46th Annual General Meeting held on 16th September, 2020 has approved commission to Independent Directors within the overall ceiling not exceeding to 1% (one percent) or such other percentage as may be prescribed in the Act from time to time, of the net profits of the Company (computed in the manner provided in Section 198 of the Act or as may be prescribed by the Act or Rules framed thereunder from time to time) for each financial year, for a period of three financial years commenced from 1st January, 2020, with powers to the Board /Committee thereof to decide commission payable to each Independent Directors within the ceiling.

The commission payable to each Independent Director is decided by the Board on the recommendation of NRC. NRC takes into account, inter alia, their attendance, contribution, role and responsibility as a Chairman/ Member of the Board/Committee, performance evaluation etc.

Besides above, Company does not pay any other remuneration to its Non-Executive Directors.

3.3 STAKEHOLDERS RELATIONSHIP COMMITTEE (SRC):

The terms of reference of the SRC have been formulated in line with the requirement of Section 178 of the Act, rules framed thereunder and the Listing Regulations, the brief whereof are as under.

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc
- Review of measures taken for effective exercise of voting rights by shareholders
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent

- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company
- Carrying out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable

Composition & attendance at the meeting

The composition of SRC and details of meetings attended by its members during the FY2022 are given below:

| Name | Designation | No. of meetings | |
|----------------------|-------------|-----------------|----------|
| | | Held | Attended |
| Mr. K. M. Thanawalla | Chairman | 1 | 1 |
| Mr. Shailesh Wani | Member | 1 | 1 |
| Mr. Eiko Ris | Member | 1 | 1 |

During the year, committee met on 25th February, 2022 and all the members were present at the meeting. The Chairman of the SRC was present in the last Annual General Meeting to answer the shareholders queries. Company Secretary act as the secretary to the Committee.

Compliance officer:

Mr. Sanjeev Singh Sengar, Company Secretary, is the Compliance Officer of the Company and he can be contacted at: -

Stovec Industries Limited
N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad,
Gujarat – 382 405, India.
Tel: +91 79 6157 2300 • Fax: +91 79 2571 0406
Email: secretarial@stovec.com

Complaints or queries relating to the shares can be forwarded to the Company's Registrar and Transfer Agents 'M/s Link Intime India Private Limited' at ahmedabad@linkintime.co.in The Compliance officer has been regularly interacting with the Share Transfer Agents to ensure that shares related complaints of the investors are attended to without undue delay and where deemed expedient the complaints are referred to the committee or discussed at the meetings.

The status of complaints received during the year are as follows: -

| Complaint Received | Resolved during the Year | Pending as on 31 st December, 2022 |
|--------------------|--------------------------|---|
| 9 | 8 | 1 |

3.4 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSRC):

Terms of reference:

The Committee is primarily responsible for formulating and recommending to the Board Corporate Social Responsibility (CSR) Policy and updates therein from time to time, CSR programs, amount; the manner of utilisation thereof etc.

Composition & attendance

The composition of CSRC and details of meetings attended by its members during the year are given below:

| Name | Designation | No. of meetings | |
|----------------------|-------------|-----------------|----------|
| | | Held | Attended |
| Mr. Shailesh Wani | Chairman | 2 | 2 |
| Mr. K. M. Thanawalla | Member | 2 | 2 |
| Mr. Eiko Ris | Member | 2 | 2 |

CSR Committee met 2 (two) times during year on 25th February, 2022 and 14th November, 2022.

CSR Policy:

The Company has formulated CSR Policy and the same is available at the website of the Company at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/CSR%20Policy.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/CSR%20Policy.pdf)

The following Special Resolutions were passed at Annual General Meetings held in the past three financial years:

| Date of Meeting | Summary |
|----------------------------------|--|
| 6 th May, 2022 | Re-appointment of Mr. Shailesh Wani as the Managing Director of the Company Approval of payment of commission to Mr. K. M. Thanawalla, Chairman (Independent Director) for the financial year 2021, exceeding fifty per cent of the total Commission payable to all the Independent Directors of the Company |
| 11 th May, 2021 | Approval of payment of commission to Mr. K. M. Thanawalla, Chairman (Independent Director) for the financial year 2020, exceeding fifty per cent of the total Commission payable to all the Independent Directors of the Company |
| 16 th September, 2020 | Re-appointment of Mr. K. M. Thanawalla (DIN:00201749), as an Independent Director of the Company for a second term of 5 (five) consecutive years Re-appointment of Mr. Marco Wadia (DIN: 00244357), as an Independent Director of the Company for a second term of 5 (five) consecutive years Approval of payment of commission to Mr. K. M. Thanawalla, Chairman (Independent Director) for the financial year 2019, exceeding fifty per cent of the total Commission payable to all the Independent Directors of the Company |

Postal Ballot:

No postal ballot was conducted during the year under review and as on the date of this Report, there is no proposal to pass any Special Resolution through postal ballot.

6. DISCLOSURE

- 6.1** There were no materially significant related party transactions entered during the FY2022 that may have potential conflict with the interests of the Company at large.
- 6.2** The Company has complied with various rules and regulations prescribed by Stock Exchanges, Securities and Exchange Board of India or any other statutory authority relating to the capital markets. No penalties or strictures have been imposed by them on the Company during the last 3 years.
- 6.3** The Company has in place a Whistle Blower Policy through which Directors, Employees and other Stakeholders may report their genuine concerns or grievances. The Whistle Blower Policy of the Company has been disclosed on the website of the Company. No personnel have been denied access to the Audit Committee to report its genuine concerns or grievances.

Company Secretary acts as the secretary to the Committee.

4. CODE OF CONDUCT AND ETHICS:

The Company has its Code of Business Conduct and Ethics for its board members, senior management and employees in placed. Board and Senior Management affirm compliance thereof annually.

5. GENERAL BODY MEETINGS' DISCLOSURES:

Location and time of Annual General Meetings in the past three financial years:

| Location | Date | Time |
|------------------|----------------------------------|---------|
| Through | 6 th May, 2022 | 2:00 pm |
| Video Conference | 11 th May, 2021 | 2:00 pm |
| | 16 th September, 2020 | 3:00 pm |

- 6.4** During the year under review, the Company has complied with the corporate governance requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation 2 of Regulation 46 of Listing Regulations.

6.5 Adoption of Non-Mandatory Requirements of Listing Regulations

- The Company has separate persons for the position of Chairman and Managing Director. Mr. K. M. Thanawalla is a Chairman (Independent & Non - Executive) and Mr. Shailesh Wani is the Managing Director of the Company
- The audit report of the Company's Financial Statements for the year ended 31st December, 2022 is unmodified
- The Internal Auditor reports directly to the Audit Committee

6.6 Policy for determining Material Subsidiaries

The Company has formulated Policy for determining Material Subsidiaries and the same is available at the website of the Company at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20determining%20Material%20Subsidiaries.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20determining%20Material%20Subsidiaries.pdf)

6.7 Related Party Transactions Policy

Related Party Transaction Policy has been formulated in order to regulate the transactions between Company and Related Parties. The Related Party Transaction Policy is available at the website of the Company at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/Related%20Party%20Transaction%20Policy%20v3.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/Related%20Party%20Transaction%20Policy%20v3.pdf)

6.8 Disclosure of Commodity Price Risks, Foreign Exchange Risk and Commodity Hedging Activities

High quality Nickel is the principal raw material for the Company, and it is imported regularly, as per Purchase guidelines of the Company. The Company's performance may get impacted in case of substantial change in prices of Nickel or Foreign Exchange rate fluctuations. However, Company takes forward cover as per its forex risk coverage policy. The Company does not undertake commodity hedging activities.

The risk management policy has been putting place to address the risks associated with the business of the Company including commodity price risk and mechanism to continuously monitor the movement in commodity prices and take appropriate action to ensure better cost control. During the year, the Company has no material price risk exposure.

6.9 Details of utilisation of funds raised through preferential allotment or qualified institutions placement

During the year, the Company has not raised funds through the preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations.

6.10 Certificate from a company secretary in practice regarding disqualification of Directors

The Company has obtained the certificate from M/s. Sandip Sheth & Associates, confirming 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 SEBI/Ministry of Corporate Affairs or any such statutory authority. The certificate so obtained is appended to this Report.

6.11 Regarding non-acceptance of recommendation of any committee of the Board

The Board of Directors have accepted every recommendation made by any committees of the Board.

6.12 Fees paid to the statutory auditor – Please refer Note 23 of Notes to the Financial Statements.

6.13 Disclosure in relation to Sexual Harassment of Women at Workplace is given at Sr. No. 22 to the Director's Report.

6.14 The company has not granted any loans and advances to firms/companies in which directors are interested.

6.15 Pursuant to the provisions of Regulation 17 (8) of the Listing Regulations, the Managing Director and the Chief Financial Officer have issued a certificate to the Board for the financial year ended 31st December, 2022.

6.16 Compliance certificate from Mr. Sandip Sheth, practicing company secretary, regarding compliance of conditions of corporate governance is annexed with this report.

6.17 Disclosures with respect to Unclaimed Suspense Account

In terms of Regulation 39(4) of the Listing Regulations, the Company reports the following details in respect of equity shares transferred from the "STOVEC INDUSTRIES LIMITED - UNCLAIMED SUSPENSE ACCOUNT" during the year and the balance in the same at the beginning and at the end of the year:

| Particulars | Number of shareholders | Number of shares |
|--|------------------------|------------------|
| Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e., 1 st January, 2022 | 272 | 4,171 |
| Number of shareholders who approached the Company for transfer of shares from suspense account during the year ended 31 st December, 2022 | Nil | Nil |
| Shareholders to whom shares were transferred from the suspense account during the year ended 31 st December, 2022 | Nil | Nil |
| Number of shares transferred to IEPF authority from Unclaimed Suspense Account during the year ended 31 st December, 2022 | 22 | 325 |
| Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year 31 st December, 2022 | 250 | 3,846 |

The Voting Rights on the shares outstanding in the suspense account as on 31st December, 2022 shall remain frozen till the rightful owner of such shares claims the shares.

6.18 Risk Management

Forming Risk Management Committee is not obligatory to the Company, though the Risk Management Policy has been formulated in terms of Listing Regulations and the same is available at the website of the Company at www.stovec.com.

6.19 Policy for Prohibition of Insider Trading and Code of Conduct for Fair Disclosures

The Company has adopted a Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders and Code of Conduct for fair disclosures pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015.

6.20 Policy for determining Material Information

As required by Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have approved the Policy for determining Material Information and is available at the website of the Company at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20determining%20Material%20Information.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20determining%20Material%20Information.pdf)

6.21 Policy for Preservation of Documents and Archival Policy

As required by Regulation 9 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have approved the Policy for Preservation of Documents and Archival Policy and the same is available at the website of the Company at www.stovec.com at [https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20Preservation%20of%20Documents%20Archival%20Policy.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/Policy%20for%20Preservation%20of%20Documents%20Archival%20Policy.pdf)

6.22 Disclosure of Accounting Treatment

The Company in the preparation of financial statements has followed the treatment laid down in the Accounting Standards prescribed by the Institute of Chartered Accountants of India. There are no audit qualifications in the Company's financial statements for the year under review.

7. SUBSIDIARY COMPANY

The Company does not have any subsidiary, associate and joint venture company during the FY2022.

8. MEANS OF COMMUNICATION

The quarterly results are published in Business Standard (English) and Jaihind (Gujrati) and also placed on the Company's website at www.stovec.com and submitted with the BSE Limited (BSE). All the required disclosures and information are available on the Company's website for the benefit of the shareholders. The Annual Report of the Company is also available on the website in a user friendly and downloadable form.

9. GENERAL INFORMATION FOR MEMBERS

9.1 Annual General Meeting:

| | |
|--------------------|---|
| Day, Date and Time | Tuesday, 9 th May, 2023 at 2:15 P.M. |
| Venue | Through VC/OAVM from the registered office of the Company |

9.2 Financial Calendar:

| Financial Year | FY2022 |
|-----------------------|--|
| Date of Book Closure | 3 rd May, 2023 to 9 th May, 2023 (Both day inclusive) |
| Dividend Payment Date | On or before due date. |

9.3 Listing:

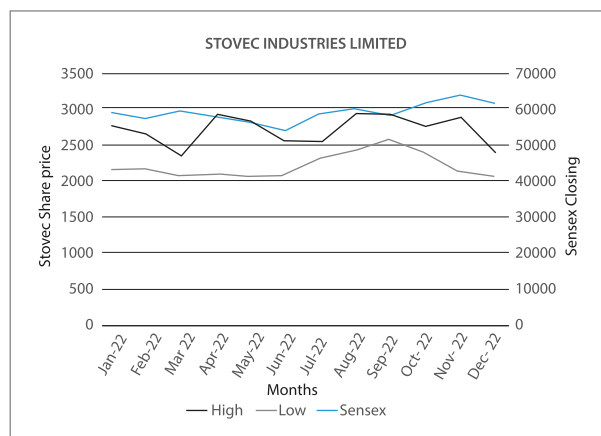
The Company's equity shares are listed on the BSE Limited (BSE) and the Company has paid annual listing fees to BSE for year 2022. The Ahmedabad Stock Exchange (ASE) vide its letter dated 11th January, 2017 communicated to the Company that it is non-functional and under exit policy, thereby no need to make any compliance with ASE.

| Type of Shares | ISIN No. | BSE Stock Code |
|-----------------|--------------|----------------|
| Ordinary Shares | INE755D01015 | 504959 |

9.4 Market Information:

| Month | BSE | | BSE SENSEX |
|--------|----------|---------|------------|
| | High (₹) | Low (₹) | |
| Jan-22 | 2725.00 | 2191.00 | 58014.17 |
| Feb-22 | 2609.95 | 2210.00 | 56247.28 |
| Mar-22 | 2325.00 | 2125.00 | 58568.51 |
| Apr-22 | 2891.85 | 2135.00 | 57060.87 |
| May-22 | 2798.00 | 2100.20 | 55566.41 |
| Jun-22 | 2524.00 | 2125.15 | 53018.94 |
| Jul-22 | 2511.00 | 2345.00 | 57570.25 |
| Aug-22 | 2900.00 | 2450.05 | 59537.07 |
| Sep-22 | 2893.30 | 2610.00 | 57423.92 |
| Oct-22 | 2735.00 | 2430.00 | 60746.59 |
| Nov-22 | 2850.00 | 2175.35 | 63099.65 |
| Dec-22 | 2365.95 | 2100.05 | 60840.74 |

Performance in comparison to BSE Sensex:



(Source: www.bseindia.com)

9.5 Registrar and Transfer Agents: -

For transfer lodgment, delivery and correspondence related to Shares, Members are requested to do correspondence with the Company's Registrar and Share Transfer Agents - M/s Link Intime India Private Limited quoting their folio no. at the following address: -

M/s Link Intime India Private Limited,
5th Floor, 506 to 508, Amarnath Business Center –I (ABC-I),
Besides Gala Business Center, Nr. St. Xavier's College Corner,
Off. C.G. Road, Navrangpura, Ahmedabad – 380 009, Gujarat.
Tel: +91(0) 79 - 2646 5179/86/87, Fax: +91(0) 79 - 2646 5179.
E-mail: ahmedabad@linkintime.co.in

9.6 Share Transfer System:

The Board has authorised Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd., to approve transfer of shares.

9.7 Shareholding Pattern of the Company:

| Category | As on 31 st December, 2022 | | As on 31 st December, 2021 | |
|--|---------------------------------------|---------------|---------------------------------------|---------------|
| | No. of Shares | % | No. of Shares | % |
| Promoters & Promoter Group | 1,483,777 | 71.06 | 1,483,777 | 71.06 |
| Mutual Funds/UTI | 0 | 0.00 | 0 | 0.00 |
| Foreign Portfolio Investors | 0 | 0.00 | 0 | 0.00 |
| Investor Education and Protection Fund | 35,591 | 1.70 | 33,331 | 1.60 |
| Financial Institutions/Banks | 965 | 0.05 | 965 | 0.05 |
| Bodies Corporate | 26,096 | 1.25 | 36,255 | 1.73 |
| NRIs (Repatriable) | 3,769 | 0.18 | 2,880 | 0.14 |
| NRIs (Non-Repatriable) | 11,483 | 0.55 | 10,660 | 0.51 |
| Clearing Members | 63 | 0.00 | 297 | 0.01 |
| Directors & their Relatives | 5,864 | 0.28 | 5,864 | 0.28 |
| Individuals/HUF | 5,16,562 | 24.74 | 5,09,816 | 24.42 |
| Unclaimed Suspense or Escrow Account | 3,846 | 0.19 | 4,171 | 0.20 |
| TOTAL | 2,088,016 | 100.00 | 2,088,016 | 100.00 |

Distribution of Shareholding as on 31st December, 2022

| Range of Shares | No. of Shareholders | % of total Shareholders | No. of Shares | % of Total Shares |
|-----------------|---------------------|-------------------------|------------------|-------------------|
| 1 - 500 | 6,825 | 97.81 | 2,94,090 | 14.08 |
| 501 - 1000 | 77 | 1.10 | 54,668 | 2.62 |
| 1001 - 2000 | 38 | 0.54 | 54,280 | 2.60 |
| 2001 - 3000 | 14 | 0.20 | 35,168 | 1.68 |
| 3001 - 4000 | 11 | 0.17 | 38,362 | 1.84 |
| 4001 - 5000 | 3 | 0.04 | 13,331 | 0.64 |
| 5001 - 10000 | 5 | 0.07 | 28,906 | 1.38 |
| 10001 or more | 5 | 0.07 | 1,569,211 | 75.16 |
| TOTAL | 6,978 | 100.00 | 2,088,016 | 100.00 |

9.8 Dematerialisation of Shares & Liquidity:

As on 31st December, 2022, 20,35,764 equity shares representing 97.50 % of the Company's paid-up Equity Share Capital have been dematerialised. The shares of the Company are frequently traded on the BSE where the same are listed.

The company do not have any outstanding GDRs or ADRs or warrants or any convertible instruments during the reporting period.

9.9 Plant Location:

- N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad, Gujarat – 382 4052.
- 296, G.V.M.S.A.V Limited, Odhav Road, Odhav, Ahmedabad - 382415

| | |
|------------------------------------|---|
| Address for correspondence: | N.I.D.C., Nr. Lambha Village, Post: Narol, Ahmedabad, Gujarat – 382 4052. |
| Tel | : +91 79- 6157 2300 |
| Facsimile No | : +91 79- 2571 0406 |
| Website | : www.stovec.com |

9.10 Credit Rating

The requirement of disclosure relating to list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilisation of funds, whether in India or abroad is not applicable to the Company.

DECLARATION BY THE MANAGING DIRECTOR UNDER PART D OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with Part D of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Business Conduct and Ethics for Board of Directors, Senior Management & Employees, as applicable to them, for the financial year ended 31st December, 2022.

For Stovec Industries Limited

Date: 28th February, 2023
Place: Ahmedabad

Shailesh Wani
Managing Director
DIN: 06474766

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,
Stovec Industries Limited
CIN: L45200GJ1973PLC050790
N.I.D.C, Near Lambha Village,
Post: Narol, Ahmedabad – 382 405, Gujarat, India.

We have examined all relevant registers, records, forms and disclosures received from the directors of **Stovec Industries Limited**, produced before us by the Company for the purpose of certifying compliance of conditions of clause 10 (i) of para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 for the year ended on December 31, 2022. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification. During the course of such certification, we have relied on various information and declaration furnished by each director of the Company as at and relied on the online information available with Ministry of Corporate Affairs Portal, its filling position and other web pages.

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 December 31, 2022 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 Director | Director Identification Number (DIN) | Date of appointment in the Company |
|--------|------------------------------------|--------------------------------------|------------------------------------|
| 1 | MR. KHURSHED MEHERWANJI THANAWALLA | 00201749 | 28/01/2005 |
| 2 | MR. SHAILESH CHANDRAKRISHNA WANI | 06474766 | 01/10/2013 |
| 3 | MR. GARRETT FORDE | 09040078 | 26/02/2021 |
| 4 | MR. EIKO RIS | 07428696 | 12/03/2019 |
| 5 | MR. MARCO PHILIPPUS ARDESHIR WADIA | 00244357 | 21/05/1999 |
| 6 | MS. KIRAN DHINGRA | 00425602 | 01/04/2020 |

Ensuring the eligibility of 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. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the clause 10 (i) of para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 for the year ended on December 31, 2022.

Sandip Sheth & Associates

Company Secretaries

Firm Unique Code: P2001GJ041000

Sandip Sheth

Partner

FCS: 5467

CP No.: 4354

UDIN: F005467D003193322

Place: Ahmedabad
Date: 24th February, 2023

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,
The Members,
Stovec Industries Ltd.
N.I.D.C. Nr. Lambha Village,
Post: Narol, Ahmedabad.

We have examined all relevant records of **Stovec Industries Limited** for the purpose of certifying compliance of conditions of Corporate Governance under para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 for the year ended on 31st December, 2022. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. This certificate is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanation and information furnished, we certify that the Company has complied with all the mandatory conditions of the para C of Schedule V read with Regulation 34(3) of Chapter IV of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015.

Sandip Sheth & Associates
Company Secretaries
Firm Unique Code: P2001GJ041000

Sandip Sheth
Partner

FCS: 5467

CP No.: 4354

UDIN: F005467D003193564

Place: Ahmedabad

Date: 28th February, 2023

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS PER SECTION 135 OF THE COMPANIES ACT, 2013 FOR FY2022

1. Brief outline on CSR policy of the company:

Stovec's Corporate Social Responsibility (CSR) builds a dynamic relationship between Stovec on one hand and the society and environment on the other. As a responsible Corporate Citizen, Stovec believes that to succeed, an organisation must maintain highest standards of corporate behaviour towards its employees, customers and society in which it operates and accordingly Stovec has formulated CSR Policy.

The CSR policy, which encompasses the Company's philosophy for delineating its responsibility as a Corporate Citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.

2. Composition of CSR committee:

| Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|----------------------------|--------------------------------------|--|--|
| 1. | Mr. Shailesh Wani | Chairman | 2 | 2 |
| 2. | Mr. Khurshed M. Thanawalla | Member | 2 | 2 |
| 3. | Mr. Eiko Ris | Member | 2 | 2 |

3. Provide the web-link where composition of CSR committee, CSR policy and CSR projects approved by the board are disclosed on the website of the company:

a) Composition of CSR Committee:

<https://spgprints.com/hubfs/Composition%20of%20Board%20and%20Committees-SPGPrints-PCkA0.pdf?hsLang=en>

b) CSR Policy:

[https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20\(website\)/Stovec%20investor%20relations/6.%20Policies/CSR%20Policy.pdf](https://2131785.fs1.hubspotusercontent-na1.net/hubfs/2131785/Media%20(website)/Stovec%20investor%20relations/6.%20Policies/CSR%20Policy.pdf)

c) CSR projects approved by the board:

https://spgprints.com/hubfs/Approved%20CSR%20Projects_2022.pdf?hsLang=en

4. Provide the executive summary along with web-link(s) of impact assessment of CSR projects carried out in pursuance of sub rule (3) of rule 8, if applicable:

Not applicable.

5. (a) Average net profit of the company as per section 135(5): ₹313.77 Million
 (b) Two percent of average net profit of the company as per section 135(5): ₹6.28 Million
 (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.: Nil
 (d) Amount required to be set off for the financial year, if any: ₹0.03 Million
 (e) Total CSR obligation for the financial year 2022 (5b+5c- 5d): ₹6.24 Million.
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): ₹3.43 Million
 (b) Amount spent in Administrative Overheads: Nil
 (c) Amount spent on Impact Assessment, if applicable: Nil
 (d) Total amount spent for the Financial Year 2022 (6a+6b+6c): ₹3.43 Million.
 (e) CSR amount spent or unspent for the Financial Year 2022:

| Total Amount Spent for the Financial Year. (₹ in Million) | Amount Unspent (₹ in Million) | | | | |
|---|---|------------------|---|----------------|------------------|
| | Total Amount transferred to Unspent CSR Account as per Section 135(6) | | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) | | |
| | (₹ in Million) | Date of Transfer | Name of the Fund | (₹ in Million) | Date of Transfer |
| ₹ 3.43 | ₹ 2.54 | 19/01/2023 | NA | NA | NA |
| | ₹ 0.27 | 30/01/2023 | | | |

(f) **Excess amount for set off, if any:**

| Sr. No. | Particulars | (Amount in ₹ Million) |
|---------|---|-----------------------|
| (i) | Two percent of the average net profit of the company as per section 135(5) | 6.28 |
| (ii) | Total amount spent for the financial year | 3.43 |
| (iii) | Excess amount spent for the financial year [(ii)-(i)] | Nil |
| (iv) | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | Nil |
| (v) | Amount available for set off in succeeding financial years [(iii)-(iv)] | Nil |

7. **Details of unspent CSR amount for the preceding three financial years:** Nil
8. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the financial year:** No
9. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):**
Not Applicable.

For and on behalf of the Board of Directors & CSR Committee

Shailesh Wani

Managing Director & Chairman of CSR Committee
(DIN: 06474766)

Date: 28th February, 2023
Place: Ahmedabad

BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORT

The Securities and Exchange Board of India (SEBI) vide its circular dated 10th May, 2021, made Business Responsibility and Sustainability Report (BRSR) mandatory for the top 1,000 listed companies (by market capitalisation) from FY2022-2023 and for FY2021-2022 on voluntary basis. The company is positioned at 1220 under top 2000 companies list of BSE as on 31st March, 2022. SEBI further through its Notification No. SEBI/LAD-NRO/GN/2021/22 dated 5th May, 2021 require that all SEBI Listing Regulations provisions once applicable to listed entity based on its market cap shall continue to apply even if such entity do not falls into the threshold limits in subsequent years. In view of above and to enhance disclosure practices, the Company has taken initiative to publish its BRSR Report for FY2022 on voluntary basis.

SECTION A: GENERAL DISCLOSURES

I. Details of the listed entity

| | | |
|-----|---|---|
| 1. | Corporate Identity Number (CIN) of the Listed Entity | L45200GJ1973PLC050790 |
| 2. | Name of the Listed Entity | Stovec Industries Limited |
| 3. | Year of incorporation | 1973 |
| 4. | Registered office address | N.I.D.C., Near Lambha Village, Post: Narol, Ahmedabad -382 405 India |
| 5. | Corporate address | Same as above |
| 6. | E-mail | secretarial@stovec.com |
| 7. | Telephone | 07961572300 |
| 8. | Website | www.stovec.com |
| 9. | Financial year for which reporting is being done | 1 st January, 2022 to 31 st December, 2022 i.e., FY2022 |
| 10. | Name of the Stock Exchange(s) where shares are listed | BSE Limited |
| 11. | Paid-up Capital | ₹20,88,016 |
| 12. | Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report | Mr. Sanjeev Singh Sengar Contact No.: 079-6157 2300 Email: Sanjeev_sengar@stovec.com |
| 13. | Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together). | Yes, standalone basis |

II. Products/services

14. Details of business activities (accounting for 90% of the turnover):

| S. No. | Description of Main Activity | Description of Business Activity | % of turnover of the entity |
|--------|------------------------------|---|-----------------------------|
| 1 | Manufacturing | Manufacturer of Rotary and digital printing machines, engravers, perforated nickel screens for textile & graphic industry, and other textile & graphic consumables and spare parts. | 100% |

15. Products/Services sold by the entity (accounting for 90% of the entity's turnover):

| S. No. | Product/Service | NIC Code | % of total Turnover contributed |
|--------|---|----------|---------------------------------|
| 1. | Textile Consumables and Graphics Products | 32909 | 70.09% |
| 2. | Textile Machineries | 28262 | 22.30% |

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated: Company's registered cum corporate office and factory are located in the same premises.

| Location | Number of plants | Number of offices | Total |
|---------------|------------------|-------------------|-------|
| National | 2 | 1 | 3 |
| International | 0 | 0 | 0 |

17. Markets served by the entity:

a. Number of locations

| Locations | Number |
|----------------------------------|-----------------|
| National (No. of States) | Pan-India |
| International (No. of Countries) | Global presence |

b. What is the contribution of exports as a percentage of the total turnover of the entity- 18%

c. A brief on types of customers:

Company is into manufacturing & supplying equipment and consumables to textile printing and graphic printing industries. So, our customers are mainly textile & graphics printing industry (Processing companies / Mills).

IV. Employees

18. Details as at the end of Financial Year: 31st December, 2022

a. Employees and workers (including differently abled):

| S. No. | Particulars | Total (A) | Male | | Female | |
|------------------|--------------------------------|------------|------------|---------------|-----------|--------------|
| | | | No. (B) | % (B / A) | No. (C) | % (C / A) |
| EMPLOYEES | | | | | | |
| 1. | Permanent (D) | 109 | 105 | 96.33% | 04 | 3.67% |
| 2. | Other than Permanent (E) | - | - | - | - | - |
| 3. | Total employees (D + E) | 109 | 105 | 96.33% | 04 | 3.67% |
| WORKERS | | | | | | |
| 4. | Permanent (F) | 144 | 144 | 100% | - | - |
| 5. | Other than Permanent (G) | 40 | 40 | 100% | - | - |
| 6. | Total workers (F + G) | 184 | 184 | 100% | - | - |

b. Differently abled Employees and workers:

| S. No | Particulars | Total (A) | Male | | Female | |
|------------------------------------|---|-----------|---------|-----------|---------|-----------|
| | | | No. (B) | % (B / A) | No. (C) | % (C / A) |
| DIFFERENTLY ABLED EMPLOYEES | | | | | | |
| 1. | Permanent (D) | 01 | 01 | 100% | - | - |
| 2. | Other than Permanent (E) | - | - | - | - | - |
| 3. | Total differently abled employees (D + E) | 01 | 01 | 100% | - | - |
| DIFFERENTLY ABLED WORKERS | | | | | | |
| 4. | Permanent (F) | - | - | - | - | - |
| 5. | Other than permanent (G) | 01 | 01 | 100% | - | - |
| 6. | Total differently abled workers (F + G) | 01 | 01 | 100% | - | - |

19. Participation/Inclusion/Representation of women

| | Total (A) | No. and percentage of Females | |
|--------------------------|-----------|-------------------------------|-----------|
| | | No. (B) | % (B / A) |
| Board of Directors | 6 | 1 | 16.67 |
| Key Management Personnel | 3 | 0 | 0 |

20. Turnover rate for permanent employees and worker

| | FY2022 (Turnover rate) | | | FY2021 (Turnover rate) | | | FY2020 (Turnover rate) | | |
|---------------------|------------------------|--------|-------|------------------------|--------|--------|------------------------|--------|--------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Permanent Employees | 9.22% | 0 | 9.22% | 7.44% | 0 | 7.44% | 8.26% | 0 | 8.26% |
| Permanent Workers | 6.97% | 0 | 6.97% | 10.56% | 0 | 10.56% | 16.48% | 0 | 16.48% |

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21 (a) Names of holding / subsidiary / associate companies / joint ventures

| S. No. | Name of the holding/ subsidiary/ associate companies/ joint ventures (A) | Indicate whether holding/ Subsidiary/ Associate/ Joint Venture | % of shares held by listed entity | Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No) |
|--------|--|--|-----------------------------------|--|
| 1. | SPGPrints B.V., the Netherlands | Holding Company | 71.06% | No |

VI. CSR Details

(i) Whether CSR is applicable as per section 135 of Companies Act, 2013: Yes

(ii) Turnover : ₹2,358.49 Million

(iii) Net worth : ₹1,737.17 Million

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business (NGRBC):

| Stakeholder group from whom complaint is received | Grievance Redressal Mechanism in Place (Yes/No) (If Yes, then provide web-link for grievance redress policy) | FY2022 | | | FY2021 | | |
|---|---|--|--|---------|--|--|---------|
| | | Number of complaints filed during the year | Number of complaints pending resolution at close of the year | Remarks | Number of complaints filed during the year | Number of complaints pending resolution at close of the year | Remarks |
| Communities | - | - | - | - | - | - | - |
| Investors (other than shareholders) bank | - | - | - | - | - | - | - |
| Shareholders | Yes (See note 1) | 9 | 1 | - | 2 | 0 | |
| Employees and workers | Yes (See note 2) | - | - | - | - | - | - |
| Customers | Yes (See note 3) | - | - | - | - | - | - |
| Value Chain Partners | Yes | - | - | - | - | - | - |
| Other (please specify) | - | - | - | - | - | - | - |

The Whistle Blower policy of the Company also includes other stakeholders to raise their concern or complaint and the policy is available on the website of the Company, weblink of which is given in this annual report.

Notes:

- Shareholders complaints are dealt with by the Secretarial team and reported to SRC and Stock Exchange.
- Employees may report their complaints or concerned to the respective HOD and escalated to HR/MD level in case of no satisfactory redressal.
- Customer complaints with respect to the Company's goods have been taken care of by a separate team and resolved within the committed timelines.

24. Overview of the entity's material responsible business conduct issues

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format:

| S. No. | Material issue identified | Indicate whether risk or opportunity (R/O) | Rationale for identifying the risk/opportunity | In case of risk, approach to adapt or mitigate | Financial implications of the risk or opportunity (Indicate positive or negative implications) |
|--------|--|--|---|---|--|
| 1. | Well-being of employees | Risk cum Opportunity | Health is top priority. The Company prioritises health and well-being of its own employees & workers. | Health checkup drive in the reputed hospital is done once in every two years and once in a year for a person age of 50 plus. Additionally, company takes group Medclaim policy for all its employees. | Cost incurred on the health checkup and group Medclaim policy. |
| 2 | Uses of renewable energy - Installation of solar panel | Opportunity | Reduction of carbon footprint | - | Require capex |
| 3 | Use of natural light in production facility & Uses of LED lights | Opportunity | Reduction of power consumption | - | Replacement cost |
| 4 | CSR | Opportunity | Social responsibility | - | None, out of available CSR funds |

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

This section is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

| Disclosure Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|--|-----|-----|-----|-----|-----|-----|-----|-----|
| Policy and management processes | | | | | | | | | |
| 1.a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)- (refer note-1) | Y | Y | Y | Y | Y | Y | N | Y | Y |
| b. Has the policy been approved by the Board? (Yes/No)- (refer note-2) | Y | Y | Y | Y | Y | Y | - | Y | Y |
| c. Web Link of the Policies, if available | All policies placed on the Company's website at www.stovec.com | | | | | | | | |
| 2. Whether the entity has translated the policy into procedures. (Yes / No) | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 3. Do the enlisted policies extend to your value chain partners? (Yes/No) | Y | Y | Y | Y | Y | Y | - | Y | Y |
| 4. Name of the national and international codes/certifications/ labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle. | ISO 9001:2015 for Quality Management System | | | | | | | | |
| 5. Specific commitments, goals and targets set by the entity with defined timelines, if any. | <ul style="list-style-type: none"> • Reuse of wood packing material • Use of alternate packaging (corrugated in place of wood) • Use of LED & most Energy efficient equipment • Energy saving initiatives in electroforming • Remaining cost competitive through various initiatives • Power purchase through Open Access • recycling of 100% hazardous /non-hazardous waste • use of clean fuel | | | | | | | | |
| 6. Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met. | Ongoing activity | | | | | | | | |

| Disclosure Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|----------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|----------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Governance, leadership and oversight

| | |
|---|--|
| 7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements. | We follow 3Ps concept (People, Plant and Planet) to ensure sustainability in our conduct & behaviour and constantly strive to ensure maximum compliance in terms of governance, environment, and economic strategies. We always strive to enhance our strategies and commitments towards being a responsible business while we continue to transparently share our sustainability performance and goals moving forward. In our efforts we maintain an honest accountability towards our communities, stakeholders, and shareholders. |
| 8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies). | Mr. Shailesh Wani, Managing Director |
| 9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details. | Mr. Shailesh Wani, Managing Director |

10. Details of Review of NGRBCs by the Company:

| Subject for Review | Indicate whether review was undertaken by Director / Committee of the Board/Any other Committee | | | | | | | | | Frequency (Annually/ Half yearly/ Quarterly/ Any other – please specify) | | | | | | | | |
|--|---|-----|-----|-----|-----|-----|-----|-----|-----|--|-----|-----|-----|-----|-----|-----|-----|-----|
| | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
| Performance against above policies and follow up action | The Board of Directors of the Company through its Managing Director or internal committee, assesses the performance of the referred policies. | | | | | | | | | On need basis | | | | | | | | |
| Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances | The Company adhere to the compliance of all applicable laws and the same are confirmed by the respective functional heads to the Managing Director and he in turn confirm to the Board at its meeting by way of certificate on quarterly basis. | | | | | | | | | quarterly | | | | | | | | |

| | | | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency. (Refer note 3) | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
| | N | N | N | N | N | N | N | N | N |

Notes:

- The Company's Code of Business Conduct & Ethics broadly covers the above principles. Other statutory policies such as insider trading policy and code of fair disclosure, policy on related party transactions and material subsidiary, whistle blower policy, familiarisation program, CSR policy, policy on prevention of documents and archival policy, policy for determining material information, policy on prevention of sexual harassment of women at workplace etc. are supportive to cover the principles.
- As a process, all policies have been considered and noted by the Board/Committee/s of the Board and authenticated by Managing Director of the Company.
- No independent audit of the policies has been carried out, however, Internal Audit Function periodically looks at the implementation thereof.

12. If answer to question (1) above is "No", reasons to be stated:

| Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|---|-----|-----|-----|-----|-----|-----|-----|-----|
| The entity does not consider the principles material to its business (Yes/No) | - | - | - | - | - | - | - | - | - |
| The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No) | - | - | - | - | - | - | Y | - | - |
| The entity does not have the financial or/human and technical resources available for the task (Yes/No) | - | - | - | - | - | - | - | - | - |
| It is planned to be done in the next financial year (Yes/No) | - | - | - | - | - | - | - | - | - |
| Any other reason (please specify) | Company do not feel immediate need to formulate it. | | | | | | | | |

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorised as "Essential" and "Leadership". While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

PRINCIPLE 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the principles during the financial year:

| Segment | Total number of training and awareness programmes held | Topics / principles covered under the training and its impact | % age of persons in respective category covered by the awareness programmes |
|---|---|---|---|
| Board of Directors & Key Managerial Personnel | Industry overview and business updates are given by the Managing Director during the board meeting while considering financial results of the Company. Regulatory updates under familiarisation program are circulated from time to time. | | 100% |
| Employees other than BoD and KMPs | Awareness program on insider trading regulations, whistle blower mechanism and code of business conduct and ethics are conducted, from time to time. Safety training, soft skill training and technical training are also arranged from time to time. | | 100% |
| Workers | | | |

2. Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website): None

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision preferred in cases where monetary or non-monetary action has been appealed.

| Case Details | Name of the regulatory/ enforcement agencies/ judicial institutions |
|----------------|---|
| Not applicable | |

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy- Though Stovec does not have a dedicated anti-corruption or anti-bribery policy, its operations are governed as per the Code of Business Conduct & Ethics which covers the above topic. The code is guiding principles for all concerned to be ethical, accountable, and transparent in their day-to-day office work and addresses issues beyond corruption and bribery.

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption: None

| | FY2022 | FY2021 |
|-----------|----------------|--------|
| Directors | | |
| KMPs | | |
| Employees | Not applicable | |
| Workers | | |

6. Details of complaints with regard to conflict of interest:

| | FY2022 | | FY2021 | |
|--|--------|--|--------|---------|
| | Number | Remarks | Number | Remarks |
| Number of complaints received in relation to issues of Conflict of Interest of the Directors | | | | |
| Number of complaints received in relation to issues of Conflict of Interest of the KMPs | | None, the Directors make disclosure of interest quarterly. | | |

7. Provide details of any corrective action taken or underway on issues related to fines / penalties / action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest-Not Applicable

PRINCIPLE 2 Businesses should provide goods and services in a manner that is sustainable and safe

Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.

| | FY2022 | FY2021 | Details of improvements in environmental and social impacts |
|-------|--------|--------|---|
| R&D | Nil | Nil | -- |
| Capex | 29,8% | 2.60% | -- |

2. a. Does the entity have procedures in place for sustainable sourcing - No
 b. If yes, what percentage of inputs were sourced sustainably-Not applicable

3. Describe the processes in place to safely reclaim your products for reusing, recycling and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste: The Company does not have any specific product to reclaim at the end of life, but we have waste management systems in place at our facilities. We dispose off plastic waste, E-waste, Hazardous waste, and other waste to Gujrat Pollution Control Board (GPCB) authorised recycler or vendor with the appropriate documentation as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same- Yes, we work in compliance with India's Plastic Waste Management Rules, 2016 and the Extended Producer Responsibility (EPR) guidelines. Our waste collection plan in line with the EPR plan is under process to submit to Central Pollution Control Board (CPCB).

PRINCIPLE 3 Businesses should respect and promote the well-being of all employees, including those in their value chains

Essential Indicators

1. a. Details of measures for the well-being of employees (office staff):

| Category | Total (A) | % of employees covered by | | | | | | | | | |
|---------------------------------------|-----------|---------------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|-----------|---------------------|-----------|
| | | Health insurance | | Accident insurance | | Maternity benefits | | Paternity Benefits | | Day Care facilities | |
| | | Number (B) | % (B / A) | Number (C) | % (C / A) | Number (D) | % (D / A) | Number (E) | % (E / A) | Number (F) | % (F / A) |
| Permanent employees | | | | | | | | | | | |
| Male | 105 | 105 | 100% | 105 | 100% | - | - | - | - | 105 | 100% |
| Female | 04 | 04 | 100% | 04 | 100% | 04 | 100% | - | - | 04 | 100% |
| Total | | | | | | | | | | | |
| Other than Permanent employees | | | | | | | | | | | |
| Male | - | - | - | - | - | - | - | - | - | - | - |
| Female | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - |

b. Details of measures for the well-being of workers:

| Category | % of workers covered by | | | | | | | | | | |
|---------------------------------------|-------------------------|------------------|-------------|--------------------|-------------|--------------------|-----------|--------------------|-----------|---------------------|-------------|
| | Total (A) | Health insurance | | Accident insurance | | Maternity benefits | | Paternity Benefits | | Day Care facilities | |
| | | Number (B) | % (B / A) | Number (C) | % (C / A) | Number (D) | % (D / A) | Number (E) | % (E / A) | Number (F) | % (F / A) |
| Permanent employees | | | | | | | | | | | |
| Male | 144 | 144 | 100% | 144 | 100% | - | - | - | - | 144 | 100% |
| Female | - | - | - | - | - | - | - | - | - | - | - |
| Total | 144 | 144 | 100% | 144 | 100% | - | - | - | - | 144 | 100% |
| Other than Permanent employees | | | | | | | | | | | |
| Male | 40 | 40 | 100% | 40 | 100% | - | - | - | - | 40 | 100% |
| Female | - | - | - | - | - | - | - | - | - | - | - |
| Total | 40 | 40 | 100% | 40 | 100% | - | - | - | - | 40 | 100% |

2. Details of retirement benefits, for Current FY and Previous FY

| | FY2022 | | | FY2021 | | |
|--|--|--|--|--|--|--|
| | No. of employees covered as a % of total employees | No. of workers covered as a % of total workers | Deducted and deposited with the authority (Y/N/N.A.) | No. of employees covered as a % of total employees | No. of workers covered as a % of total workers | Deducted and deposited with the authority (Y/N/N.A.) |
| PF | 100% | 100% | Y | 100% | 100% | Y |
| Gratuity | 100% | 100% | Y | 100% | 100% | Y |
| ESI | 2% | 42% | Y | 2% | 47% | Y |
| Others – please specify Leave Benefits | 100% | 100% | N.A. | 100% | 100% | N.A. |

3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard- Yes, Company has appropriate arrangements for disabled persons to access the company offices or factory premises.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy- The company does not have specific policy, but it believes in equal opportunity and inclusion for all those associated with the company. A mix of backgrounds, opinions, and talents enriches the organisation and helps in the achievement of success. Company rejoices importance of diversity in workplaces. Company recognises the importance of maintaining and promoting fundamental human rights in all operations and provides and promotes the grant of fair and equitable wages, benefits, and other conditions of employment. Everyone is valued and respected for their unique contributions. Company understands and respects the different roles that each person representing it plays in the success and growth of its business. Through persistence and goal-directed activities, Company focuses on not only the obstacles in the way, but also on the clear pictures of future accomplishments. Company expects its team leaders to recognise the power of their behaviour and ensure that team members respect each other and are encouraged to contribute. The principles of mutual trust, teamwork and spirit are core values that the Company abides by and strives to maintain.

5. Return to work and Retentions rates of permanent employees and workers that took parental leave.

| Gender | Permanent employees | | Permanent workers | |
|--------------|---------------------|----------------|---------------------|----------------|
| | Return to work rate | Retention rate | Return to work rate | Retention rate |
| Male | - | - | - | - |
| Female | 100% | 100% | - | - |
| Total | 100% | 100% | - | - |

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and worker? If yes, give details of the mechanism in brief-

| | Yes/No (If Yes, then give details of the mechanism in brief) |
|--------------------------------|---|
| Permanent Workers | Yes |
| Other than Permanent Workers | Yes |
| Permanent Employees | Yes |
| Other than Permanent Employees | Yes |

The organisation has always believed in open and transparent communication. Employees are encouraged to share their concerns with their business heads, HR or the members of the senior management. The Company follows an open-door policy, wherein any employee irrespective of hierarchy has access to the senior management. In addition, the Whistle-blower Initiative provides a formal platform to share grievances on various matters. New recruits are also sensitised on the whistle blower mechanism and forms part of the employee induction programme. The Company has a policy on prevention, prohibition and redressal of sexual harassment of women at the workplace and has an Internal Complaints Committee (ICC) in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Members of the Company's Internal Complaints Committee (ICC) are responsible for conducting inquiries pertaining to such complaints.

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity: We recognise the right to freedom of our employees and workers. The Company do have one recognised workers union.

| Category | FY2022 | | | FY2021 | | |
|----------------------------------|--|--|-----------|--|--|-----------|
| | Total employees / workers in respective category (A) | No. of employees / workers in respective category, who are part of association(s) or Union (B) | % (B / A) | Total employees / workers in respective category (C) | No. of employees / workers in respective category, who are part of association(s) or Union (D) | % (D / C) |
| Total Permanent Employees | 109 | - | - | 108 | - | - |
| - Male | 105 | - | - | 104 | - | - |
| - Female | 04 | - | - | 04 | - | - |
| Total Permanent Workers | 144 | 144 | 100% | 143 | 143 | 100% |
| - Male | 144 | 144 | 100% | 143 | 143 | 100% |
| - Female | - | - | - | - | - | - |

8. Details of training given to employees and workers

| Category | FY2022 | | | | | FY2021 | | | | |
|------------------|------------|-------------------------------|-------------|----------------------|-------------|------------|-------------------------------|-------------|----------------------|-------------|
| | Total (A) | On Health and safety measures | | On Skill upgradation | | Total (D) | On Health and safety measures | | On Skill upgradation | |
| | | No. (B) | % (B / A) | No. (C) | % (C / A) | | Number (E) | % (E / D) | Number (F) | % (F / D) |
| Employees | | | | | | | | | | |
| Male | 105 | 105 | 100% | 105 | 100% | 104 | 104 | 100% | 104 | 100% |
| Female | 04 | 04 | 100% | 04 | 100% | 04 | 04 | 100% | 04 | 100% |
| Total | 109 | 109 | 100% | 109 | 100% | 108 | 108 | 100% | 108 | 100% |
| Workers | | | | | | | | | | |
| Male | 184 | 184 | 100% | 184 | 100% | 184 | 184 | 100% | 184 | 100% |
| Female | - | - | - | - | - | - | - | - | - | - |
| Total | 184 | 184 | 100% | 184 | 100% | 184 | 184 | 100% | 184 | 100% |

9. Details of performance and career development reviews of employees and worker:

| Category | FY2022 | | | FY2021 | | |
|------------------|------------|-----------|---------------|------------|------------|---------------|
| | Total (A) | No. (B) | % (B / A) | Total (C) | No. (D) | % (D / C) |
| Employees | | | | | | |
| Male | 105 | 95 | 90.48% | 104 | 96 | 92.31% |
| Female | 4 | 4 | 100.00% | 4 | 4 | 100.00% |
| Total | 109 | 99 | 90.83% | 108 | 100 | 92.59% |
| Workers | | | | | | |
| Male | | | | | | |
| Female | | | | | | |
| Total | | | | | | |

All the workers are member of union, and their performance are reviewed every 3 years interval under the wage settlement agreement.

The performance management system aims to promote a fair and transparent system of appraisal, which ensures a method of evaluating each employee's performance and potential, while recognising their accomplishments.

10. Health and safety management system:

a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage such system-

Yes, it is. It covers through the 1) Training & Education, 2) Personal Protection Equipment (PPE) procurement 3) Work Permit System, 4) LOTO System, 5) Third Party Safety Audit. The general medical examination check-up of employees and workers is also arranged by the company once in every two years. For 50 plus, it done once in a year.

The Company has a policy on health and safety for its employees called EHS Policy. Periodic internal communication and awareness sessions are conducted on safety related aspects. Employees are given periodic training on basic and advanced fire safety, including evacuation drills.

b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity- 1) Plant Inspection/Check List by area manager, 2) Quarterly safety audit by area manager, 3) Daily safety round.

c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)- Worker may approach to safety department or operational head to report such hazards and the safety meetings have also been conducted to assess the risk and mitigate them. Safety display boards have also been installed where the risk is prime so that worker can keep themselves out of danger.

d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)- Yes, the first aid box kept for the purpose is accessible to all the employees /workers for the quick or instant relief. For all emergency, the company has ambulance facility to take the patient to the nearby hospitals, the company has arrangement with it.

11. Details of safety related incidents, in the following format:

| Safety Incident/Number | Category | FY2022 | FY2021 |
|---|-----------|--------|--------|
| Lost Time Injury Frequency Rate (LTIFR) (per one Million-person hours worked) | Employees | No | No |
| | Workers | 5.78 | 9.33 |
| Total recordable work-related injuries | Employees | Nil | Nil |
| | Workers | Nil | Nil |
| No. of fatalities | Employees | Nil | Nil |
| | Workers | Nil | Nil |
| High consequence work-related injury or ill-health (excluding fatalities) | Employees | Nil | Nil |
| | Workers | Nil | Nil |

12. Describe the measures taken by the entity to ensure a safe and healthy workplace- 1) Training & Education, 2) PPE Procurement, 3) Reporting & Investigation & Accident, 4) Conduct workplace air monitoring in chemical zone, 5) Good Housing keeping 6) maintenance of adequate greenery around the factory premises.

13. Number of Complaints on the following made by employees and workers:

| | FY2022 | | | FY2021 | | |
|--------------------|-----------------------|---------------------------------------|---------|-----------------------|---------------------------------------|---------|
| | Filed during the year | Pending resolution at the end of year | Remarks | Filed during the year | Pending resolution at the end of year | Remarks |
| Working Conditions | | | | | | |
| Health & Safety | | | Nil | | | |

14. Assessments for the year:

| | % of your plants and offices that were assessed (by entity or statutory authorities or third parties) |
|-----------------------------|---|
| Health and safety practices | 100% |
| Working Conditions | 100% |

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions- The Company has Installed CO2 flooding system in electrical panels for prevention of fire risk as suggested by Director Industrial Safety and Health (DISH) remarks.

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

- Describe the processes for identifying key stakeholder groups of the entity-** Any individual or group of individuals or institution that adds value to the business chain of the Company is identified as a core stakeholder. Stovec has recognised both, internal stakeholder which includes employees, workers and external stakeholder which includes external channels such as regulators, investors, auditors, advisors, consultants, shareholders and community.
- List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group-**

| Stakeholder Group | Whether identified as Vulnerable & Marginalised Group (Yes/No) | Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website, Other) | Frequency of engagement (Annually/ Half yearly/ Quarterly / others – please specify) | Purpose and scope of engagement including key topics and concerns raised during such engagement |
|---------------------|--|---|--|---|
| Shareholders | No | Company's website, communications and disclosures to SEBI and stock exchanges. | Maximum at quarterly interval | Quarterly financial performance of the Company and all other necessary disclosures in due time. |
| Employees & Workers | Mixed | Company's policies, emails and interactive meetings | Need basis | Safe, fair and conducive work environment, Career development and growth opportunities, Grievance mechanisms |
| Society | Mixed | Emails, websites and magazines | Event base | Career opportunities and employment, Skill development, livelihood and educational support through CSR activities. Business Information |
| Suppliers/Partners | No | Personal meetings and email correspondences | Ongoing | Raw material procurements and for availing various other services |
| Customers | No | Emails, personal meetings, telephonic calls | Ongoing | Product information, sales and dispatch matters, bills receivables etc. |

PRINCIPLE 5 Businesses should respect and promote human rights

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

| Category | FY2022 | | | FY2021 | | |
|----------------------|-----------|--|-----------|---------|--|-----------|
| | Total (A) | No. of employees / workers covered (B) | % (B / A) | Total € | No. of employees / workers covered (D) | % (D / C) |
| Employees | | | | | | |
| Permanent | - | - | - | - | - | - |
| Other than permanent | - | - | - | - | - | - |
| Total Employees | - | - | - | - | - | - |
| Workers | | | | | | |
| Permanent | - | - | - | - | - | - |
| Other than permanent | - | - | - | - | - | - |
| Total Employees | - | - | - | - | - | - |

2. Details of minimum wages paid to employees and workers, in the following format:

| Category | FY2022 | | | | | FY2021 | | | | |
|-----------------------------|------------|-----------------------|-----------|------------------------|-------------|------------|-----------------------|-------------|------------------------|--------------|
| | Total (A) | Equal to Minimum Wage | | More than Minimum Wage | | Total (D) | Equal to Minimum Wage | | More than Minimum Wage | |
| | | No. (B) | % (B / A) | No. (C) | % (C / A) | | No. (E) | % (E / D) | No. (F) | % (F / D) |
| Employees | | | | | | | | | | |
| Permanent | 109 | - | - | 109 | 100% | 108 | - | - | 108 | 100% |
| Male | 105 | - | - | 105 | 100% | 104 | - | - | 104 | 100% |
| Female | 04 | - | - | 04 | 100% | 04 | - | - | 04 | 100% |
| Other than Permanent | - | - | - | - | - | - | - | - | - | - |
| Male | - | - | - | - | - | - | - | - | - | - |
| Female | - | - | - | - | - | - | - | - | - | - |
| Workers | | | | | | | | | | |
| Permanent | 144 | - | - | 144 | 100% | 143 | - | - | 143 | 100% |
| Male | 144 | - | - | 144 | 100% | 143 | - | - | 143 | 100% |
| Female | - | - | - | - | - | - | - | - | - | - |
| Other than Permanent | 40 | 2 | 5% | 38 | 95% | 40 | 3 | 7.5% | 37 | 92.5% |
| Male | 40 | 2 | 5% | 38 | 95% | 40 | 3 | 7.5% | 37 | 92.5% |
| Female | - | - | - | - | - | - | - | - | - | - |

3. Details of remuneration/salary/wages, in the following format:

(₹ in Million)

| | Male | | Female | |
|----------------------------------|--------|---|--------|--|
| | Number | Median remuneration/ salary/ wages of respective category | Number | Median remuneration/salary/ wages of respective category |
| *Board of Directors (BoD) | 05 | ₹19.71 | 01 | - |
| Key Managerial Personnel | 03 | ₹ 5.97 | 0 | - |
| Employees other than BoD and KMP | 102 | ₹0.93 | 04 | ₹1.16 |
| Workers | 144 | ₹ 0.40 | 0 | - |

*Independent directors are paid sitting fees and annual commission which is not included for above purpose. For further details of remuneration, please refer corporate governance report.

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)- No

Describe the internal mechanisms in place to redress grievances related to human rights issues- All employees and workers grievance related matters are handled by HR department.

5. Number of Complaints on the following made by employees and workers:

| | FY2022 | | | FY2021 | | |
|-----------------------------------|-----------------------|---------------------------------------|---------|-----------------------|---------------------------------------|---------|
| | Filed during the year | Pending resolution at the end of year | Remarks | Filed during the year | Pending resolution at the end of year | Remarks |
| Sexual Harassment | Nil | Nil | - | Nil | Nil | - |
| Discrimination at workplace | Nil | Nil | - | Nil | Nil | - |
| Child Labour | Nil | Nil | - | Nil | Nil | - |
| Forced Labour/Involuntary Labour | Nil | Nil | - | Nil | Nil | - |
| Wages | Nil | Nil | - | Nil | Nil | - |
| Other human rights related issues | Nil | Nil | - | Nil | Nil | - |

6. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases- Neither Company promote nor tolerate any discrimination and /or harassment in its working, hence we follow no discrimination no harassment policy but believe in equal treatment.

7. Do human rights requirements form part of your business agreements and contracts? (Yes/No)- Yes

8. Assessments for the year:

| | % of your plants and offices that were assessed (by entity or statutory authorities or third parties) |
|-----------------------------|---|
| Child labour | 100% |
| Forced/involuntary labour | 100% |
| Sexual harassment | 100% |
| Discrimination at workplace | 100% |
| Wages | 100% |
| Others – please specify | -- |

9. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above- No risks are identified.

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format:

| Parameter | FY2022 | FY2021 |
|---|----------------------------|----------------------------|
| Total electricity consumption (A) | 50285.70 Gigajoules | 65152.37 Gigajoules |
| Total fuel consumption (B) | 15563.27 Gigajoules | 17223.61 Gigajoules |
| Energy consumption through other sources (C) | 1.29 Gigajoules | 0.86 Gigajoules |
| Total energy consumption (A+B+C) | 65850.26 Gigajoules | 82376.84 Gigajoules |
| Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) | 0.0028 | 0.0035 |
| Energy intensity (optional) – the relevant metric may be selected by the entity | - | - |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. -No

2. Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any- Not Applicable

3. Provide details of the following disclosures related to water, in the following format:

| Parameter | FY2022 | FY2021 |
|--|----------|----------|
| Water withdrawal by source (in kilolitres) | | |
| (i) Surface water | 0.00 | 0.00 |
| (ii) Groundwater | 15890.25 | 21802.00 |
| (iii) Third party water | 19752.26 | 31243.37 |
| (iv) Seawater / desalinated water | 0.00 | 0.00 |
| (v) Others | 0.00 | 0.00 |
| Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v) | 35642.51 | 53045.37 |
| Total volume of water consumption (in kilolitres) | 20927.84 | 33109.37 |
| Water intensity per rupee of turnover (Water consumed / turnover) | 0.0009 | 0.0014 |
| Water intensity (optional) – the relevant metric may be selected by the entity | - | - |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. No

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation- No

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

| Parameter | Please specify unit | FY2022 | FY2021 |
|-------------------------------------|---------------------|------------------------|----------------|
| NOx | Mg/Nm3 | Below Detectable Limit | 1.03 |
| SOx | PPM | Below Detectable Limit | 1.47 |
| Particulate matter (PM) | PPM | 1.06 | 4.60 |
| Persistent organic pollutants (POP) | Not applicable | Not applicable | Not applicable |
| Volatile organic compounds (VOC) | Not applicable | Not applicable | Not applicable |
| Hazardous air pollutants (HAP) | Not applicable | Not applicable | Not applicable |
| Others – please specify | Not applicable | Not applicable | Not applicable |

We monitor air emissions on quarterly basis every year as per Gujarat Pollution Control Board (GPCB) rules, above are the air emissions data from the stack attached in Hot water Generator.

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. Yes, assessment has been carried out by the Metro Enviro Chem Association which is authorised environment agency under the schedule II auditors approved by the Gujarat pollution control board.

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, in the following format:

| Parameter | Unit | FY2022 | FY2021 |
|---|---------------------------------|--------|--------|
| Total Scope 1 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tons of CO2 equivalent | 584MT | 793MT |
| Total Scope 2 emissions (Break-up of the GHG into CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, if available) | Metric tonnes of CO2 equivalent | 6451MT | 9465MT |
| Total Scope 1 and Scope 2 emissions per rupee of turnover | Metric tonnes of CO2 equivalent | 0.0003 | 0.0004 |
| Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity | - | - | - |
| Volatile organic compounds (VOC) | - | - | - |
| Hazardous air pollutants (HAP) | - | - | - |
| Others – please specify | - | - | - |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency- No

7. Does the entity have any project related to reducing Green House Gas emission? If Yes, then provide details- No

8. Provide details related to waste management by the entity, in the following format:

| Parameter | FY2022 | FY2021 |
|--|------------------|------------------|
| Total Waste generated (in metric tonnes) | | |
| Plastic waste (A) | 7.26 MT | 11.82 MT |
| E-waste (B) | Nil | Nil |
| Bio-medical waste (C) | Nil | Nil |
| Construction and demolition waste (D) | Nil | Nil |
| Battery waste (E) | Nil | Nil |
| Radioactive waste (F) | Nil | Nil |
| Other Hazardous waste. Please specify, if any. (G) | 25.41MT | 95.05MT |
| Other Non-hazardous waste generated (H). Please specify, if any.(Break-up by composition i.e. by materials relevant to the sector) | 155.25 MT | 315.88 MT |
| Total (A+B + C + D + E + F + G + H) | 187.92 MT | 422.75 MT |
| For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes) | | |
| Category of waste | | |
| (i) Recycled | | |
| Non-Hazardous | 69.10 MT | 139.48 MT |
| Hazardous | 23.26 MT | 71.36 MT |
| (ii) Re-used | - | - |
| (iii) Other recovery operations | Nil | Nil |
| Total | 92.36MT | 210.84MT |
| For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes) | | |
| Category of waste | Nil | Nil |
| (i) Incineration | 2.15MT | 23.69MT |
| (ii) Landfilling | Nil | Nil |
| (iii) Other disposal operations | Nil | Nil |
| Total | 2.15MT | 23.69MT |

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency. - No

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes- We have waste management systems in place at our facilities. We segregate waste into Hazardous waste, non-hazardous waste like plastic, wooden, glass, MS scrape, Paper & card etc. and incinerable & Land fill waste at our premises. All hazardous and non-hazardous waste are disposed-off through authorised recycler or vendor. The procedure for managing waste is as per Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016. The hazardous wastages are sent to the authorised vendor where waste is disposed of with appropriate method and the necessary required documents are submitted to Gujarat Pollution Control Board.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format: Not Applicable

| Sr. No. | Location of operations/offices | Type of operations | Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any. |
|---------|--------------------------------|--------------------|--|
| | | Nil | |

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year: Not applicable

| Name and brief details of project | EIA Notification No. | Date | Whether conducted by independent external agency (Yes / No) | Results communicated in public domain (Yes / No) | Relevant Web link |
|-----------------------------------|----------------------|------|---|--|-------------------|
| No | | | | | |

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India; such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

Yes, the company has complied with all applicable environmental laws/ regulations/ guidelines in India.

| S. No. | Specify the law / regulation / guidelines which was not complied with | Provide details of the non-compliance | Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts | Corrective action taken, if any |
|--------|---|---------------------------------------|---|---------------------------------|
| | Nil | Nil | Nil | Nil |

PRINCIPLE 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations.: 03
- b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

| S. No. | Name of the trade and industry chambers/ associations | Reach of trade and industry chambers/ associations (State/National) |
|--------|---|---|
| 1 | Textile Machinery Manufacturers Association (TMMA) | National |
| 2 | Gujarat Chamber of Commerce & Industry (GCCCI) | State |
| 3 | Ahmedabad Management Association (AMA) | State |

2. Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities-

Not applicable since the Company has not received any such order from any of the regulatory authorities towards issues related to anti-competitive conduct.

| Name of Authority | Brief of the Case | Corrective action taken |
|-------------------|-------------------|-------------------------|
| Not Applicable | | |

PRINCIPLE 8 Businesses should promote inclusive growth and equitable development

Essential Indicators

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year-

| Name and brief details of project | SIA Notification No. | Date of notification | Whether conducted by independent external agency (Yes / No) | Results communicated in public domain (Yes / No) | Relevant Web link |
|-----------------------------------|----------------------|----------------------|---|--|-------------------|
| Not applicable | | | | | |

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

| S. No. | Name of Project for which R&R is ongoing | State | District | No. of Project Affected Families (PAFs) | % of PAFs covered by R&R | Amounts paid to PAFs in the FY (In ₹) |
|----------------|--|-------|----------|---|--------------------------|---------------------------------------|
| Not applicable | | | | | | |

3. **Describe the mechanisms to receive and redress grievances of the community-** All general communication including grievances may be submitted at info@stovec.com.

4. **Percentage of input material (inputs to total inputs by value) sourced from suppliers:**

| | FY2022 | FY2021 |
|---|--------|--------|
| Directly sourced from MSMEs/ small producers | 7% | 11% |
| Sourced directly from within the district and neighboring districts | 30% | 35% |

PRINCIPLE 9 Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback-** There has been no consumer complaints made during the year. The Company has a robust system to track and respond to customer complaints. The customer complaints with respect to the Company's goods have been taken care of by a separate team and resolved within the committed timelines.

2. **Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:**

| | As a percentage to total turnover |
|---|-----------------------------------|
| Environmental and social parameters relevant to the product | NA |
| Safe and responsible usage | NA |
| Recycling and/or safe disposal | NA |

3. **Number of consumer complaints in respect of the following:** None

| | FY2022 | | Remarks | FY2021 | | Remarks |
|--------------------------------|--------------------------|-----------------------------------|---------|--------------------------|-----------------------------------|---------|
| | Received during the year | Pending resolution at end of year | | Received during the year | Pending resolution at end of year | |
| Data privacy | Nil | Nil | - | Nil | Nil | - |
| Advertising | Nil | Nil | - | Nil | Nil | - |
| Cyber-security | Nil | Nil | - | Nil | Nil | - |
| Delivery of essential services | Nil | Nil | - | Nil | Nil | - |
| Restrictive Trade Practices | Nil | Nil | - | Nil | Nil | - |
| Unfair Trade Practices | Nil | Nil | - | Nil | Nil | - |
| Other | - | - | - | - | - | - |

4. **Details of instances of product recalls on account of safety issues:** None

| | Number | Reasons for recall |
|-------------------|--------|--------------------|
| Voluntary recalls | | |
| Forced recalls | | |

5. **Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy-**

The Company has policy in place at group level to this effect.

6. **Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services-** There are no such instances.

STATEMENT OF DISCLOSURE OF REMUNERATION
(Pursuant to Section 197 of the Act and Rule 5 (1) of The Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014)

- (i) Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2022, the percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2022.

| Sr. No. | Name of Director / Key Managerial Personnel | Designation | *Ratio of Remuneration of each Director to median remuneration of employees | Percentage increase in Remuneration |
|---------|---|-------------------------|---|-------------------------------------|
| 1 | Mr. Shailesh Wani | Managing Director | 44.81: 1 | 7.00% |
| 2 | Mr. Paras Mehta | Chief Financial Officer | Not Applicable | 9.00% |
| 3 | Mr. Sanjeev Singh Sengar | Company Secretary | Not Applicable | 10.00% |

*Remuneration includes variable pay.

- (ii) The percentage increase in the median remuneration of employees for the financial year 2022 was 11.68 %.
- (iii) The Company had 253 permanent employees on the rolls of the Company as on 31st December, 2022.
- (iv) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year was 10.44 % whereas the increase in the managerial remuneration was 7.00 %. The average increases every year is an outcome of the Company's market competitiveness and business performance. Keeping in mind our Nomination and Remuneration policy and benchmarking results, the increases this year reflect the market practice.
- (v) It is hereby affirmed that the remuneration paid during the year 2022 is as per the Nomination and Remuneration Policy of the Company.

For and on behalf of Board of Directors

Date: 28th February, 2023
Place: Mumbai

K. M. Thanawalla
Chairman
DIN: 00201749

FORM NO. AOC- 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. **Details of contracts or arrangements or transactions not at arm's length basis:** N.A.

2. **Details of material contracts or arrangement or transactions at arm's length basis:**

| | | |
|----|---|---|
| a) | Name(s) of the related party and nature of relationship: | SPGPrints Baski Sistemleri Tic. Ltd. Şti., fellow subsidiary in Turkey. |
| b) | Nature of contracts/arrangements/transactions: | Sale of goods i.e., perforated rotary screen and other spares |
| c) | Duration of the contracts/arrangements/ transactions | Two years i.e., FY2022 and FY2023 |
| d) | Salient terms of the contracts or arrangements or transactions including the value, if any | Transactions are made in the ordinary course of business and at arm's length basis based on benchmarking report of independent valuer and international transfer pricing criteria. Arrangement has been made to cater to global market and gain quantitative benefits. Transaction value in FY2022: ₹167.15 Million |
| e) | Date(s) of approval by the Board, if any | 25 th February, 2022. Members' have accorded their approval in the previous AGM held on 6 th May, 2022. |
| f) | Amount paid as advances, if any | Not applicable |

Note: Though Company has obtained shareholders' approval in the previous AGM in anticipation of materiality of the said transaction (10% of annual turnover of the company), however, the transaction entered during the year and reported above is just in and around 7.6% of the turnover of the Company, and hence it is nonmaterial actually.

For and on behalf of Board of Directors

Date: 28th February, 2023
Place: Mumbai

K. M. Thanawalla
Chairman
DIN: 00201749

FORM NO. MR 3

[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]

SECRETARIAL AUDIT REPORT

For the Financial Year ended on 31st December, 2022

To,
The Members,
Stovec Industries Limited
CIN: L45200GJ1973PLC050790
N.I.D.C, Near Lambha Village,
Post: Narol, Ahmedabad – 382 405, Gujarat, India.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Stovec Industries Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st December, 2022 (hereinafter referred to as "Audit Period") 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:

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

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contract (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;(Not applicable to the Company during Audit Period)
- (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;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 as amended from time to time;

- c. 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;

During period under report, no specific law is applicable to the Company.

We have also examined compliance with the applicable clauses/regulations of the following, to the extent applicable to the Company during the audit period:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Stock Exchange i.e. BSE Limited.
- (iii) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time.

We report that, during the year under review, the Company has complied with the provisions of the Acts, rules, regulations and guidelines mentioned above.

We further report that, there were no actions/ events in pursuance of:

- a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time;
- d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 as amended from time to time;
- e) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; and
- f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

requiring compliance thereof by the Company during the financial year.

We further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by auditor/other designated professionals.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days 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.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there were no other specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

Sandip Sheth & Associates
Company Secretaries
Firm Unique Code: P2001GJ041000

Sandip Sheth

Partner

Place: Ahmedabad
Date: 28th February, 2023

FCS: 5467, CP No.: 4354
UDIN No: F005467D003193520

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

"Annexure – A"

To,
The Members,
Stovec Industries Limited
CIN: L45200GJ1973PLC050790
N.I.D.C, Near Lambha Village,
Post: Narol, Ahmedabad- 382 405, Gujarat, India

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the representations from the Management and respective departmental heads about the Compliance of laws, rules and regulations and happening of events etc. during the audit period.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the

responsibility of management. Our examination was limited to the verification of procedures on test basis, for the purpose of issuing Secretarial Audit Report.

6. The Secretarial Audit is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. We conducted our audit in the manner specified under section 204 of the Companies Act, 2013 and Rules made there under, which seeks an opinion and reasonable assurance about the compliance status of various applicable acts and rules to the Company.

Sandip Sheth & Associates
Company Secretaries
Firm Unique Code: P2001GJ041000

Sandip Sheth

Partner

Place: Ahmedabad
Date: 28th February, 2023

FCS: 5467, CP No.: 4354
UDIN No: F005467D003193520

FINANCIAL STATEMENTS

Balance Sheet 84, Profit & Loss Account 85,



INDEPENDENT AUDITOR'S REPORT

To the Members of **Stovec Industries Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stovec Industries Limited ("the Company"), which comprise the Balance Sheet as at December 31, 2022, 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 (herein referred to as '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, as amended ("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 December 31, 2022, 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 December 31, 2022. 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.

INDEPENDENT AUDITOR'S REPORT (Contd.)

| Key audit matters | How our audit addressed the key audit matter |
|---|--|
| <p>Recognition of revenue from contracts with customers for sale of textile machinery (refer note 3.06, 17 and 29 of the financial statements)</p> <p>Revenue from sale of textile machinery of ₹525.99 Million is recognized in accordance with Ind AS 115, Revenue from Contracts with Customers, based on the dispatch/delivery of machines on completion of manufacturing (at a point in time). A certain portion of revenue is also deferred and recognised when the installation is completed to the satisfaction of the customers.</p> <p>We consider revenue recognition from such contracts to be a Key Audit Matter because management's assessments and terms of contracts significantly impact the determination of the performance obligations related to the individual contracts, which critically affects the revenue recognised for the year. These assessments include, in particular, the scope of deliveries and services required to fulfil contractually defined obligations.</p> | <ul style="list-style-type: none"> • Our audit procedures included but were not limited to: • Obtained understanding and tested design and operating effectiveness of internal controls over revenue recognition • On a sample basis, verified the underlying customer contracts and relevant supporting documents to analyse the dispatch/delivery conditions i.e. point in time and distinct performance obligations under contract • Evaluated management assumption for the allocation of transaction price between various performance obligation • Obtained and verified documents supporting dispatch / delivery of the machines. Obtained and read installation report and other relevant documents maintained by the Company for installation of machines • Assessed the relevant disclosures made by the company in accordance with Ind AS 115 |

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors report, including annexure thereto, but does not include the financial statements and our auditor's report thereon.

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 and, in doing so, consider whether such 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.

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 is 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.

INDEPENDENT AUDITOR'S REPORT (Contd.)

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 with reference to financial statements 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

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 December 31, 2022 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, 2020 ("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 1" 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 except that, as informed, the backup in relation to books of account maintained in electronic mode was maintained on cloud based server not physically located in India and that the backup on daily basis was not maintained for the period from August 5, 2022 to December 31, 2022;
 - (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 December 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2022 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 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended December 31, 2022 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;

INDEPENDENT AUDITOR'S REPORT (Contd.)

- (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 28 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
 - iv. a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
 - c) Based on such audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
 - v. The final dividend paid by the Company during the year in respect of the same declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

As stated in note 44 to the financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend.

Place of Signature: Ahmedabad
Date: 28th February, 2023

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003
per **Mustafa Saleem**
Partner
Membership Number: 136969
UDIN: 23136969BGXFFR6508

INDEPENDENT AUDITOR'S REPORT (Contd.)

Annexure 1 referred to in Paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date

Re: Stovec Industries Limited ('the Company')

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

- i (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) Property, Plant and Equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) The title deeds of all the immovable properties are held in the name of the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (including Right of use assets) or intangible assets during the year ended December 31, 2022.
- (e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- ii (a) The inventory (except goods in transit) has been physically verified by the management during the year except for inventories lying with third parties. In our opinion, the frequency of verification by the management is reasonable and the coverage and procedure for such verification is appropriate. Inventories lying with third parties have been confirmed by them as at December 31, 2022. No discrepancies of 10% or more in aggregate for each class of inventory were noticed on such physical verification.
- (b) The Company has not been sanctioned working capital limits in excess of Rs. five crores in aggregate from banks or financial institutions during any point of time of the year on the basis of security of current assets. Accordingly, the requirement to report on clause 3(ii)(b) of the Order is not applicable to the Company.

- iii (a) During the year, the Company has not provided loans, advances in the nature of loans, stood guarantee or provided security to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(a) of the Order is not applicable to the Company.
- (b) During the year, the Company has not made investments, provided guarantees, provided security and granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(b) of the Order is not applicable to the Company.
- (c) The Company has not granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3 (iii) (c), (d), (e) and (f) of the Order is not applicable to the Company.
- iv There are no loans, investments, guarantees, and security in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 are applicable and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company.
- v The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- 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, related to the manufacture of rotary screens, textile machinery, sugar screens and organic and inorganic chemicals and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

- Vii(a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, duty of customs, value added tax, cess and other statutory dues applicable to it. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (b) The dues of income-tax and service tax, which have not been deposited on account of any dispute, are as follows:

| Name of the Statue | Nature of the dues | Amount (₹ in Million) | Period to which the amount relates | Forum where the dispute is pending |
|--------------------------|--------------------|-----------------------|---------------------------------------|--|
| The Income Tax act, 1961 | Income Tax | 3.97 | AY 2007-08, AY 2013-14 and AY 2017-18 | Commissioner of Income Tax (Appeals) |
| The Finance Act, 1994 | Service Tax | 0.45 | FY 2012-13, FY 2013-14 FY 2014-15 | Commissioner of Central Excise (Appeals) |

The above amounts are net of ₹1.45 Million which the Company has deposited with various tax authorities although the same have been disputed with the respective authorities.

INDEPENDENT AUDITOR'S REPORT (Contd.)

- viii The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- ix (a) The Company did not have any outstanding loans or borrowings or interest thereon due to any lender during the year. Accordingly, the requirement to report on clause 3(ix)(a) of the Order is not applicable to the Company.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company did not have any term loans outstanding during the year hence, the requirement to report on clause 3(ix)(c) of the Order is not applicable to the Company.
- (d) The Company did not raise any funds during the year hence, the requirement to report on clause 3(ix)(d) of the Order is not applicable to the Company.
- (e) The Company does not have any subsidiary, associate or joint venture. Accordingly, the requirement to report on clause 3(ix) (e) and (f) of the Order is not applicable to the Company.
- x (a) The Company has not raised any money during the year by way of initial public offer / further public offer (including debt instruments). Accordingly, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares fully or partially or optionally convertible debentures during the year under audit. Accordingly, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.
- xi (a) No fraud by the Company or no material fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor / secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- xii The Company is not a nidhi Company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(a), (b) and (c) of the Order are not applicable to the Company.
- xiii Transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- xiv (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.
- xv The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.
- xvi (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause 3(xvi)(a) of the Order is not applicable to the Company.
- (b) The Company is not engaged in any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from Reserve Bank of India as per the Reserve Bank of India Act, 1934. Accordingly, the requirement to report on clause 3(xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) There is no Core Investment Company as a part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.
- xvii The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xviii There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- xix On the basis of the financial ratios disclosed in note 41 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities

INDEPENDENT AUDITOR'S REPORT (Contd.)

falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act. This matter has been disclosed in note 38 to the financial statements.

- (b) All amounts that are unspent under section (5) of section 135 of Companies Act, pursuant to any ongoing project, has been transferred to special account in compliance of with provisions of sub section (6) of section 135 of the said Act. This matter has been disclosed in note 38 to the financial statements.

Place of Signature: Ahmedabad
Date: 28th February, 2023

For **S R B C & COLLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003
per **Mustafa Saleem**
Partner
Membership Number: 136969
UDIN: 23136969BGXFFR6508

INDEPENDENT AUDITOR'S REPORT (Contd.)

"ANNEXURE 2" OF THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF STOVEC INDUSTRIES LIMITED

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 over financial reporting with reference to financial statements of Stovec Industries Limited ("the Company") as of December 31, 2022 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 (the "Guidance Note") 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 the 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both issued by ICAI and deemed to be prescribed under section 143(10) of the Act, as amended to the extent applicable to an audit of internal financial controls. 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 these 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 with reference to these 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 over financial reporting with reference to these 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Place of Signature: Ahmedabad
Date: 28th February, 2023

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 over financial reporting with reference to these financial statements.

Meaning of Internal Financial Controls over financial reporting With Reference to these Financial Statements

A company's internal financial controls over financial reporting 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 controls over financial reporting 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 With Reference to Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting 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 with reference to financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to financial statements 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, adequate internal financial controls over financial reporting with reference to financial statements and such internal financial controls over financial reporting with reference to financial statements were operating effectively as at December 31, 2022, 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 issued by the ICAI.

For **S R B C & CO LLP**
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003
per **Mustafa Saleem**
Partner
Membership Number: 136969
UDIN: 23136969BGXFFR6508

BALANCE SHEET

As at 31st December, 2022

(₹ in Million)

| | Note | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| (a) Property, plant and equipment | 4 | 344.45 | 360.67 |
| (b) Capital work-in-progress | 4 | 2.60 | 0.50 |
| (c) Other intangible assets | 4 | 0.32 | - |
| (d) Other intangible assets under development | 4 | 1.76 | - |
| (e) Financial assets | | | |
| (i) Investments | 5 | - | - |
| (ii) Other financial assets | 9 | 98.70 | 80.67 |
| (f) Deferred tax assets (net) | 24 | 9.40 | 4.38 |
| (g) Other assets | 10 | 34.19 | 48.20 |
| Total Non-current Assets | | 491.42 | 494.42 |
| Current assets | | | |
| (a) Inventories | 6 | 575.27 | 394.26 |
| (b) Financial assets | | | |
| (i) Investments | 5 | 0.79 | 5.79 |
| (ii) Trade receivables | 7 | 234.78 | 313.22 |
| (iii) Cash and cash equivalents | 8 | 237.52 | 157.08 |
| (iv) Bank balances other than (iii) above | 8 | 473.36 | 198.95 |
| (v) Other financial assets | 9 | 115.35 | 415.82 |
| (c) Other assets | 10 | 15.38 | 29.73 |
| Total Current Assets | | 1,652.45 | 1,514.85 |
| Total Assets | | 2,143.87 | 2,009.27 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| (a) Equity Share Capital | 11 | 20.88 | 20.88 |
| (b) Other Equity | 12 | 1,716.29 | 1,586.21 |
| Total Equity | | 1,737.17 | 1,607.09 |
| Liabilities | | | |
| Non-current liabilities | | | |
| (a) Provisions | 16 | 21.72 | 20.21 |
| Total Non-current Liabilities | | 21.72 | 20.21 |
| Current liabilities | | | |
| (a) Financial Liabilities | | | |
| (i) Trade payables | | | |
| - total outstanding dues of micro enterprises and small enterprises | 13 | 32.08 | 13.39 |
| - total outstanding dues of creditors other than micro enterprises and small enterprises | 13 | 196.53 | 139.75 |
| (ii) Other financial liabilities | 14 | 57.53 | 84.66 |
| (b) Other liabilities | 15 | 75.55 | 122.43 |
| (c) Provisions | 16 | 23.29 | 21.74 |
| Total Current Liabilities | | 384.98 | 381.97 |
| Total Liabilities | | 406.70 | 402.18 |
| Total Equity and Liabilities | | 2,143.87 | 2,009.27 |
| Summary of significant accounting policies | 3 | | |

The accompanying notes are an integral part of these financial statements

As per our report of even date

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Mustafa Saleem

Partner

Membership No. 136969

Place : Ahmedabad

Date : 28th February, 2023

For and on behalf of the Board of Directors

Stovec Industries Limited

K. M. Thanawalla

Chairman

(DIN: 00201749)

Place : Mumbai

Date : 28th February, 2023

Paras Mehta

Chief Financial Officer

Place : Ahmedabad

Date : 28th February, 2023

Shailesh Wani

Managing Director

(DIN: 06474766)

Place : Ahmedabad

Date : 28th February, 2023

Sanjeev Singh Sengar

Company Secretary

Place: Ahmedabad

Date : 28th February, 2023

STATEMENT OF PROFIT AND LOSS

For the year ended 31st December, 2022

(₹ in Million)

| | Note | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|------|---|---|
| INCOME | | | |
| Revenue from operations | 17 | 2,358.49 | 2,333.61 |
| Other income | 18 | 46.17 | 56.20 |
| Total Income | | 2,404.66 | 2,389.81 |
| EXPENSES | | | |
| Cost of raw material consumed | 19 | 1,376.11 | 1,254.78 |
| Purchase of stock-in-trade | 20 | 115.66 | 46.89 |
| Changes in Inventories of finished goods, work-in-progress and stock-in-trade | 21 | (97.35) | (25.51) |
| Employee benefits expense | 22 | 255.36 | 239.25 |
| Depreciation and amortisation expense | 4 | 59.78 | 51.02 |
| Other expenses | 23 | 447.70 | 448.82 |
| Total expenses | | 2,157.26 | 2,015.25 |
| Profit Before Exceptional Items and Tax | | 247.40 | 374.56 |
| Exceptional items (refer note 43) | | 77.06 | 15.90 |
| Profit Before Tax | | 324.46 | 390.46 |
| Tax expense | 24 | | |
| - Current tax | | 83.82 | 91.74 |
| - Adjustment of income tax related to earlier years (net) | | (1.86) | 0.41 |
| - Deferred tax (credit) / charge | | (5.17) | 1.90 |
| | | 76.79 | 94.05 |
| Net Profit for the year | | 247.67 | 296.41 |
| Other Comprehensive Income ("OCI") | | | |
| Items that will not be reclassified to profit or loss in subsequent periods (net of tax) | | | |
| (i) Remeasurements gain / (loss) on the defined benefit plans | | 0.64 | (4.38) |
| (ii) Fair valuation gain on equity instruments through other comprehensive income | | 0.94 | 5.35 |
| (iii) Income tax relating to above | | (0.16) | 1.10 |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | | 1.42 | 2.07 |
| Total Comprehensive Income for the year, net of tax | | 249.09 | 298.48 |
| Earnings per share | | | |
| [Face Value of share ₹10/- (31st December, 2021 - ₹10/-)] | | | |
| Basic and Diluted earnings per share | 25 | 118.61 | 141.96 |
| Summary of significant accounting policies | 3 | | |

The accompanying notes are an integral part of these financial statements

As per our report of even date

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Mustafa Saleem

Partner

Membership No. 136969

Place : Ahmedabad

Date : 28th February, 2023

For and on behalf of the Board of Directors

Stovec Industries Limited

K. M. Thanawalla

Chairman

(DIN: 00201749)

Place : Mumbai

Date : 28th February, 2023

Paras Mehta

Chief Financial Officer

Place : Ahmedabad

Date : 28th February, 2023

Shailesh Wani

Managing Director

(DIN: 06474766)

Place : Ahmedabad

Date : 28th February, 2023

Sanjeev Singh Sengar

Company Secretary

Place: Ahmedabad

Date : 28th February, 2023

CASH FLOW STATEMENT

For the year ended 31st December, 2022

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Profit Before Tax | 324.46 | 390.46 |
| Adjustment to reconcile profit before tax to net cash flows: | | |
| Depreciation and amortisation expense | 59.78 | 51.02 |
| Interest income | (30.89) | (35.00) |
| Unrealised foreign exchange loss / (gain) | 0.04 | (0.22) |
| Loss on sale of property, plant and equipment (net) | 1.90 | 0.04 |
| Provision for doubtful receivables (net) | 1.91 | 1.92 |
| Liabilities and provisions no longer required written back | (4.13) | (12.11) |
| Provision for warranty (net) | 2.61 | 4.34 |
| Operating profit before working capital changes | 355.68 | 400.45 |
| Adjustments for changes in working capital: | | |
| Decrease / (Increase) in other assets and financial assets | 41.48 | (23.29) |
| (Increase) in inventories | (181.01) | (83.43) |
| Decrease / (Increase) in trade receivables | 76.85 | (70.43) |
| (Decrease) in other liabilities and provisions | (51.06) | (20.66) |
| Increase / (Decrease) in trade payables | 75.09 | (47.56) |
| Cash generated from operations | 317.03 | 155.08 |
| Direct taxes paid (net) | (72.09) | (112.32) |
| Net cash flow generated from operating activities | 244.94 | 42.76 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Payment toward purchase of property, plant and equipment, capital work in progress, other intangible assets and other intangible assets under development | (67.97) | (91.73) |
| Proceeds from sale of property, plant and equipment and other intangible assets | 0.33 | 0.47 |
| Proceeds from sale of investments | 5.94 | 7.92 |
| (Investments) / Redemptions in bank deposits (having maturity of more than three months) (net) | (12.69) | 72.24 |
| Interest received | 28.91 | 34.93 |
| Net cash flow (used in) /generated from investing activities | (45.48) | 23.83 |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Dividend paid on equity shares | (119.02) | (45.94) |
| Net cash flow (used in) financing activities | (119.02) | (45.94) |
| Net Increase in cash and cash equivalents (A+B+C) | 80.44 | 20.65 |
| Cash and cash equivalents as at the beginning of the year | 157.08 | 136.43 |
| Cash and cash equivalents as at the end of the year | 237.52 | 157.08 |

CASH FLOW STATEMENT(Contd.)

For the year ended 31st December, 2022

Notes :

1 Components of cash and cash equivalents (refer note 8)

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Cash on hand | 0.44 | 0.43 |
| Bank Balances : | | |
| - In Current Accounts | 202.08 | 61.65 |
| - Deposits with original maturity less than 3 months | 35.00 | 95.00 |
| Cash and cash equivalents at end of the year | 237.52 | 157.08 |

2 The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Ind AS 7 "Statement of Cash Flows" as specified in the Companies (Indian Accounting Standards) Rules, 2015.

3 Changes in liabilities arising from financial activities:

(₹ in Million)

| | 1 st January, 2022 | Net Cash flow | 31 st December, 2022 |
|--------------------------------|-------------------------------|---------------|---------------------------------|
| Dividend paid on equity shares | - | 119.02 | - |
| Total | - | 119.02 | - |

| | 1 st January, 2021 | Net Cash flow | 31 st December, 2021 |
|--------------------------------|-------------------------------|---------------|---------------------------------|
| Dividend paid on equity shares | - | 45.94 | - |
| Total | - | 45.94 | - |

4 Figures in brackets represents cash outflows.

As per our report of even date

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Mustafa Saleem

Partner

Membership No. 136969

Place : Ahmedabad

Date : 28th February, 2023

**For and on behalf of the Board of Directors
Stovec Industries Limited**

K. M. Thanawalla

Chairman

(DIN: 00201749)

Place : Mumbai

Date : 28th February, 2023

Paras Mehta

Chief Financial Officer

Place : Ahmedabad

Date : 28th February, 2023

Shailesh Wani

Managing Director

(DIN: 06474766)

Place : Ahmedabad

Date : 28th February, 2023

Sanjeev Singh Sengar

Company Secretary

Place: Ahmedabad

Date : 28th February, 2023

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2022

A. EQUITY SHARE CAPITAL

| | No. of Shares | Amount (₹ in Million) |
|---|------------------|-----------------------|
| Equity shares of ₹10 each issued, subscribed and fully paid (refer note 11) | | |
| As at 1st January, 2021 | 20,88,000 | 20.88 |
| Changes in Equity Share Capital due to prior period errors | - | - |
| Changes during the year | - | - |
| As at 31st December, 2021 | 20,88,000 | 20.88 |
| As at 1st January, 2022 | 20,88,000 | 20.88 |
| Changes in Equity Share Capital due to prior period errors | - | - |
| Changes during the year | - | - |
| As at 31st December, 2022 | 20,88,000 | 20.88 |

B. OTHER EQUITY

(₹ in Million)

| | Reserves and Surplus | | | | | Items of Other Comprehensive Income - Equity instrument through OCI (refer note 12) | Total |
|---|---------------------------------|------------------------------------|--|---------------------------------|---|---|-----------------|
| | General Reserve (refer note 12) | Securities Premium (refer note 12) | Capital Redemption Reserve (refer note 12) | Capital Reserve (refer note 12) | Capital Reserve on Business Combination (refer note 12) | | |
| As at 1st January, 2021 | 181.95 | 79.62 | 0.35 | 0.35 | (190.26) | 1,267.16 | 1,333.67 |
| Changes in accounting policy or prior period errors | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | 296.41 | 296.41 |
| Change in fair value of investments measured at FVTOCI (net of tax) | - | - | - | - | - | - | - |
| Remeasurement (loss) of the defined benefit plans (net of tax) | - | - | - | - | - | (3.28) | (3.28) |
| Total Comprehensive Income for the year | - | - | - | - | - | 293.13 | 298.48 |
| Final dividend | - | - | - | - | - | (45.94) | (45.94) |
| As at 31st December, 2021 | 181.95 | 79.62 | 0.35 | 0.35 | (190.26) | 1,514.35 | 1,586.21 |
| As at 1st January, 2022 | 181.95 | 79.62 | 0.35 | 0.35 | (190.26) | 1,514.35 | 1,586.21 |
| Changes in accounting policy or prior period errors | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | 247.67 | 247.67 |
| Change in fair value of investments measured at FVTOCI (net of tax) | - | - | - | - | - | - | - |
| Remeasurement gain of the defined benefit plans (net of tax) | - | - | - | - | - | 0.49 | 0.49 |
| Total Comprehensive Income for the year | - | - | - | - | - | 248.16 | 249.10 |
| Final dividend | - | - | - | - | - | (119.02) | (119.02) |
| As at 31st December, 2022 | 181.95 | 79.62 | 0.35 | 0.35 | (190.26) | 1,643.49 | 1,716.29 |

The accompanying notes are an integral part of these financial statements

As per our report of even date

For **S R B & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per **Mustafa Saleem**

Partner

Membership No. 136969

Place : Ahmedabad

Date : 28th February, 2023

For and on behalf of the Board of Directors

Stovec Industries Limited

K. M. Thanawalla

Chairman

(DIN: 00201749)

Place : Mumbai

Date : 28th February, 2023

Shailesh Wani

Managing Director

(DIN: 06474766)

Place : Ahmedabad

Date : 28th February, 2023

Paras Mehta

Chief Financial Officer

Place : Ahmedabad

Date : 28th February, 2023

Sanjeev Singh Sengar

Company Secretary

Place : Ahmedabad

Date : 28th February, 2023

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

1. GENERAL INFORMATION

Stovec Industries Limited ("the Company") was incorporated on June 5, 1973. The Company's factory and registered office is located in Ahmedabad, Gujarat. The Company is listed on Bombay Stock Exchange. The ultimate parent company is Print Holdings B.V., Netherland. The Company is engaged in the manufacturing and selling of Textile Machinery & Consumables, Graphics Consumables and Galvanic Screens. The Company is a Technology and Market leader in Rotary Screen Printing Industry in India.

The Financial statements were approved for issue in accordance with a resolution of the Board of Directors on February 28, 2023.

2. BASIS OF PREPARATION

The Financial statements of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and presentation requirements of Division II of Schedule III to the Companies Act 2013, (Ind AS compliant Schedule III), as applicable to Financial statements.

These Financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)
The financial statements are presented in ₹ in Millions and all values are disclosed in ₹ in Million except when otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.01 Current versus non-current classification:

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;

- It is held primarily for the purpose of trading;
- It is due to be settled within 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

The Company classifies all other liabilities as non-current.

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

Operating cycle

Operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company has considered 12 months as its operating cycle.

3.02 Property, Plant and Equipment:

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of its purchase price and other incidental expenses that are directly attributable to the acquisition of the asset. When significant parts of Property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Subsequent expenditure related to an item of property plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

The cost of stores and spares above the threshold determine by management and which qualify as property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. Repairs and maintenance costs are recognised in profit or loss as incurred.

Capital work-in-progress comprises cost of capital assets that are not yet installed and ready for their intended use at the balance sheet date.

A Property Plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the assets which is the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of profit and loss when the asset is derecognised.

Depreciation

Depreciation on property, plant and equipment (except free hold land) is provided on straight line basis over their useful lives of the assets as prescribed under Part C of Schedule II to the Companies Act 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (Major Components) and are depreciated over their useful life or over the remaining useful life of the principal assets whichever is less.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if required.

3.03 Intangible Assets

Intangible assets acquired separately by the company and that have finite useful lives are measured on initial recognition at cost. Following initial recognition, other Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Amortisation

Amortisation on the following intangible assets are provided on straight line basis over the useful lives of the assets as estimated by management based on internal assessment. The management estimates the useful lives as follows:

| | Useful Life (Years) |
|-------------------|---------------------|
| Computer Software | 3 |

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition 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.

3.04 Impairment of non-financial assets:

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an

individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Company. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the statement of profit and loss.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to disposal, recent market transactions are taken into account, if available.

The Company bases its impairment calculation on future cash flows after considering economic condition and estimated future operating results which are prepared separately for each of the Company's CGU.

After impairment, depreciation/ amortisation is provided on the revised carrying amount of the asset over its remaining useful life.

3.05 Inventories

Inventories of Raw material, Work-in-progress, Finished goods, packing materials, stores, spares and tools and stock in trade (traded goods) are measured at the lower of cost and net realisable value. Raw material and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- i) Raw materials, packing materials, stores, spares and tools and traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is computed on a moving weighted average cost basis.
- ii) Finished goods and work in progress: cost includes cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. Material cost is determined on moving weighted average cost basis.

Net realisable value is determined based on estimated selling price, less estimated costs of completion.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

The Company writes down the inventory value where the realisable value is estimated to be lower than the inventory carrying value because of slow or non-moving inventories, as per policy consistently followed by the Company.

3.06 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

Sale of goods and services

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on the dispatch / delivery of the product. In case of sale of Textile Machines, revenue recognised is based on the dispatch /delivery of machines on completion of manufacturing. A certain portion of revenue towards installation is also deferred and recorded when the installation is completed to the satisfaction of the customers.

The Company collects Goods and Services Tax (GST) on behalf of the Government which is not economic benefits flowing to the company and hence, is excluded from revenue.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Service income is recognised at the point in time after completion of services in accordance with the terms of contracts. In case of Annual Maintenance Services, revenue recognised over period of time. The same is recorded net of GST.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs its obligations under the contract (i.e., transfers control of the related goods or services to the customer).

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Financial instruments – initial recognition and subsequent measurement.

Rights of Return

A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from a customer.

Cost to obtain a contract and cost to fulfil a contract

The company recognise sales commission as an expense in the period in which related revenue is recognised as per the election of the optional practical expedient.

Cost to fulfil a contract i.e. freight, insurance and other selling expenses are recognised as an expense in the period in which related revenue is recognised.

Other Revenue

Commission income is recognised and accounted on accrual basis.

Interest income

Interest income primarily comprise of interest from deposit with bank. Interest Income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Export Benefits

Export benefits are recognised for export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

Lease rental Income

Lease rental income from operating leases are recognised on accrual basis."

Sale of Scrap

Revenue from the sale of scrap is recognised at the point in time when scrap has been dispatched / sold.

3.07 Retirement and other employee benefits:

a) Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex-gratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

b) Post-Employment Benefits :

(i) *Defined contribution plan*

Retirement benefit in the form of provident fund are defined contribution scheme. Provident fund contribution is made to the Government administered provident fund. The company has no obligation, other than the contribution payable to the provident fund. The company recognises contribution payable to the provident fund as an expenditure, when an employee renders the related service.

(ii) *Defined benefit plan*

The employee's gratuity fund scheme is Company's defined benefit plan. A defined benefit retirement plan covering eligible employees through Group Gratuity Scheme of Life Insurance Corporation of India. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. The fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to Statement of Profit and Loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

c) *Other long term employment benefits:*

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The company measures the

expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as other long-term employee benefit for measurement purposes. Such other long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet; to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability. The classification of leave liability between current and non-current is based on actuarial report.

3.08 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.

a) *Financial assets*

(i) *Initial recognition and measurement of financial assets*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under Ind AS 115.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

(ii) **Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at amortised cost (debt instruments)

A financial asset is measured at amortised cost if both the following condition are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. 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 in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

- **Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is classified as at the fair value through other comprehensive income if both the followings criteria are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial

asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. For debt instruments, at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value changes recognised in OCI is reclassified from the equity to profit or loss.

The Company has equity investments in two entities which are not held for trading. The Company has elected the FVTOCI irrevocable option for these investments (refer note 5). Fair value is determined in the manner described in below note. Dividends on equity investments are recognised in the statement of profit and loss when the right of payment has been established.

- **Financial assets at fair value through profit or loss (FVTPL)**

Any financial assets, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of profit and loss.

This category includes derivative instruments and equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised in the statement of profit and loss when the right of payment has been established.

In addition, the Company may elect to designate a financial asset, which otherwise meets amortised cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is adopted only if doing so reduces or eliminates a measurement or

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with all changes recognised in Statement of profit and loss

(iii) **De-recognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset and has not transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(iv) **Impairment of financial assets**

In accordance with Ind-AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., trade receivables and bank balance.
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 115.

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit loss is recognised. Loss allowance of equal to the lifetime expected credit losses is recognised if the credit risk of the financial asset has significantly increased since initial recognition.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as expense/ income in the Statement of Profit and Loss (P&L). This amount is reflected in a separate line under the head "Other expenses" in the P&L. The balance sheet presentation for financial assets measured as at amortised cost: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

b) Financial liabilities and equity instruments

(i) Initial recognition and measurement of financial liabilities

Financial liabilities such as loans, borrowings and payables are classified, at initial recognition, as financial liabilities, net of directly attributable transaction costs, at fair value through profit or loss, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

The Company's financial liabilities include trade and other payables and derivative financial instruments.

(ii) **Subsequent measurement of financial liabilities**

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

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Company has not designated any liability at fair value through profit or loss.

- **Financial liabilities at amortised cost**

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate - 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.

(iii) **De-recognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

c) **Derivative financial instruments**

The Company uses derivative financial instruments, such as forward currency contract 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. 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 profit or loss.

d) **Re-classification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities.

e) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.09 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at the end of each reporting period.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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For the year ended 31st December, 2022

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.10 Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

3.11 Operating Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee:

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the

commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor:

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 Foreign currencies

The Company's financial statements are presented in Indian Rupee (INR), which is the functional currency of Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the Company's functional currency using exchange rate prevailing on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency with closing rates of exchange at the reporting date. Exchange differences arising on settlement of such transaction and on translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rate are recognised in the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are recorded using the exchange rates at the date of transaction.

3.13 Taxation

Tax expense comprises of current income tax and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation.

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For the year ended 31st December, 2022

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside Statement of profit and loss is recognised outside Statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

3.14 Governments Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.15 Segment reporting

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

3.16 Research and development expenditure

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

During the period of development, the asset is tested for impairment annually.

3.17 Provisions:

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

Warranty Provision

The Company estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures and the estimates are reviewed annually for any material changes in assumptions. Assumptions used to calculate the provision for warranties are based on current sales level and current information available about returns. The timing of outflows will vary based on the actual warranty claims.

3.18 Contingent Liabilities:

Contingent liabilities are disclosed for (i) when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or (ii) a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or the amount of the obligation cannot be measured with sufficient reliability. The company does not recognise a contingent liability but discloses its existence in the financial statements.

3.19 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and for the purpose of cash flow statement, comprise cash at bank including demand deposits readily realisable with banks with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value and cash in hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

3.20 Cash dividend distribution to equity holders

The Company recognises a liability to pay dividend to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.21 Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company

by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.22 Significant Accounting judgments, estimates and assumptions:

The preparation of the Company's financial statements as per Ind AS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates that require a material adjustment to the carrying amount of assets or liabilities. Revisions to accounting estimates are recognised prospectively.

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as below:

i) Useful lives of property, plant and equipment/ intangible assets:

Determination of the estimated useful lives of property, plant and equipment/ intangible assets and the assessment as to which components of the cost may be capitalised. Useful lives of property, plant and equipment/ intangible assets are based on the life prescribed in Schedule II of the Companies Act, 2013.

ii) Fair value measurement of financial instruments:

In estimating the fair value of financial assets and financial liabilities, the Company uses market observable data to the extent available. Where such Level 1 inputs are not available, the Company establishes appropriate valuation techniques and inputs to the model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to note no 34 for the details of financial instruments valued at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

iii) Defined benefit plans

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, attrition rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Information about the various estimates and assumptions made in determining the present value of defined benefit obligations are disclosed in note no 26.

iv) Taxes

Significant management judgement is required to determine the amounts of current taxes, deferred taxes and tax credits that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (refer note 24).

v) Product warranties

Significant management judgments are involved in determining the estimates and provides for liability for product warranties in the year in which the products are sold. These estimates are established using historical information on the nature, frequency, quantum of warranty claims and corrective actions against product failures and the estimates are reviewed annually for any material changes in assumptions. Assumptions used to calculate the provision for warranties are based on current sales level and current information available about returns. The timing of outflows will vary based on the actual warranty claims (refer note 16).

vi) Impairment of financial assets

The impairment provisions for Financial Assets are based on assumptions about risk of default and expected cash loss. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (refer note 7).

vii) Write down of inventories

An inventory obsolete provision is recognised where the realisable value is estimated to be lower than the inventory carrying value. The inventory written down is estimated taking into account various factors, including policy of the company, aging of

inventory, past experience, current trend and future expectations (refer note 6).

viii) Recognition of revenue from contracts with customers for sale of textile machinery:

Revenue from sale of textile machinery is recognised in accordance with Ind AS 115, Revenue from Contracts with Customers, based on the dispatch/delivery of machines on completion of manufacturing (at a point in time). A certain portion of revenue is also deferred and recognised when the installation is completed to the satisfaction of the customers.

ix) Refundable liabilities and returnable assets:

A refundable liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refundable liabilities at the end of each reporting period based on historical trend. A returnable asset is measured at the expected cost of goods to be recovered on such returns estimated on the basis of historic trends of gross margin. Assumptions used to estimate refundable liabilities and returnable assets are based on current sales level and current information available about sales returns. The timing of outflows will vary based on the actual sales returns (refer notes 10 and 15).

3.23 New Standards, Interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2021, except for amendments to the existing Indian Accounting Standards (Ind AS). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

i. Conceptual framework for financial reporting under Ind AS issued by ICAI

The Framework is not a Standard and it does not override any specific standard. Therefore, this does not form part of a set of standards pronounced by the standardsetters. While the Framework is primarily meant for the standard-setter for formulating the standards, it has relevance to the preparers in certain situations such as to develop consistent accounting policies for areas those are not covered by a standard or where there is choice of accounting policy, and to assist all parties to understand and interpret the Standards. The amendments made in following standards due

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

to Conceptual Framework for Financial Reporting under Ind AS includes amendment of the footnote to the definition of an equity instrument in Ind AS 102- Share Based Payments, footnote to be added for definition of liability i.e. definition of liability is not revised on account of revision of definition in conceptual framework in case of Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets etc.

The MCA has notified the Amendments to Ind AS consequential to Conceptual Framework under Ind AS vide notification dated June 18, 2021, applicable for annual periods beginning on or after April 1, 2021. Accordingly, the Conceptual Framework is applicable for preparers for accounting periods beginning on or after 1 April 2021."

ii. **Amendment to Ind AS 105, Ind AS 16 and Ind AS 28**

The definition of "Recoverable amount" is amended such that the words "the higher of an asset's fair value less costs to sell and its value in use" are replaced with "higher of an asset's fair value less costs of disposal and its value in use". The consequential amendments are made in Ind AS 105, Ind AS 16 and Ind AS 28.

3.24

ii. **Standards notified but not yet effective**

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the

Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, as and when they become effective.

The Ministry of Corporate Affairs (MCA) has notified certain amendments to Ind AS, through Companies (Indian Accounting Standards) Amendment Rules, 2022 on 23rd March 2022. These amendments maintain convergence with IFRS by incorporating amendments issued by International Accounting Standards Board (IASB) into Ind AS and has amended the following standards:

1. Ind AS 103 – Business Combinations
2. Ind AS 109 – Financial Instruments
3. Ind AS 16 – Property, Plant and Equipment
4. Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets

These amendments come into force with effect from April 01, 2022 and will be applicable to the Company from January 01, 2023. The Company is assessing the potential effect of the amendments on its financial statements. The Company will adopt these amendments, if applicable, from applicability date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

4. PROPERTY, PLANT AND EQUIPMENT, OTHER INTANGIBLE ASSETS, CAPITAL WORK IN PROGRESS AND OTHER INTANGIBLE ASSETS UNDER DEVELOPMENT:

(₹ in Million)

| Particulars | Property, Plant and Equipments | | | | | | | Other Intangible Assets | | | Capital Work in Progress | Other Intangible Assets Under Development | |
|---|--------------------------------|-----------|---------------------|------------------------|----------|-------------------|-----------|--------------------------------------|-------------------|-------------------------------|--------------------------|---|------|
| | Land-Freehold | Buildings | Plant and Equipment | Furniture and Fixtures | Vehicles | Office Equipments | Computers | Total Property, Plant and Equipments | Computer Software | Total Other Intangible Assets | | | |
| Cost | | | | | | | | | | | | | |
| As at 1st January, 2021 | 0.47 | 96.87 | 299.75 | 14.16 | 4.84 | 15.81 | 17.51 | 449.41 | 7.27 | 7.27 | 7.27 | - | - |
| Additions | - | 15.01 | 93.39 | 0.25 | 2.19 | 1.92 | 2.95 | 115.71 | - | - | - | 116.21 | - |
| Deletions | - | - | 0.60 | - | 0.07 | 1.13 | 1.80 | 3.60 | - | - | - | 115.71 | - |
| As at 31st December, 2021 | 0.47 | 111.88 | 392.54 | 14.41 | 6.96 | 16.60 | 18.66 | 561.52 | 7.27 | 7.27 | 7.27 | 0.50 | - |
| Additions | - | 1.51 | 37.55 | 0.97 | - | 3.16 | 2.52 | 45.71 | 0.40 | 0.40 | 0.40 | 47.81 | 2.16 |
| Deletions | - | - | 3.36 | 0.05 | 1.62 | 1.15 | 1.16 | 7.34 | - | - | - | 45.71 | 0.40 |
| As at 31st December, 2022 | 0.47 | 113.39 | 426.73 | 15.33 | 5.34 | 18.61 | 20.02 | 599.89 | 7.67 | 7.67 | 7.67 | 2.60 | 1.76 |
| Depreciation and Amortisation | | | | | | | | | | | | | |
| As at 1st January, 2021 | - | 15.79 | 109.97 | 4.60 | 2.14 | 8.84 | 11.79 | 153.13 | 7.06 | 7.06 | 7.06 | - | - |
| Charge for the year | - | 4.04 | 39.00 | 1.24 | 0.77 | 2.82 | 2.94 | 50.81 | 0.21 | 0.21 | 0.21 | - | - |
| On Deletions | - | - | 0.54 | - | 0.02 | 0.84 | 1.69 | 3.09 | - | - | - | - | - |
| As at 31st December, 2021 | - | 19.83 | 148.43 | 5.84 | 2.89 | 10.82 | 13.04 | 200.85 | 7.27 | 7.27 | 7.27 | - | - |
| Charge for the year | - | 4.54 | 48.19 | 1.24 | 0.69 | 2.32 | 2.72 | 59.70 | 0.08 | 0.08 | 0.08 | - | - |
| On Deletions | - | - | 1.76 | 0.01 | 1.49 | 0.77 | 1.08 | 5.11 | - | - | - | - | - |
| As at 31st December, 2022 | - | 24.37 | 194.86 | 7.07 | 2.09 | 12.37 | 14.68 | 255.44 | 7.35 | 7.35 | 7.35 | - | - |
| Net Book Value | | | | | | | | | | | | | |
| As at 31st December, 2022 | 0.47 | 89.02 | 231.87 | 8.26 | 3.25 | 6.24 | 5.34 | 344.45 | 0.32 | 0.32 | 0.32 | 2.60 | 1.76 |
| As at 31st December, 2021 | 0.47 | 92.05 | 244.11 | 8.57 | 4.07 | 5.78 | 5.62 | 360.67 | - | - | - | 0.50 | - |

Notes:

- Freehold Land includes ₹10,000/- being face value of 100 shares of Gujarat Vepari Mahamandal Sahakari Audhyogik Vasahat Ltd.
- The Company has elected to continue with the carrying value for all of its Property, plant and equipments as recognised in its previous GAAP (Indian accounting principle generally accepted in India as prescribed under section 133 of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014), as deemed cost at the transition date i.e. 1st January, 2016 as per option permitted under Ind AS 101 for the first time adoption. Accordingly, the accumulated depreciation / amortisation as at transition date was eliminated against gross carrying amount of the assets.
- Carrying value of property, plant and equipment given on operating lease on temporary basis are as follows : (₹ in Million)

| Description of assets | Buildings | Land - Freehold |
|---|-----------|-----------------|
| As at 31st December, 2022 | - | - |
| As at 31 st December, 2021 | 2.69 | 0.17 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

4. PROPERTY, PLANT AND EQUIPMENT, OTHER INTANGIBLE ASSETS, CAPITAL WORK IN PROGRESS AND OTHER INTANGIBLE ASSETS UNDER DEVELOPMENT(CONTD.):

(4) Capital work in progress (CWIP) ageing schedule is as below.

(₹ in Million)

| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|---|------------------|-----------|-----------|-------------------|-------------|
| Projects in progress : | | | | | |
| As at 31st December, 2022 | 2.60 | - | - | - | 2.60 |
| As at 31 st December, 2021 | 0.50 | - | - | - | 0.50 |

(5) Intangible assets under development (IAUD) ageing schedule is as below.

(₹ in Million)

| Particulars | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | Total |
|---|------------------|-----------|-----------|-------------------|-------------|
| Projects in progress : | | | | | |
| As at 31st December, 2022 | 1.76 | - | - | - | 1.76 |
| As at 31 st December, 2021 | - | - | - | - | - |

5. INVESTMENTS

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|---------------------------------------|---------------------------------------|
| Non - Current | | |
| Investments in equity instruments (unquoted, valued at cost) \$ | | |
| 30 Shares (31 st December, 2021 : 30) of ₹100/- each fully paid of Gujarat Vepari Mahamandal Sahakari Audhyogik Vasahat Ltd. | - | - |
| Total - A | - | - |
| Current | | |
| Investments in equity instruments (quoted, fair value through OCI)(refer note below and note 34) | | |
| 10,834 (31 st December, 2021 : 78,146) equity shares of ₹1/- each fully paid of Jaysynth Dyestuff (India) Ltd. | 0.79 | 5.79 |
| Total - B | 0.79 | 5.79 |
| Total (A+B) | 0.79 | 5.79 |
| Details of quoted/unquoted investments: | | |
| (a) Aggregate amount of quoted investments and market value thereof; | | |
| Purchase Cost | 0.87 | 6.34 |
| Market Value | 0.79 | 5.79 |
| (b) Aggregate amount of unquoted investments; | | |
| Purchase Cost | - | - |
| (c) Aggregate amount of impairment in value of investments | 0.08 | 0.55 |

\$ Figures shown as Nil due to conversion to ₹ in Million.

6. INVENTORIES

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|---------------------------------------|---------------------------------------|
| Raw Materials (refer note 1 below) [Includes Goods-in-transit ₹ 72.81 Million (31 st December, 2021: ₹ 5.15 Million)] | 273.40 | 186.98 |
| Work -in-process | 56.84 | 67.53 |
| Finished goods | 198.47 | 113.87 |
| Stock-in-trade | 36.00 | 12.56 |
| Packing material, stores, spares and tools | 10.56 | 13.32 |
| Total | 575.27 | 394.26 |

Note:

1. Raw materials include inventories lying with third parties of ₹1.84 Million (31st December, 2021: ₹ 2.28 Million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

7. TRADE RECEIVABLES

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|--|--|
| Trade receivables | | |
| Trade Receivables considered good - Unsecured (refer note 29) | 229.13 | 307.14 |
| Trade Receivables which have significant increase in credit risk | 9.35 | 8.63 |
| Trade Receivables - credit impaired | 9.30 | 8.53 |
| Total A | 247.78 | 324.30 |
| Expected credit allowance (allowance for bad and doubtful debts) | | |
| Trade Receivables which have significant increase in credit risk | 3.70 | 2.55 |
| Trade Receivables - credit impaired | 9.30 | 8.53 |
| Total B | 13.00 | 11.08 |
| Total (A-B) | 234.78 | 313.22 |

Below is the age of trade receivables as at reporting date:

| Particulars | Outstanding for following periods from due date of payment | | | | | | Total |
|--|--|-----------------------|----------------------|-------------|-------------|----------------------|---------------|
| | Current but not due | Less than 6 months | 6 months - 1 year | 1-2 years | 2-3 years | More than 3 years | |
| As at 31st December, 2022 | | | | | | | |
| (i) Undisputed Trade Receivables – considered good | 132.10 | 97.03 | - | - | - | - | 229.13 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | 6.81 | 2.54 | - | - | - | 9.35 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | - | 0.29 | 0.19 | - | 0.48 |
| (iv) Disputed Trade Receivables – considered good | - | - | - | - | - | - | - |
| (v) Disputed Trade Receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| (vi) Disputed Trade Receivables - credit impaired | - | - | 2.02 | 1.82 | 1.34 | 3.64 | 8.82 |
| | 132.10 | 103.84 | 4.56 | 2.11 | 1.53 | 3.64 | 247.78 |
| As at 31st December, 2021 | | | | | | | |
| (i) Undisputed Trade Receivables – considered good | 193.90 | 113.24 | - | - | - | - | 307.14 |
| (ii) Undisputed Trade Receivables - which have significant increase in credit risk | - | 3.78 | 4.85 | - | - | - | 8.63 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | - | 1.16 | 0.31 | 0.04 | 1.51 |
| (iv) Disputed Trade Receivables – considered good | - | - | - | - | - | - | - |
| (v) Disputed Trade Receivables - which have significant increase in credit risk | - | - | - | - | - | - | - |
| (vi) Disputed Trade Receivables - credit impaired | - | 0.08 | 1.03 | 2.10 | 1.77 | 2.04 | 7.02 |
| | 193.90 | 117.10 | 5.88 | 3.26 | 2.08 | 2.08 | 324.30 |

Notes:

- The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on ageing of the days the receivables are over/past due below is the movement of expected credit loss allowance:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

7. TRADE RECEIVABLES (CONTD.)

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---------------------------|---|---|
| Opening balance | 11.08 | 9.66 |
| Additions during the year | 4.19 | 2.09 |
| Reversals during the year | 2.27 | 0.67 |
| Closing balance | 13.00 | 11.08 |

- The company does not have unbilled revenue at balance sheet date and hence not disclosed above.
- No trade receivables are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Further, no trade receivables are due from firms or private companies in which any director is a partner, a director or a member, other than dues from related parties disclosed as mentioned in note 29.
- For terms and conditions relating to related party receivables, refer note 29. Trade receivables are non-interest bearing and are generally on terms of 30 to 120 day.

8. CASH AND BANK BALANCE

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Cash and cash equivalents | | |
| Cash on hand | 0.44 | 0.43 |
| Balances with banks | | |
| In Current accounts | 202.08 | 61.65 |
| Deposits with original maturity of less than three months | 35.00 | 95.00 |
| Total - A | 237.52 | 157.08 |
| Bank balance other than cash and cash equivalents | | |
| Deposits with original maturity more than three months but less than twelve months | 455.00 | 170.50 |
| Margin money deposit (refer note 2 below) | 8.22 | 18.85 |
| Unpaid dividend accounts | 10.14 | 9.60 |
| Total - B | 473.36 | 198.95 |
| Total (A+B) | 710.88 | 356.03 |

Notes :

- Deposits are made for varying periods between one week and one year, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.
- Margin money deposits are marked as lien against the outstanding bank guarantees.

9. OTHER FINANCIAL ASSETS (UNSECURED AND CONSIDERED GOOD)

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Non-current | | |
| Deposits with remaining maturity of more than twelve months (refer note 2 below) | 90.00 | 73.00 |
| Interest on deposits | 1.03 | - |
| Security deposits | 7.67 | 7.67 |
| Total - A | 98.70 | 80.67 |
| Current | | |
| Deposits with remaining maturity of less than twelve months (refer note 2 below) | 109.78 | 387.95 |
| Interest receivable on deposits | 4.24 | 3.29 |
| Security deposits | 0.21 | 0.21 |
| Export incentive receivables | 1.12 | 5.61 |
| Others (refer note 43) | - | 18.76 |
| Total - B | 115.35 | 415.82 |
| Total (A+B) | 214.05 | 496.49 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

9. OTHER FINANCIAL ASSETS (UNSECURED AND CONSIDERED GOOD) (CONTD.)

Note:

- 1 The fair value of non-current financial assets is not materially different from the carrying value presented.
- 2 Includes margin money deposits of ₹ 27.78 Million (31st December, 2021: ₹ 6.46 Million) marked as lien against outstanding bank guarantees.

10. OTHER ASSETS (UNSECURED AND CONSIDERED GOOD)

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Non-Current | | |
| Capital advances | - | 0.26 |
| Tax paid under protest (refer note 28) | 1.72 | 5.60 |
| Income-tax receivables (net of provision for taxation) | 32.47 | 42.34 |
| Total A | 34.19 | 48.20 |
| Current | | |
| Advances for goods and services | 3.41 | 16.40 |
| Returnable assets | 10.09 | 5.21 |
| Prepaid expenses | 1.70 | 2.62 |
| Balances with government authorities | 0.18 | 5.50 |
| Total B | 15.38 | 29.73 |
| Total (A+B) | 49.57 | 77.93 |

11. EQUITY SHARE CAPITAL

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Authorised share capital: | | |
| 2,900,000 (31 st December, 2021 : 2,900,000) Equity Shares of ₹ 10/- each | 29.00 | 29.00 |
| 10,000 (31 st December, 2021 : 10,000) Preference Shares of ₹ 100/- each | 1.00 | 1.00 |
| Total | 30.00 | 30.00 |
| Issued, Subscribed and fully Paid-up share capital: | | |
| 2,088,016 (31 st December, 2021 : 2,088,016) Equity Shares of ₹ 10/- each fully paid-up | 20.88 | 20.88 |
| Total | 20.88 | 20.88 |

a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year:

| Equity Share capital | As at 31 st December, 2022 | | As at 31 st December, 2021 | |
|---|---------------------------------------|----------------|---------------------------------------|----------------|
| | No. of Shares | (₹ in Million) | No. of Shares | (₹ in Million) |
| At the beginning of the year | 20,88,016 | 20.88 | 20,88,016 | 20.88 |
| Add: Issued during the year | - | - | - | - |
| Outstanding at the end of the year | 20,88,016 | 20.88 | 20,88,016 | 20.88 |

b) Terms/rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share held.

In the event of liquidation of the Company, the holders of equity shares shall be entitled to receive any of the residual assets of the Company, after distribution of all preferential amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

c) Shares held by Holding Company

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below: (₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| SPGPrints B.V., Netherlands, the Holding Company. 1,483,777 (31 st December, 2021 : 1,483,777) equity shares | 14.84 | 14.84 |

d) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company

| | As at 31 st December, 2022 | | As at 31 st December, 2021 | |
|--|---------------------------------------|-----------|---------------------------------------|-----------|
| | No. of Shares | % holding | No. of Shares | % holding |
| Equity shares of ₹ 10/- each fully paid | | | | |
| SPGPrints B.V., Netherlands | 14,83,777 | 71.06% | 14,83,777 | 71.06% |

e) Details of Shares held by promoters at the end of the year:

| Promoters Name | As at 31 st December, 2022 | | | | |
|-----------------------------|--|--|---|-------------------|--------------------------|
| | No. of Shares at the beginning of the year | Change in number of shares during the year | Number of shares at the end of the year | % of total shares | % change during the year |
| SPGPrints B.V., Netherlands | 14,83,777 | - | 14,83,777 | 71.06% | 0.00% |

| Promoters Name | As at 31 st December, 2021 | | | | |
|-----------------------------|--|--|---|-------------------|--------------------------|
| | No. of Shares at the beginning of the year | Change in number of shares during the year | Number of shares at the end of the year | % of total shares | % change during the year |
| SPGPrints B.V., Netherlands | 14,83,777 | - | 14,83,777 | 71.06% | 0.00% |

As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

12. OTHER EQUITY

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|--|--|
| a. Capital Reserve | | |
| Balance at the beginning of the year | 0.35 | 0.35 |
| Balance at the end of the year (Total A) | 0.35 | 0.35 |
| b. Capital Reserve on account of business combination (refer note (i) below) | | |
| Balance at the beginning of the year | (190.26) | (190.26) |
| Balance at the end of the year (Total B) | (190.26) | (190.26) |
| c. Capital Redemption Reserve (refer note (ii) below) | | |
| Balance at the beginning of the year | 0.35 | 0.35 |
| Balance at the end of the year (Total C) | 0.35 | 0.35 |
| d. Securities Premium (refer note (iii) below) | | |
| Balance at the beginning of the year | 79.62 | 79.62 |
| Balance at the end of the year (Total D) | 79.62 | 79.62 |
| e. General Reserve (refer note (iv) below) | | |
| Balance at the beginning of the year | 181.95 | 181.95 |
| Balance at the end of the year (Total E) | 181.95 | 181.95 |
| f. Retained Earnings (refer note (v) below) | | |
| Balance at the beginning of the year | 1,514.35 | 1,267.16 |
| Profit for the year | 247.67 | 296.41 |
| Final dividend | (119.02) | (45.94) |
| Remeasurement gain / (losses) on defined benefit plans (net of tax) | 0.49 | (3.28) |
| Balance at the end of the year (Total F) | 1,643.49 | 1,514.35 |
| g. Equity instrument through other comprehensive income (refer note (vi)) | | |
| Balance at the beginning of the year | (0.15) | (5.50) |
| Change in fair value of investments measured at FVTOCI (net of tax) | 0.94 | 5.35 |
| Balance at the end of the year (Total G) | 0.79 | (0.15) |
| Total (A+B+C+D+E+F+G) | 1,716.29 | 1,586.21 |

Notes :

- (i) Capital Reserve is created on account of business combination transaction between the Company and SPGPrints B.V.
- (ii) Capital Redemption Reserve created on redemption of Redeemable Preference shares. The reserve can be utilised in accordance with the provisions of the Companies Act, 2013.
- (iii) Securities Premium represents the premium received on issue of shares over and above the face value of equity shares. The reserve is available for utilisation in accordance with the provisions of the Companies Act, 2013.
- (iv) General Reserve is used from time to time to transfer profits from retained earnings for appropriation purposes. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.
- (v) Retained Earnings can be distributed by the Company as dividend to its equity shareholders and the same is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.
- (vi) This reserve represents the cumulative gains and losses arising on revaluation of equity instruments measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

13. TRADE PAYABLES

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Trade Payables | | |
| - Outstanding dues of micro enterprises and small enterprises (refer note 3 below) | 32.08 | 13.39 |
| - Outstanding dues of creditors other than micro enterprises and small enterprises | 196.53 | 139.75 |
| Total | 228.61 | 153.14 |

Below is the age of trade payables as at reporting date:

| Particulars | Outstanding for following periods from due date of payment | | | | | | Total |
|---|--|---------------------|------------------|-------------|-------------|-------------------|---------------|
| | Unbilled | Current but not due | Less than 1 year | 1-2 years | 2-3 years | More than 3 years | |
| As at 31st December, 2022 | | | | | | | |
| (i) Total outstanding dues of MSMED | - | 3.61 | 28.47 | - | - | - | 32.08 |
| (ii) Total outstanding dues of creditors other than MSMED | 14.73 | 102.89 | 78.86 | 0.05 | - | - | 196.53 |
| (iii) Disputed dues of MSMED | - | - | - | - | - | - | - |
| (iv) Disputed dues of creditors other than MSMED | - | - | - | - | - | - | - |
| | 14.73 | 106.50 | 107.33 | 0.05 | - | - | 228.61 |
| As at 31st December, 2021 | | | | | | | |
| (i) Total outstanding dues of MSMED | - | 10.23 | 2.69 | - | - | 0.48 | 13.40 |
| (ii) Total outstanding dues of creditors other than MSMED | 9.84 | 65.85 | 64.01 | 0.01 | 0.04 | - | 139.75 |
| (iii) Disputed dues of MSMED | - | - | - | - | - | - | - |
| (iv) Disputed dues of creditors other than MSMED | - | - | - | - | - | - | - |
| | 9.84 | 76.08 | 66.70 | 0.01 | 0.04 | 0.48 | 153.15 |

Notes:

- Trade payables are non-interest bearing and are normally settled on 45 to 90 days term.
- For terms and conditions with related parties, refer note 29.
- The disclosure in accordance with Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act):

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

13. TRADE PAYABLES (CONTD.)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| a) Amount due to suppliers registered under MSMED Act and remaining unpaid as at the year end towards: | | |
| - Principal | 32.08 | 12.91 |
| - Interest | - | 0.48 |
| b) The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year; | 0.48 | 0.41 |
| c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprise Development Act, 2006; | - | - |
| d) The amount of interest accrued and remaining unpaid at the end of each accounting year; | - | 0.48 |
| e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006. | - | - |

The information with respect to Micro, Small and Medium Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

14. OTHER CURRENT FINANCIAL LIABILITIES

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Deposits payable | 3.50 | 1.70 |
| Payable for capital expenditure | 8.51 | 26.78 |
| Employee benefits payable | 33.91 | 46.58 |
| Financial liabilities at fair value through profit or loss - Derivatives | 1.47 | - |
| Unpaid dividend (refer note 1 below) | 10.14 | 9.60 |
| Total | 57.53 | 84.66 |

Notes:

- There is no amount due and outstanding as at 31st December, 2022 to be credited to Investor Education and Protection Fund.

15. OTHER CURRENT LIABILITIES

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|--|--|
| Contract Liabilities - Advance from customers (refer note 30) | 35.05 | 81.21 |
| Contract Liabilities - Deferred Revenue (refer note 30) | 7.50 | 8.90 |
| Statutory dues | 16.08 | 24.83 |
| Refundable liabilities | 14.38 | 7.49 |
| Liability towards corporate social responsibility (refer note 38) | 2.54 | - |
| Total | 75.55 | 122.43 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. PROVISIONS

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Employee Benefits | | |
| Provision for compensated absences (refer note 26) | 21.72 | 20.21 |
| Total - A | 21.72 | 20.21 |
| Current | | |
| Employee Benefits | | |
| Provision for Gratuity (refer note 26) | 5.93 | 4.47 |
| Provision for Compensated absences (refer note 26) | 1.81 | 1.54 |
| Provision for warranty (refer note 2 below) | 10.66 | 10.52 |
| Provision others (refer note 1 & 2 below) | 4.89 | 5.21 |
| Total - B | 23.29 | 21.74 |
| Total (A+B) | 45.01 | 41.95 |

Notes :

- The Company has made provision for disputed Labour matters for ₹4.89 Million (31st December, 2021: ₹4.89 Million) for claim filed by employees for claiming Voluntary Retirement Scheme (VRS) benefit in earlier years.
 - The Company follows provisioning policy of pending Sales tax C Forms for which provision as on 31st December, 2021 of ₹0.33 Million is reversed based on final tax assessment orders received during the year.
- A provision is recognised for expected warranty claims on products sold during the year, based on past experience of level of repairs and returns. It is expected that this cost will be incurred by end of next financial year. Assumptions used to calculate the provision for warranties were based on current sales level and information for best possible estimate available on returns.

(₹ in Million)

| | Other Provisions | Warranty Provisions |
|---------------------------------------|------------------|---------------------|
| Balance at the beginning of the year | 5.21 | 10.52 |
| Additions during the year | - | 10.05 |
| Reversals during the year | 0.33 | 7.44 |
| Utilisations during the year | - | 2.47 |
| Balance at the end of the year | 4.88 | 10.66 |

17. REVENUE FROM OPERATIONS

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|---|---|
| Revenue from contract with customers (refer note 29 and 30) | | |
| Sale of goods | 1,934.05 | 1,973.99 |
| Sales of traded goods | 103.51 | 52.91 |
| Sale of services | 47.13 | 50.12 |
| Total A | 2,084.69 | 2,077.02 |
| Other operating income | | |
| Commission income (refer note 29) | 14.54 | 17.16 |
| Sale of manufacturing scrap | 239.55 | 215.67 |
| Export incentives | 12.15 | 9.68 |
| Others | 7.56 | 14.08 |
| Total B | 273.80 | 256.59 |
| Total (A + B) | 2,358.49 | 2,333.61 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

18. OTHER INCOME

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|---|---|
| Interest Income on: | | |
| Bank deposits | 30.69 | 34.70 |
| Others | 0.20 | 0.30 |
| Liabilities and provisions no longer required written back | 4.13 | 12.11 |
| Lease rentals (refer note 27) | 2.59 | 5.00 |
| Insurance claims received | 1.39 | 0.60 |
| Miscellaneous income | 7.17 | 3.49 |
| Total | 46.17 | 56.20 |

19. COST OF RAW MATERIAL CONSUMED

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Inventory at the beginning of the year | 186.98 | 132.99 |
| Add: Purchases during the year | 1,462.53 | 1,308.77 |
| | 1,649.51 | 1,441.76 |
| Less: Inventory at the end of the year | 273.40 | 186.98 |
| Cost of raw material consumed (refer note 1 below) | 1,376.11 | 1,254.78 |

Note:

1 Cost of raw material consumed includes primary packing material consumed of ₹11.91 Million (31st December, 2021: ₹11.06 Million).

20. PURCHASE OF STOCK-IN-TRADE

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---------------------------|---|---|
| Purchase of : | | |
| Perforated rotary screens | 5.36 | 6.41 |
| Digital Ink | 73.52 | 32.38 |
| Others | 36.78 | 8.10 |
| Total | 115.66 | 46.89 |

21. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|----------------------|---|---|
| Opening Stock | | |
| - Work-in-process | 67.53 | 28.20 |
| - Finished goods | 113.87 | 132.69 |
| - Stock-in-trade | 12.56 | 7.56 |
| Total A | 193.96 | 168.45 |
| Closing Stock | | |
| - Work-in-process | 56.84 | 67.53 |
| - Finished goods | 198.47 | 113.87 |
| - Stock-in-trade | 36.00 | 12.56 |
| Total B | 291.31 | 193.96 |
| Total (A-B) | (97.35) | (25.51) |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

22. EMPLOYEE BENEFITS EXPENSE

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Salaries, wages and bonus (refer note 26) | 223.60 | 211.69 |
| Contribution to provident and other funds (refer note 26) | 9.57 | 8.79 |
| Gratuity expenses (refer note 26) | 4.45 | 3.38 |
| Staff welfare expense | 17.74 | 15.39 |
| Total | 255.36 | 239.25 |

23. OTHER EXPENSES

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Consumption of packing materials | 8.82 | 10.78 |
| Consumption of stores and spares | 15.99 | 17.32 |
| Power and fuel | 168.83 | 174.42 |
| Rates and taxes | 2.21 | 3.71 |
| Repairs and maintenance | | |
| - Buildings | 4.64 | 2.81 |
| - Plant and Equipment | 6.65 | 7.47 |
| - Others | 6.93 | 5.75 |
| Insurance | 3.80 | 4.35 |
| Auditors' Remuneration: | | |
| - Statutory audit fees | 2.90 | 2.60 |
| - Tax audit fees | 0.57 | 0.91 |
| - Others | 0.67 | 0.65 |
| - Out - of - pocket expenses | 0.10 | 0.11 |
| Royalty (refer note 29) | 29.77 | 27.75 |
| Provision for doubtful receivables (net) | 1.91 | 1.92 |
| Provision for warranty (net) (refer note 16) | 2.61 | 4.34 |
| Commission / service charges | 12.63 | 15.66 |
| Sales promotion expenses | 8.15 | 0.55 |
| Directors' Commission and sitting fees (refer note 29) | 3.13 | 2.94 |
| Freight and forwarding charges | 18.48 | 30.06 |
| Group management fees (refer note 29) | 86.47 | 77.53 |
| Loss on foreign currency transactions (net) | 0.27 | 2.49 |
| Loss on sale of property, plant and equipment (net) | 1.90 | 0.04 |
| Contribution towards corporate social responsibility activities (refer note 38) | 6.30 | 7.40 |
| Other miscellaneous expenses | 53.97 | 47.26 |
| Total | 447.70 | 448.82 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

24. INCOME TAX EXPENSES

The major component of income tax expenses for the year ended 31st December, 2022 and 31st December, 2021 are as under. Changes in inventories of finished Goods, work-in-progress and stock-in-trade

a Expenses recognised in statement of profit and loss

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Current tax | | |
| Current tax charges | 83.82 | 91.74 |
| Adjustment of income tax related to earlier years (net) | (1.86) | 0.41 |
| Total -A | 81.96 | 92.15 |
| Deferred tax | | |
| Deferred tax credit | (5.17) | 1.90 |
| Total deferred tax credit Total -B | (5.17) | 1.90 |
| Tax expense reported in the Statement of Profit and Loss Total (A+B) | 76.79 | 94.05 |
| Expenses recognised in Other Comprehensive income ('OCI') | | |
| Tax on remeasurements of gain / (loss) on the defined benefit plans | 0.16 | (1.10) |
| Total | 0.16 | (1.10) |

b A Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate:

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|---|---|
| Accounting profit before tax | 324.46 | 390.46 |
| Statutory Income tax rate | 25.17 | 25.17 |
| Expected Income tax expenses | 81.67 | 98.28 |
| Tax effect of adjustments to reconcile expected income tax expenses to reported income tax expenses | | |
| Non-deductible expenses | 1.74 | 1.86 |
| Income tax related to prior years | (1.86) | 0.41 |
| Expenses allowed under income tax | (4.77) | (6.36) |
| Others | 0.01 | 0.14 |
| Income tax expenses as per normal tax rate | 76.79 | 94.05 |
| Consequent to reconciliation items shown above, the effective tax rate | 23.67% | 24.09% |

c Deferred tax

The movement in deferred tax assets / (liabilities) during the year ended 31st December, 2022 and 31st December, 2021 are given below:

(₹ in Million)

| | Opening balance as at 1 st January, 2022 | Deferred tax charge / (credit) recognised in P&L | Deferred tax charge / (credit) recognised in OCI | Closing balance at 31 st December, 2022 |
|---|---|--|--|--|
| Property, plant and equipment | (12.29) | (3.44) | - | (8.85) |
| Impairment allowance (Including expected credit loss allowance) | 2.79 | (0.48) | - | 3.27 |
| Provision for contingency and inventory obsolescence | 5.05 | (1.37) | - | 6.42 |
| Remeasurement gains / (losses) on defined benefit plans | 1.13 | (0.52) | 0.16 | 1.49 |
| Other timing differences allowable on payment basis | 7.70 | 0.63 | - | 7.07 |
| Total Deferred tax assets (net) | 4.38 | (5.17) | 0.16 | 9.40 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

24. INCOME TAX EXPENSES (CONTD.)

| | Opening balance as at 1 st January, 2021 | Deferred tax charge / (credit) recognised in P&L | Deferred tax charge / (credit) recognised in OCI | Closing balance at 31 st December, 2021 |
|---|---|--|--|--|
| Property, plant and equipment | (14.63) | (2.34) | - | (12.29) |
| Impairment allowance (Including expected credit loss allowance) | 2.43 | (0.36) | - | 2.79 |
| Provision for contingency and inventory obsolescence | 8.61 | 3.56 | - | 5.05 |
| Remeasurement gains / (losses) on defined benefit plans | 0.32 | 0.29 | (1.10) | 1.13 |
| Other timing differences allowable on payment basis | 8.45 | 0.75 | - | 7.70 |
| Total Deferred tax assets (net) | 5.18 | 1.90 | (1.10) | 4.38 |

25. EARNINGS PER SHARE

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|--|--|
| Profit for the year attributable to equity shareholders (₹ in Million) | 247.67 | 296.41 |
| Weighted average number of equity shares (Nos.) | 20,88,016 | 20,88,016 |
| Nominal value of an equity share (in ₹) | 10 | 10 |
| Earnings Per Share (Basic and Diluted) (in ₹) | 118.61 | 141.96 |

26. DISCLOSURES AS REQUIRED BY IND AS - 19 EMPLOYEE BENEFITS:

(a) Defined Contribution Plan :

The Company operate defined contribution plans in the form of provident and other funds. The Company has no obligation, other than the contribution payable to the provident and other funds. The Company recognises contribution payable to the provident and other funds as an expense, when an employee renders the related service.

The amount recognised as an expense for defined contribution plans is as under:

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|-----------------------------------|--|--|
| Employer's contribution to | | |
| - Provident Fund | 9.35 | 8.43 |
| - ESI | 0.21 | 0.35 |
| - Others | 0.01 | 0.01 |
| | 9.57 | 8.79 |

(b) Defined Benefit Plans :

The Company operates a defined benefit plan (the Gratuity plan) covering eligible employees, which provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. The scheme is funded with the Life Insurance Corporation of India in form of a Group Gratuity Policy. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the gratuity plan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

26. DISCLOSURES AS REQUIRED BY IND AS - 19 EMPLOYEE BENEFITS:(CONTD.)

i. Cost charged to statement of profit and loss

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Current service cost | 4.13 | 3.30 |
| Interest Cost | 0.32 | 0.08 |
| Sub-total included in statement of profit and loss | 4.45 | 3.38 |
| Remeasurement (gains) / losses in other comprehensive income | | |
| Actuarial losses / (gains) | (0.84) | 4.37 |
| Return on plan assets, excluding amount recognised in interest income | 0.20 | 0.01 |
| Sub-total included in Other Comprehensive Income | (0.64) | 4.38 |

ii. Reconciliation of opening and closing balances of defined benefit obligation

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Present value of defined benefit obligations at the beginning of the year | 32.96 | 24.97 |
| Current service cost | 4.13 | 3.30 |
| Interest cost | 2.33 | 1.64 |
| Benefit paid directly by the employer | (1.97) | (1.25) |
| Benefit paid from the funds | (0.04) | (0.07) |
| Re-measurement or actuarial (gain) / loss arising from: | | |
| Change in demographic assumptions | - | 0.01 |
| Change in financial assumptions | 0.16 | 2.88 |
| Experience variance (i.e. actual experience vs assumptions) | (1.00) | 1.48 |
| Present Value of Defined Benefit Obligations at the end of the year | 36.57 | 32.96 |

iii. Reconciliation of opening and closing balances of the fair value of plan assets

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|---|--|--|
| Fair value of plan assets at the beginning of the year | 28.49 | 23.72 |
| Interest income | 2.02 | 1.56 |
| Expected return on plan assets, excluding interest income | (0.20) | (0.01) |
| Employer's contribution | 0.37 | 3.29 |
| Benefit paid from the fund | (0.04) | (0.07) |
| Fair value of plan assets at the end of the year | 30.64 | 28.49 |

iv. Reconciliation of the present value of defined benefit obligation and Fair value of plan assets

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Present value of defined benefit obligations at the end of the year | 36.57 | 32.96 |
| Fair value of plan assets at the end of the year | 30.64 | 28.49 |
| Net defined (liability) recognised in Balance Sheet as at the end of the year | (5.93) | (4.47) |
| Current | 5.93 | 4.47 |
| Non-current | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

26. DISCLOSURES AS REQUIRED BY IND AS - 19 EMPLOYEE BENEFITS:(CONTD.)

v. The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--------------------------------|--|--|
| Discount Rate (per annum) | 7.54% | 7.08% |
| Annual Increase in Salary Cost | 15.00% p.a. one year, 8.00% p.a. thereafter | 15.00% p.a. one year, 8.00% p.a. thereafter |
| Rate of Employee Turnover | For all service groups 3.00% p.a. | For all service groups 3.00% p.a. |
| Mortality Rates | Indian Assured Lives Mortality (2012-14) | Indian Assured Lives Mortality (2012-14) |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

vi. Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another. The results of sensitivity analysis is given below:

(₹ in Million)

| | Sensitivity level | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|--|-------------------|---|---|
| Discount Rate (- / + 1%) | Increase | (3.91) | (3.71) |
| (% change compared to base due to sensitivity) | Decrease | 4.71 | 4.49 |
| Salary Growth Rate (- / + 1%) | Increase | 2.21 | 2.10 |
| (% change compared to base due to sensitivity) | Decrease | (2.04) | (1.92) |
| Attrition Rate (- / + 1%) | Increase | (0.25) | (0.41) |
| (% change compared to base due to sensitivity) | Decrease | 0.28 | 0.46 |

vii. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Cash accumulation scheme with Life Insurance Corporation of India | 93% | 94% |
| Cash and cash equivalents | 7% | 6% |

viii. Asset Liability Matching Strategies

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

ix. Effect of Plan on Entity's Future Cash Flows

a) Funding arrangements and Funding Policy

The Company has purchased an insurance policy to provide for payment of gratuity to the employees. Every year, the insurance Company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

26. DISCLOSURES AS REQUIRED BY IND AS - 19 EMPLOYEE BENEFITS:(CONTD.)

b) Maturity Profile of Defined Benefit Obligation

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Weighted average duration (based on discounted cash flows) | 14 years | 14 years |

Expected cash flows over the next (valued on undiscounted basis):

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--------------------------------|--|--|
| 1 st Following Year | 2.17 | 1.42 |
| 2 nd Following year | 1.13 | 1.97 |
| 3 rd Following Year | 1.19 | 1.00 |
| 4 th Following Year | 1.66 | 1.06 |
| 5 th Following Year | 1.34 | 1.47 |
| Sum of Years 6 to 10 | 16.12 | 10.93 |
| Sum of Years 11 and above | 91.63 | 82.71 |

The average future duration of the defined benefit plan obligation at the end of the reporting period is 17 years (31st December, 2021: 17 years).

(c) Other long-term employee benefits:

The actuarial liability for compensated absences as at year ended 31st December, 2022 is ₹23.53 Million (non-current provision ₹21.72 Million and current provision ₹1.81 Million). The same as at year ended 31st December, 2021 ₹ is ₹21.75 Million (Long term provision ₹20.21 Million and Short term provision ₹1.54 Million).

27. LEASES

Operating Lease : As a Lessor

The Company has entered into cancellable lease agreements for use of certain area of its building premises for a period of one year. The lease rentals aggregating ₹2.59 Million (31st December, 2021: ₹5.00 Million) have been included under the head "Other Income" Note 18 "Lease Rentals" of Statements of Profit and Loss.

28. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS:

a) Contingent Liabilities not provided for in respect of

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| Disputed labour matters [#] | 4.00 | 4.00 |
| Disputed Income tax matters [^] | 4.38 | 4.38 |
| Disputed Indirect tax matters [*] | 1.09 | 2.83 |
| | 9.47 | 11.21 |

[#] Disputed Labour matters include ₹4.00 Million (31st December, 2021: ₹4.00 Million) for claim filed by employees for compensation under Voluntary Retirement Scheme (VRS) benefit in earlier years.

[^] Disputed Income tax matters include:

- 1) Demand from Income tax authorities for payment of additional income taxes of ₹4.30 Million (31st December, 2021: ₹ 4.30 Million) for the assessment years 2007-08 to 2017-18 for matters related to disallowance of provision for warranty expenditure against which Company has preferred an appeal before appropriate authorities. Against these tax matters company has paid ₹0.80 Million (31st December, 2021: ₹0.80 Million) under protest.
- 2) Demands from Income tax authorities for payment of additional income taxes of ₹0.08 Million (31st December, 2021: ₹ 0.08 Million) for the assessment year 2013-14 for matters related to disallowance of weighted deduction claimed u/s 35(2AB) of the Income Tax Act, 1961, against which Company has preferred an appeal before appropriate authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

*Disputed Indirect tax matters include:

- 1) VAT demand raised for not considering carry forward tax credit of earlier years and disallowance of tax credit of ₹ Nil (31st December, 2021: ₹1.74 Million), against which the Company has appealed before appropriate authorities. During the current year the Company had received final demand order of ₹0.82 Million and made payment to tax authorities.
- 2) Service tax demands for credit taken on sales commission expense for the period february 2013 to february 2016 of ₹1.09 Million (31st December, 2021: ₹1.09 Million), against which the Company has appealed before appropriate authorities. The Company has paid ₹0.65 Million (31st December, 2021: ₹0.65 Million) under protest against this matter.

b) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Capital Advances) as at 31st December, 2022 is ₹0.85 Million (31st December, 2021 is ₹5.74 Million).

29. RELATED PARTY DISCLOSURES:

Related party disclosures as required under the Indian Accounting Standard (AS) – 24 on “Related Party Disclosures” are given below:

A. Parties where control exists:

| Name of Related Party | Nature of Relationship |
|-----------------------|---------------------------|
| SPGPrints B.V. | Holding Company |
| Print I B.V. | Parent of Holding Company |
| Print Holdings B.V. | Ultimate Holding Company |

B. Name of the related party with whom transactions have been entered during the year:

| Name of Related Party | Nature of Relationship |
|--|------------------------|
| SPGPrints Printing Systems Wuxi Co.,Ltd | Fellow subsidiary |
| SPG Prints Mexico S.A. De C.V | Fellow subsidiary |
| SPGPrints Austria GMBH | Fellow subsidiary |
| Shandong Tongda Printing Systems Co. Ltd | Fellow subsidiary |
| SPGPrints Baski Sistemleri Tic. Ltd. Sti | Fellow subsidiary |
| SPGPrints Brasil Ltda. | Fellow subsidiary |
| Spgprints America Inc | Fellow subsidiary |
| Tinctura Colour Private Limited | Fellow subsidiary |

C. Key Management Personnel:

| Name of Related Party | Nature of Relationship |
|--------------------------|-------------------------|
| Mr. Shailesh Wani | Managing director |
| Mr. Paras Mehta | Chief financial officer |
| Mr. Sanjeev Singh Sengar | Company secretary |

D. Directors of company:

| Name of Related Party | Nature of Relationship |
|-----------------------|------------------------|
| Mr. K M Thanawalla | Independent directors |
| Mr. Marco Wadia | Independent directors |
| Mrs. Kiran Dhingra | Independent directors |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

E. Transactions with related parties during the year and balance as at year end

(₹ in Million)

| | Parties referred to in (A) above | | Parties referred to in (B) above | | Parties referred to in (C & D) above | |
|--|--|---|--|---|--|---|
| | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 |
| Sale of Products | | | | | | |
| SPGPrints B.V. | 3.00 | 1.05 | - | - | - | - |
| Shandong Tongda Printing Systems Co. Ltd | - | - | - | 2.67 | - | - |
| SPG Prints Mexico, S.A. de C.V. | - | - | 2.07 | 1.29 | - | - |
| SPGPrints Austria GMBH | - | - | 75.22 | - | - | - |
| SPGPrints Brasil Ltda | - | - | 4.61 | 5.69 | - | - |
| SPGPrints Printing Systems Wuxi Co.,Ltd | - | - | 1.08 | 0.43 | - | - |
| Spgprints America Inc | - | - | 6.10 | 5.22 | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti. | - | - | 167.15 | 151.81 | - | - |
| Sub - Total | 3.00 | 1.05 | 256.23 | 167.11 | - | - |
| Sale of Services | | | | | | |
| Spgprints America Inc | - | - | 1.45 | 0.17 | - | - |
| SPG Prints Mexico, S.A. de C.V. | - | - | 0.06 | - | - | - |
| SPGPrints Austria GMBH | - | - | 22.10 | 19.25 | - | - |
| Sub - Total | - | - | 23.61 | 19.42 | - | - |
| Sale of Property, Plant and Equipment | | | | | | |
| Mr. Shailesh C Wani | - | - | - | - | 0.12 | 0.01 |
| Mr. Paras Mehta* | - | - | - | - | - | - |
| Mr. Sanjeev Singh Sengar* | - | - | - | - | - | - |
| Sub - Total | - | - | - | - | 0.12 | 0.01 |
| Purchase of Raw Material and Components | | | | | | |
| SPGPrints B.V. | 113.77 | 81.52 | - | - | - | - |
| SPGPrints Austria GMBH | - | - | 1.18 | 0.01 | - | - |
| SPGPrints Printing Systems Wuxi Co Ltd. | - | - | 0.11 | 1.30 | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti. | - | - | - | 0.17 | - | - |
| SPGPrints Brasil Ltda | - | - | 0.08 | 0.19 | - | - |
| Sub - Total | 113.77 | 81.52 | 1.37 | 1.67 | - | - |
| Purchase of Property, Plant and Equipment | | | | | | |
| SPGPrints B.V. | 9.40 | 25.08 | - | - | - | - |
| SPGPrints Austria GMBH | - | - | - | 0.51 | - | - |
| Sub - Total | 9.40 | 25.08 | - | 0.51 | - | - |

* Figures shown as Nil due to conversion to ₹ in Million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

E. Transactions with related parties during the year and balance as at year end (Contd.):

(₹ in Million)

| | Parties referred to in (A) above | | Parties referred to in (B) above | | Parties referred to in (C & D) above | |
|--|--|---|--|---|--|---|
| | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 |
| Expenses Recovered from other companies | | | | | | |
| SPGPrints B.V. | 0.54 | 0.02 | - | - | - | - |
| SPGPrints Austria GMBH | - | - | 0.19 | 6.30 | - | - |
| SPGPrints Brasil Ltda | - | - | 0.51 | 0.44 | - | - |
| Shandong Tongda Printing Systems Co. Ltd | - | - | - | 0.07 | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti. | - | - | 2.28 | 3.44 | - | - |
| SPGPrints Mexico, S.A. de C.V. | - | - | 0.56 | 0.66 | - | - |
| Spqprints America Inc | - | - | 0.60 | - | - | - |
| SPGPrints Printing Systems Wuxi Co.,Ltd | - | - | 0.16 | - | - | - |
| Tinctura Colour Private Limited | - | - | 0.20 | 0.59 | - | - |
| Sub - Total | 0.54 | 0.02 | 4.50 | 11.50 | - | - |
| Short-term employment benefits (refer note 1 below) § | | | | | | |
| Mr. Shailesh C Wani | - | - | - | - | 19.71 | 14.29 |
| Mr. Paras Mehta | - | - | - | - | 5.97 | 5.13 |
| Mr. Sanjeev Singh Sengar | - | - | - | - | 2.87 | 2.41 |
| Sub - Total | - | - | - | - | 28.55 | 21.83 |
| Commission to Independent Directors | | | | | | |
| Mr. K M Thanawalla | - | - | - | - | 1.51 | 0.72 |
| Mr. Marco Wadia | - | - | - | - | 0.52 | 0.25 |
| Mrs. Kiran Dhingra | - | - | - | - | 0.52 | 0.25 |
| Sub - Total | - | - | - | - | 2.55 | 1.22 |
| Sitting fees | | | | | | |
| Mr. K M Thanawalla | - | - | - | - | 0.38 | 0.46 |
| Mr. Marco Wadia | - | - | - | - | 0.35 | 0.43 |
| Mrs. Kiran Dhingra | - | - | - | - | 0.22 | 0.27 |
| Sub - Total | - | - | - | - | 0.95 | 1.16 |
| Purchase of services | | | | | | |
| SPGPrints B.V. | 0.02 | 1.49 | - | - | - | - |
| SPGPrints Printing Systems Wuxi Co., | - | - | - | 0.52 | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti. | - | - | 1.02 | 0.65 | - | - |
| Sub - Total | 0.02 | 1.49 | 1.02 | 1.17 | - | - |

§ Short-term employment benefits include variable pay of previous year paid in current year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

E. Transactions with related parties during the year and balance as at year end (Contd.):

(₹ in Million)

| | Parties referred to in (A) above | | Parties referred to in (B) above | | Parties referred to in (C & D) above | |
|--|--|---|--|---|--|---|
| | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 | Year ended 31 st December, 2022 | Year ended 31 st December 2021 |
| Expenses charged by other companies | | | | | | |
| SPGPrints B.V. | 7.97 | 5.52 | - | - | - | - |
| Spgprints America Inc | - | - | - | 1.96 | - | - |
| Sub - Total | 7.97 | 5.52 | - | 1.96 | - | - |
| Group management fees | | | | | | |
| SPGPrints B.V. | 86.47 | 77.53 | - | - | - | - |
| Sub - Total | 86.47 | 77.53 | - | - | - | - |
| Royalty expense | | | | | | |
| SPGPrints B.V. | 29.77 | 27.75 | - | - | - | - |
| Sub - Total | 29.77 | 27.75 | - | - | - | - |
| Dividend paid | | | | | | |
| SPGPrints B.V. | 84.58 | 32.64 | - | - | - | - |
| Sub - Total | 84.58 | 32.64 | - | - | - | - |
| Commission received | | | | | | |
| SPGPrints B.V. | 0.27 | 0.32 | - | - | - | - |
| SPGPrints Austria GMBH | - | - | 14.27 | 16.84 | - | - |
| Sub - Total | 0.27 | 0.32 | 14.27 | 16.84 | - | - |
| Lease rent received | | | | | | |
| Tinctura Colour Private Limited | - | - | 0.82 | 0.76 | - | - |
| Sub - Total | - | - | 0.82 | 0.76 | - | - |
| Balance payable at the year-end | | | | | | |
| SPGPrints B.V. | 43.42 | 26.28 | - | - | - | - |
| SPGPrints Printing Systems Wuxi Co Ltd. | - | - | - | 0.04 | - | - |
| SPGPrints Austria GMBH | - | - | 0.08 | 0.38 | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti | - | - | 0.07 | 0.58 | - | - |
| Spgprints America Inc | - | - | - | 2.03 | - | - |
| Remuneration Payable to Shailesh Wani | - | - | - | - | 0.26 | 0.45 |
| Remuneration Payable to Paras Mehta | - | - | - | - | 0.20 | 0.21 |
| Remuneration Payable to Sanjeev Singh Sengar | - | - | - | - | 0.13 | 0.11 |
| Sub - Total | 43.42 | 26.28 | 0.15 | 3.03 | 0.59 | 0.77 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

E. Transactions with related parties during the year and balance as at year end (Contd.):

(₹ in Million)

| | Parties referred to in (A) above | | Parties referred to in (B) above | | Parties referred to in (C & D) above | |
|---|--|--|--|--|--|--|
| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
| Balance receivable at the year-end | | | | | | |
| SPGPrints B.V. | 0.66 | - | - | - | - | - |
| SPGPrints Baskı Sistemleri Tic. Ltd. Şti | - | - | 25.31 | 39.60 | - | - |
| SPGPrints Austria GMBH | - | - | 4.31 | 4.17 | - | - |
| Spqprints America Inc | - | - | 1.71 | 2.78 | - | - |
| Tinctura Colour Private Limited | - | - | 0.14 | 0.03 | - | - |
| SPGPrints Printing Systems Wuxi Co.,Ltd | - | - | 0.92 | 0.02 | - | - |
| SPGPrints Brasil Ltda | - | - | 1.43 | 1.78 | - | - |
| Spqprints Mexico S A De C V | - | - | 0.41 | 0.56 | - | - |
| Sub - Total | 0.66 | - | 34.23 | 48.94 | - | - |

Notes:

- (1) The key managerial personnel are covered by the Company's gratuity policy along with other employees of the company. The proportionate amount of gratuity pertaining to the Key Managerial Persons has not been included in the aforementioned disclosures as these are not determined on individual basis and the management considers that disclosure is not material.
- (2) Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash other than for advance.
- (3) The Company has not provided any commitment to the related party as at 31st December, 2022 (31st December, 2021: Nil).
- (4) Sitting fees and commission to independent directors are disclosed on actual payment basis.

30.

(₹ in Million)

| (a) Revenue from contracts with customers | Year Ended 31 st December, 2022 | Year Ended 31 st December, 2021 |
|---|--|--|
| Sales of goods | 1,934.05 | 1,973.99 |
| Sales of traded goods | 103.51 | 52.91 |
| Sale of services | 47.13 | 50.12 |
| Total | 2,084.69 | 2,077.02 |
| (b) Revenue from contracts with customers disaggregated based on geography | | |
| India | 1,669.23 | 1,680.31 |
| Outside India | 415.46 | 396.71 |
| Total | 2,084.69 | 2,077.02 |
| (c) Timing of Revenue recognition | | |
| Revenue from goods and installation transferred to customers at a point in time | 2,083.72 | 2,076.47 |
| Revenue from services transferred to customers over time | 0.97 | 0.54 |
| Total | 2,084.69 | 2,077.01 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

(d) Contract Balances

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| i) Trade Receivables | | |
| - Opening Balance | 313.22 | 245.49 |
| - Closing Balance | 234.78 | 313.22 |
| The increase / decrease in trade receivables is mainly due to increase / decrease in sales and better collection. Refer note 7 for terms of contract balances. | | |
| ii) Contract Liabilities | | |
| - Opening Balance | 90.11 | 132.16 |
| - Closing Balance | 42.55 | 90.11 |
| Contract liabilities include advance from customers and transaction price allocated to unexpired service obligations. | | |

(e) The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year

(₹ in Million)

| | Year Ended 31 st December, 2022 | Year Ended 31 st December, 2021 |
|---|---|---|
| - Revenue recognized from performance obligations satisfied | 8.90 | 5.62 |
| - Revenue recognized from supply of Goods | 252.42 | 252.90 |

(f) Performance obligation

i) Revenue from goods and installation:

Performance obligation is satisfied upon delivery of goods and upon completion of installation. Payment is generally due within 30 to 120 days after delivery of goods / completion of installation.

ii) Revenue from annual maintenance services:

Performance obligation of revenue from annual maintenance services are satisfied over time.

(g) Transaction price allocated to remaining performance obligation

(₹ in Million)

| | As at 31 st December, 2022 | As at 31 st December, 2021 |
|--|--|--|
| (unsatisfied or partially unsatisfied) as at 31 st December | | |
| - Within one year | 114.66 | 306.18 |
| - More than one year | - | - |

(h) Reconciliation of the amount of Revenue recognised in statement of profit and loss with the contracted price :

(₹ in Million)

| | Year ended 31 st December, 2022 | Year ended 31 st December, 2021 |
|---|---|---|
| Revenue as per Contracted Price | 2,112.16 | 2,102.45 |
| Adjustments | | |
| Deferment of unexpired performance obligation | (10.91) | (9.87) |
| Volume discounts and others | (9.67) | (8.07) |
| Provision for sales return | (6.89) | (7.49) |
| Revenue from contracts with customers | 2,084.69 | 2,077.02 |

For information about product segments and major customers, refer note 31.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

31. SEGMENT REPORTING

A Basis for segmentation

The chief operational decision maker (CODM) monitors the operating results of its Business segment separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Operating segment have been identified on the basis of nature of products and other quantitative criteria specified in the Ind AS 108.

The Company has determined following reporting segments based on the information reviewed by the Company's CODM.

| Name of Segment | Comprises |
|---|---|
| Textile Consumables and Textile Machinery | Perforated Rotary Screens, Lacquer & Auxiliary Chemicals, Rotary Screen Printing Machine, Engraving Equipment, Components and Spares, Digital Ink |
| Graphics Product | Anilox Rollers, Rotamesh screens and RotaPlate |
| Galvanic | Galvano consumables |

Segment revenue and results:

The expenses / income which are not directly attributable to any business segment are shown as unallocable expenditure. The assets/ liabilities which are not directly attributable to any business segment are shown as unallocable assets / liabilities.

Segment assets and liabilities:

Segment assets include all operating assets used by the operating segment and mainly consist of property, plant and equipment, trade receivables, Inventory and other operating assets. Segment liabilities primarily include trade payable and other liabilities. Common assets and liabilities which can not be allocated to any of the business segment are shown as unallocable assets / liabilities.

B Information about reportable segments

(₹ in Million)

| | Year Ended 31 st December, 2022 | | | | |
|---|--|------------------|--------------------------|-----------------|-----------------|
| | Textile Consumables and Textile Machinery | Graphics Product | Galvanic (refer note 43) | Unallocated | Total |
| Revenue from Operations | | | | | |
| External sales and services including other operating revenue (net of indirect taxes) | 2,060.54 | 118.47 | 179.48 | - | 2,358.49 |
| Total Revenue | 2,060.54 | 118.47 | 179.48 | - | 2,358.49 |
| Results | | | | | |
| Segment result | 265.55 | 63.74 | 28.42 | - | 357.71 |
| Interest Income net of expense | - | - | - | 30.89 | 30.89 |
| Unallocated expenditure net of unallocated income | - | - | - | (141.20) | (141.20) |
| Profit / (loss) before exceptional items and tax | 265.55 | 63.74 | 28.42 | (110.31) | 247.40 |
| Exceptional items (refer note 43) | - | - | 77.06 | - | 77.06 |
| Profit / (loss) before tax | 265.55 | 63.74 | 105.48 | (110.31) | 324.46 |
| Current Tax | - | - | - | 81.96 | 81.96 |
| Deferred Tax | - | - | - | (5.17) | (5.17) |
| Net Profit / (loss) for the year | 265.55 | 63.74 | 105.48 | (187.10) | 247.67 |
| Other Information | | | | | |
| Segment Assets | 1,120.81 | 28.13 | - | 994.93 | 2,143.87 |
| Segment Liabilities | 330.81 | 5.13 | - | 70.76 | 406.70 |
| Capital Expenditure | 39.84 | 2.47 | - | 8.16 | 50.47 |
| Depreciation | 50.24 | 1.05 | 0.11 | 8.38 | 59.78 |
| Non cash items | 50.27 | 1.63 | 0.11 | (20.79) | 31.22 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

(₹ in Million)

| | Year Ended 31 st December, 2021 | | | | |
|---|--|------------------|--------------------------|-----------------|-----------------|
| | Textile Consumables and Textile Machinery | Graphics Product | Galvanic (refer note 43) | Unallocated | Total |
| Revenue from operations | | | | | |
| External sales and services including other operating revenue (net of indirect taxes) | 1,851.27 | 103.29 | 379.05 | - | 2,333.61 |
| Total Revenue | 1,851.27 | 103.29 | 379.05 | - | 2,333.61 |
| Results | | | | | |
| Segment result | 338.52 | 54.03 | 64.23 | - | 456.78 |
| Interest Income net of expense | - | - | - | 35.00 | 35.00 |
| Unallocated expenditure net of unallocated income | - | - | - | (117.22) | (117.22) |
| Profit / (loss) before exceptional items and tax | 338.52 | 54.03 | 64.23 | (82.22) | 374.56 |
| Exceptional items (refer note 43) | - | - | 15.90 | - | 15.90 |
| Profit / (loss) before tax | 338.52 | 54.03 | 80.13 | (82.22) | 390.46 |
| Current tax | - | - | - | 92.15 | 92.15 |
| Deferred tax | - | - | - | 1.90 | 1.90 |
| Net Profit / (loss) for the year | 338.52 | 54.03 | 80.13 | (176.27) | 296.41 |
| Other Information | | | | | |
| Segment assets | 949.92 | 26.72 | 112.10 | 920.53 | 2,009.27 |
| Segment liabilities | 299.26 | 4.55 | 27.47 | 70.90 | 402.18 |
| Capital expenditure | 108.91 | - | - | 7.30 | 116.21 |
| Depreciation | 40.57 | 1.23 | 0.12 | 9.10 | 51.02 |
| Non cash items | 40.30 | 0.90 | 0.04 | (31.25) | 9.99 |

C Information about secondary business segments

The Company uses same set of assets for the sales made in the India and outside India. The expenses incurred for sales to be made in India and outside are Common. Accordingly, geographical segment is analysed based on the location of customers. The following provides an analysis of the Company's sales by geographical Markets:

(₹ in Million)

| Particulars | Year Ended 31 st December, 2022 | | | Year Ended 31 st December, 2021 | | |
|--------------------------------|--|---------------|-----------------|--|---------------|-----------------|
| | India | Outside India | Total | India | Outside India | Total |
| Revenue* | 1,928.49 | 430.00 | 2,358.49 | 1,919.74 | 413.87 | 2,333.61 |
| Non-current operating assets** | 349.13 | - | 349.13 | 361.43 | - | 361.43 |
| Capital Expenditure incurred | 50.47 | - | 50.47 | 116.21 | - | 116.21 |

* Segment revenue is based on location of customer

** Segment assets based on geographical location of assets. Non-current operating assets exclude Investment, Deferred tax assets, Tax paid under protest and Income-tax receivables (net of provision for taxation).

The Company does not derive revenue in excess of 10% from any customer for the year ended 31st December, 2022 (31st December, 2021 ₹286.31 Million from Atul Sugar Screens Private Limited which contributes to the Galvanic business segment).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

32. DISCLOSURE OF FINANCIAL INSTRUMENTS BY CATEGORY

(₹ in Million)

| | As at 31 st December, 2022 | | | As at 31 st December, 2021 | | |
|------------------------------------|---------------------------------------|-------------|-----------------|---------------------------------------|-------------|-----------------|
| | FVTPL* | FVOCI** | Amortised cost | FVTPL* | FVOCI** | Amortised cost |
| Financial assets | | | | | | |
| Investments | - | 0.79 | - | - | 5.79 | - |
| Trade receivables | - | - | 234.78 | - | - | 313.22 |
| Cash and cash equivalents | - | - | 237.52 | - | - | 157.08 |
| Other bank balance | - | - | 473.36 | - | - | 198.95 |
| Other financial assets | - | - | 214.05 | - | - | 496.49 |
| Total Financial Asset | - | 0.79 | 1,159.71 | - | 5.79 | 1,165.74 |
| Financial liabilities | | | | | | |
| Trade Payables | - | - | 228.61 | - | - | 153.14 |
| Other financial liabilities | 1.47 | - | 56.06 | - | - | 84.66 |
| Total Financial Liabilities | 1.47 | - | 284.67 | - | - | 237.80 |

*FVTPL = Fair value through profit and loss

**FVOCI = Fair value through other comprehensive income

(₹ in Million)

33. FAIR VALUE DISCLOSURES FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

| | As at 31 st 31 st December, 2022 | | As at 31 st December, 2021 | |
|------------------------------|--|-------------|---------------------------------------|-------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial Assets | | | | |
| Investments | 0.79 | 0.79 | 5.79 | 5.79 |
| Total Financial Asset | 0.79 | 0.79 | 5.79 | 5.79 |

The management assessed that the fair value of cash and cash equivalents, other bank balances, trade receivables, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to short term maturities of these instruments.

34. FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of Company's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for financial assets and financial liabilities as at 31st December, 2022 and 31st December, 2021

(₹ in Million)

| Assets measured at fair value | Fair value measurement using | | |
|-------------------------------|---------------------------------|------------------------|-------|
| | Date | Quoted Price (Level 1) | Total |
| Investments | 31 st December, 2022 | 0.79 | 0.79 |
| | 31 st December, 2021 | 5.79 | 5.79 |

There have been no transfers between level 1 and level 2 during the years.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprises of trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, cash & cash equivalents and other bank balance that it derives directly from its operations.

The Company's business activities are exposed to a variety of financial risks, namely market risk, credit risk and liquidity risk. The Company's overall risk management focuses to minimise potential adverse effects of financial risks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

The Company's senior management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. This committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedure and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each risk, which are summarised as below:

(a) Market risk :

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and commodity risk. Financial instruments affected by market risk include debentures, bank deposits, trade receivables, trade and other payables.

Within the various methodologies to analyse and manage risk, Company has assessed risk based on "sensitivity analysis" on symmetric basis. Sensitivity analysis provides an approximate quantification of the exposure in the event that certain specified parameters were to be met under a specific set of assumptions. The risk estimates provided here assume:

- a simultaneous, parallel foreign exchange rates shift in which the INR appreciates / depreciates against all currencies by 5%

The potential economic impact, due to these assumptions, is based on the occurrence of adverse / inverse market conditions and reflects estimated changes resulting from the sensitivity analysis. Actual results that are included in the Statement of profit & loss may differ materially from these estimates due to actual developments in the global financial markets.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and provisions.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at 31st December, 2022 and 31st December, 2021.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment in bank deposits. The interest rates for the tenure of the fixed deposits are fixed. However, with the continuous decrease in the returns on fixed deposits, the income earned on such deposits may change in future based on the interest rates.

The sensitivity analysis have been carried out based on the exposure to interest rates for bank deposits:

(₹ in Million)

| | Effect on profit before tax | |
|------------------------------------|--|--|
| | Year Ended 31 st December, 2022 | Year ended 31 st December, 2021 |
| Interest rate sensitivity | | |
| Increase in interest rates - 0.50% | 3.61 | 3.79 |
| Decrease in interest rates - 0.50% | (3.61) | (3.79) |

Foreign currency risk :

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's foreign currency risk arises out of various imports of raw materials and exports of its finished goods. The Company has a forex policy in place where the objective is to mitigate foreign exchange risk by deploying the appropriate hedging strategies through use of foreign currency forward contracts. The Company follows netting principle for managing the foreign exchange exposure.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities based on gross exposure at the end of the reporting period is given in note no 37.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

Foreign currency sensitivity

The following table demonstrates the sensitivity in the USD and EURO to the functional currency of the Company, with all other variables held constant. The Company's exposure to foreign currency changes for all other currencies is not material. There are no forward exchange contracts designated as cash flow hedges and net investment hedges and hence, there is no impact on the Company's pre-tax equity due to changes in the foreign currency rates. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities has been given below;

(₹ in Million)

| | Effect on profit before tax | |
|-------------------------|--|--|
| | Year Ended 31 st December, 2022 | Year ended 31 st December, 2021 |
| USD sensitivity | | |
| USD – Increase by 5% | 0.18 | 0.02 |
| USD – Decrease by 5% | (0.18) | (0.02) |
| EURO sensitivity | | |
| EURO – Increase by 5% | 1.20 | 1.49 |
| EURO – Decrease by 5% | (1.20) | (1.49) |

Commodity risk :

The Company is exposed to the purchase price volatility of commodity i.e. Nickel based on London Metal Exchange. Any material fluctuation in price is expected to have impact on profitability of the company. As a policy, the company keeps safety stock for couple of month to avoid immediate price impact. Further, the company has made arrangement with its large customers to mitigate risk of such price fluctuation built in its nickel price. For other customers, the company appropriately changes its sale price to minimise the impact on profitability.

Considering above, the company manages its commodity risk quite successfully and hence the management believes that sensitivity disclosure is not required to be given as there are no major impact on profitability of the company.

(b) Credit risk :

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk related to operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The Company does not have significant credit risk exposure to any single counterparty.

Trade receivables

Customer credit risk is managed by each division subject to the established policy, procedures and control relating to customer credit risk management. Credit risk is managed through credit approvals and establishing credit limits. Outstanding customer receivables are regularly monitored. The Company has concentration of credit risk with respect to one customer as at 31st December, 2022 i.e. SPGPrints Baskı Sistemleri Tic. Ltd. Şti - ₹25.31 Million (31st December, 2021 i.e.) and Atul Sugar Screens Private Limited - ₹ 48.61 Million).

The Company has used a practical expedient by computing the expected loss allowance for trade receivable based on historical credit loss experience and adjusted for forward-looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due. The details related to ageing and provision movement has been given in note no 7.

Financial Instruments and cash deposits

Credit risk from balances with banks is managed by the Company's finance department. The Company's maximum exposure to credit risk from balance with bank is the carrying value of each class of financial assets disclosed in note no 8.

(c) Liquidity risk :

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

The Company maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st December, 2022 and 31st December, 2021. Cash flow from operating activities provides the funds to service the financial liabilities on a day-to-day basis.

The Company regularly monitors the rolling forecast to ensure it has sufficient cash on an on-going basis to meet operational needs. Any Short term cash generated, over and above its working capital management and other operational requirement, is retained as cash and cash equivalents (to the extent required) and any excess is invested in term deposits with appropriate maturities to optimise the cash returns on investments while ensuring sufficient liquidity to meet its liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient fund to meet expected operational expenses, servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

(₹ in Million)

| | Carrying Amount | Within 1 Year | 1 to 5 Year | More than 5 Year |
|---|-----------------|---------------|-------------|------------------|
| | (₹) | (₹) | (₹) | (₹) |
| As at 31st December, 2022 | | | | |
| Trade payables | 228.61 | 228.61 | - | - |
| Other financial liabilities | 56.06 | 56.06 | - | - |
| Total | 284.67 | 284.67 | - | - |
| As at 31st December, 2021 | | | | |
| Trade payables | 153.14 | 153.14 | - | - |
| Other financial liabilities | 84.66 | 84.66 | - | - |
| Total | 237.80 | 237.80 | - | - |

36. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains an efficient capital structure and healthy capital ratios in order to safeguard its ability to continue as a going concern so that they can maximise returns for the shareholders and benefits for other stake holders. The Company manages its capital structure and makes adjustments in light of changes in economic conditions or its business requirements. The Company maintains a debt free status and regularly declares dividend to its shareholders.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2022 and 31st December, 2021.

37. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts and Currency Options for speculative purposes.

a) Hedge of Receivables:

| | 31 st December, 2022 | | | |
|-------------------------------|---------------------------------|----------|------------------------------------|---------------------|
| | Purpose | Currency | Foreign currency amount in Million | Amount in ₹ Million |
| Forward contract to sale EURO | Hedge of Receivable | Euro | 0.47 | 40.31 |

The Company did not have any outstanding forward contract as on 31st December, 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

(b) Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date:

| | Currency | Amount in Foreign Currency in Million | (₹ in Million) | Amount in Foreign Currency in Million | (₹ in Million) |
|-------------------|----------|--|----------------|--|----------------|
| | | 31 st December, 2022 | | 31 st December, 2021 | |
| Amount Receivable | EURO | 0.38 | 33.85 | 0.60 | 51.50 |
| | USD | 0.05 | 4.08 | 0.06 | 4.28 |
| Amount Payable | EURO | 0.11 | 9.82 | 0.25 | 21.67 |
| | USD | 0.01 | 0.48 | 0.05 | 3.90 |
| | CNY* | - | - | - | 0.04 |

* Figures shown as Nil due to conversion to ₹ in Million.

38. DETAILS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENDITURE

| | Year Ended 31 st December, 2022 | Year Ended 31 st December, 2021 |
|---|---|---|
| (a) Gross amount required to be spent by the Company during the year | 6.28 | 7.37 |
| (b) Amount approved by the Board to be spent during the year: | 6.30 | 7.60 |
| (c) Amount spent during the year: | | |
| (i) On purposes of construction / acquisition of any assets: | - | - |
| (ii) On purposes other than (i) above: | 3.76 | 7.40 |
| (d) Shortfall at the end of the year: | 2.52 | - |
| (e) Total of previous years shortfall at the end of the year: | - | - |
| (f) Provision movement during the year: | | |
| Opening provision at the beginning of the year | - | - |
| Addition during the year | 2.54 | - |
| Utilised during the year | - | - |
| Closing provision at the end of the year | 2.54 | - |
| (g) Details of related party transactions in relation to CSR expenditure as per relevant Accounting Standard: | - | - |

(h) Reason for Shortfall

The shortfall amounting to ₹ 2.52 Million (31st December, 2021: Nil) pertains to ongoing projects which has been transferred to separate unspent CSR account subsequent to year end in accordance with the provisions of section 135(6) of the Companies act, 2013.

(i) Details of Ongoing Projects

In case of S. 135(6) (Ongoing Project)

| Particulars | | |
|---|------|---|
| Opening balance | | |
| - with Company | - | - |
| - in unspent CSR account | - | - |
| Amount required to be spent during the year | 2.54 | - |
| Amount spent during the year | | |
| - from Company's bank account | - | - |
| - from unspent CSR account | - | - |
| Closing balance | | |
| - with Company | 2.54 | - |
| - in unspent CSR account | - | - |

(j) Nature of CSR activities

- (i) Livelihood program by promoting local crafts work in Kachachh region of Gujarat
- (ii) Operators training program in Gujarat
- (ii) Scholarship Program in selective engineering courses on pan India basis

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. DIVIDEND REMITTED IN FOREIGN CURRENCY

| | Year Ended 31 st December, 2022 | Year Ended 31 st December, 2021 |
|-------------------------------------|---|---|
| Amount remitted (₹ in Million) | 84.58 | 32.64 |
| Dividend related to financial year | 31 st December, 2021 | 31 st December, 2020 |
| Number of non-resident shareholders | 1 | 1 |
| Number of shares | 14,83,777 | 14,83,777 |

40. RESEARCH AND DEVELOPMENT EXPENSES

(₹ in Million)

| | Year Ended 31 st December, 2022 | Year Ended 31 st December, 2021 |
|---------------------|---|---|
| Revenue expenditure | 3.64 | 3.89 |
| | 3.64 | 3.89 |

41. RATIO ANALYSIS

| Particulars | 31 st December, 2022 | 31 st December, 2021 | % Change | Reason for changes more than 25% |
|--|------------------------------------|------------------------------------|----------------|--|
| 1. Current Ratio (in times) | | | | |
| Current assets/ Current liabilities | 4.29 | 3.97 | 8.23% | Not applicable |
| 2. Debt Equity Ratio (in times) | | | | |
| (Total Debt / Total Equity) | Not applicable | Not applicable | Not applicable | Not applicable |
| Total Debt = Debt comprises of non current borrowings (including current maturities of borrowings), current borrowings and interest accrued on borrowings. | | | | |
| Total Equity = Shareholders' Equity | | | | |
| 3. Debt Service Coverage Ratio (in times) | | | | |
| (Profit after tax + Interest expense + depreciation and amortisation expense+loss/(profit) on sale of fixed assets+exceptional items)/(principal repayment of non-current borrowings made during the period + Interest expenses+lease payment) | Not applicable | Not applicable | Not applicable | Not applicable |
| 4. Return on equity ratio (%) | | | | |
| (Profit for the year / Average net worth) (Net worth is calculated as per section 2(57) of the Companies Act, 2013) | 15% | 20% | -26.00% | refer note (A) below |
| 5. Inventory turnover ratio (in times) | | | | |
| (Cost of goods sold / Average Inventory) | 2.88 | 3.62 | -20.54% | Not applicable |
| 6. Trade receivables turnover ratio (in times) | | | | |
| (Revenue from operation /Average trade receivable) | 8.61 | 8.35 | 3.04% | Not applicable |
| 7. Trade payables turnover ratio (in times) | | | | |
| (Purchases /Average trade payable) | 8.27 | 7.64 | 8.21% | Not applicable |
| 8. Net capital turnover ratio (in times) | | | | |
| (Revenue from operation /working capital) Working capital = Current assets - Current liabilities | 1.86 | 2.06 | -9.67% | Not applicable |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

41. RATIO ANALYSIS(CONTD.)

| Particulars | 31 st December, 2022 | 31 st December, 2021 | % Change | Reason for changes more than 25% |
|--|------------------------------------|------------------------------------|----------|--|
| 9. Net profit ratio (%) | | | | |
| (Net profit for the year / revenue from operations) | 10.50% | 12.70% | -17.32% | Not applicable |
| 10. Return on capital employed (%) | | | | |
| (Profit before exceptional item, interest and taxes for the year / Capital employed) Capital employed = Net worth+total debt+ deferred tax liabilities | 14.32% | 23.37% | -38.73% | refer note (B) below |
| 11. Return on Investment (%) | | | | |
| (Income generated from investment / Cost of investment) | 5.09% | 4.82% | 5.60% | Not applicable |

Notes :

- A Decrease was primarily on account of decrease in net profit for the year.
 B Decrease was primarily on account of decrease in net profit before exceptional item for the year.

42. OTHER STATUTORY INFORMATION

- (i) The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
- (ii) The Company does not have any transactions with companies struck off.
- (iii) The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
- (iv) The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.
- (v) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or "
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- (vi) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
 - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or "
 - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- (vii) The Company does not have any such transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

- 43** The Company received notice from Atul Sugar Screens Private Limited ('Atul') on November 10, 2020 intimating termination of the Contract Manufacturing Agreement ('CMA'), earlier than the notice period stipulated in CMA entered into with the Company in April 2018 for manufacturing the sugar sieves for Atul. Pursuant to the above notice, the Company has entered into a "Settlement Agreement" with Atul during September 2021, determining the compensation and schedule of activities for closure of CMA over the period of time not later than July 2022. Subsequently, upon completion of activities mentioned in the Settlement Agreement, the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2022

revenue from Galvanic business has been discontinued. During the current year ended 31st December, 2022, pursuant to completion of certain activities mentioned in the agreement, the company has recorded consideration for such activity amounting to ₹77.06 Million which has been disclosed as 'exceptional item' in these financial statements.

44 Events occurred after balance sheet date:

Board of Directors have recommended the dividend of ₹47 per equity share having face value of ₹10 each (470%) for the financial year ended 31st December, 2022, which is subject to approval of the members at their annual general meeting.

45 Previous year figures:

Previous year figures have been regrouped /reclassified whenever necessary to conform to this year's classification.

As per our report of even date

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration No.: 324982E/E300003

per Mustafa Saleem

Partner

Membership No. 136969

Place : Ahmedabad

Date : 28th February, 2023

**For and on behalf of the Board of Directors
Stovec Industries Limited**

K. M. Thanawalla

Chairman

(DIN: 00201749)

Place : Mumbai

Date : 28th February, 2023

Paras Mehta

Chief Financial Officer

Place : Ahmedabad

Date : 28th February, 2023

Shailesh Wani

Managing Director

(DIN: 06474766)

Place : Ahmedabad

Date : 28th February, 2023

Sanjeev Singh Sengar

Company Secretary

Place: Ahmedabad

Date : 28th February, 2023

STOVEC[®]
INDUSTRIES LIMITED

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