

**Kitex Garments Limited**

(CIN: L18101KL1992PLC006528)

Regd. Office: P. B. No. 5, Kizhakkambalam,  
Alwaye, Kochi, Kerala, 683562

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Email: [sect@kitexgarments.com](mailto:sect@kitexgarments.com)website: [www.kitexgarments.com](http://www.kitexgarments.com)

Ref: KGL/SE/2020-21/SEPT/02

September 7, 2020

To,

<b>The Secretary</b> BSE Limited Corporate Relationship Department, 1 <sup>st</sup> Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort Mumbai, Maharashtra – 400001 <b>Script No: 521248</b>	<b>The Secretary</b> National Stock Exchange of India Ltd 'Exchange Plaza', Bandra - Kurla Complex Bandra (E), Mumbai, Maharashtra - 400051. <b>Script No: KITEX</b>
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**Sub:- ANNUAL GENERAL MEETING, 28<sup>th</sup> AGM NOTICE ALONG WITH ANNUAL REPORT FY 2019-20 AND INTIMATION OF BOOK CLOSURE**

This is to inform you that 28<sup>th</sup> Annual General Meeting (AGM) of the members of the Company will be held on Wednesday, September 30, 2020 through Video Conferencing (VC) / Other Audio Visual Means (OAVM) facility at 10.00 A.M. (IST) to transact the business set out in the Notice of said meeting. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its General Circular no. 20/2020 dated May 5, 2020 read with General Circulars no 14/2020 and 17/2020 dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") and SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, permitted holding of the AGM through VC/ OAVM, without the physical presence of the Members at a common venue.

Pursuant to Regulation Reg 30 and 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), we are submitting herewith the Annual Report of the Company along with Notice of AGM for the FY 2019-20 which has dispatched/ sent to the members. Owing to the difficulties involved in dispatching the physical copies of AGM Notice and Annual Report of the Company for the year ended March 31, 2020 including therein the Audited financial statements of the Company for FY 2019-20, the aforesaid documents has sent only by email to the members.

Annual Report containing the Notice is also uploaded on the Company's website: [www.kitexgarments.com](http://www.kitexgarments.com)

Also further to the publication of newspaper advertisement dated August 15, 2020 which was submitted to the stock exchanges, informing the members to register/ update email id who have not registered their email id with the Company/ Company's RTA/ Depository

Participant for the purpose of obtaining notice of 28<sup>th</sup> AGM of the Company along with Annual Report for the financial year March 31, 2020. Such members can obtain Annual Report and/ login details for joining AGM of the Company by sending scanned copy of signed request letter mentioning Name, Folio no. and complete address, self-attested scanned copy of PAN card and any document like Aadhar card, Driving license, Voter ID etc in support of address of the member as registered with the Company by email to the Company's email id viz., [investors@cameoindia.com](mailto:investors@cameoindia.com) with a copy to the company mail id viz., [sect@kitexgarments.com](mailto:sect@kitexgarments.com). Members holding shares in dematerialized form are requested to update their email addresses with their respective depositories.

Pursuant to Section 91 of the Companies Act, 2013 and Regulation 42 of the SEBI Listing Regulations, the Register of Members and Share Transfer Books of the Company will remain closed from September 24, 2020 to September 30, 2020 (both days inclusive) for the purpose of AGM for the FY 2019-20.

The Cut-off date for the purpose of E-voting is fixed as September 23, 2020. Those shareholders holding shares either in physical form or demat form as on cut-off shall be entitled to avail the facility of remote e-voting as well as e-voting during the AGM.

Request you to take the aforesaid information on record and oblige.

Yours faithfully,

For **Kitex Garments Limited**



**CS. Mithun B Shenoy**

Company Secretary & Compliance officer  
(ICSI M. No. FCS 10527)

Enclosure: As above



**KITEX**

**KITEX GARMENTS LIMITED**



**CAPABILITY  
AGILITY  
RESILIENCE**

Annual Report 2019-20

## OUR ILLUSTRIOUS FOUNDER & OUR FOUNDING VISION

At KiteX, enriching people through caring is inherent in our business model. Since the inception of the company our founder M.C Jacob had implemented the concept 'caring' as its basic motto and today we believe that caring is the very winning formula of our company. Over the years we have realised that when our actions are filled with caring, the business, employee & community relations are strengthened.

Our founder Late Mr. Meckamkunnel Chacko Jacob (M.C.Jacob) was moved by the plight of the farmers who worked in his father's fields. That's when he decided to set up an aluminium-based unit in 1968 with an employee strength of eight. This was the first baby step to put Kizhakkambalam, then a remote village in Kerala into a hub of industrial activities.

The Anna-KiteX group of companies which he founded, since then took wings and grew multifold. By the time he departed from this world in 2011, the group had become a diversified business conglomerate having interests in Aluminium, Spices, Textiles and Apparels. The group provided scores of people livelihood by giving employment as well as through its regular social interventions.



**Mr. M.C.Jacob**  
(22.04.1933 – 05.06.2011)



### Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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**Scalable manufacturing capability  
is one of the strongest link in  
Company's value chain.**



**Capability  
Agility  
Resilience**

## Capability

Manufacturing capability is one of the strongest link in Company's value chain. The company has achieved its position as a world-renowned infant garment manufacturer through its multiple functional capabilities in which the company's state of the art manufacturing facility backed by the three pillars of manufacturing i.e factors, standards and costs.

Factors	Standards	Cost
<ul style="list-style-type: none"> <li>▲ Dedicated trained labour</li> <li>▲ Land availability</li> <li>▲ State of the art infrastructure</li> <li>▲ Resources / energy</li> <li>▲ Global technology</li> <li>▲ Regular capex programmes</li> <li>▲ Brand equity in the global market</li> </ul>	<ul style="list-style-type: none"> <li>▲ Quality standards</li> <li>▲ IT backed integrated functions</li> <li>▲ Consistent - sops</li> <li>▲ Reliable global source for customers</li> <li>▲ Focus on environment–safety–security</li> </ul>	<ul style="list-style-type: none"> <li>▲ Strong balance sheet</li> <li>▲ Processes and automation to cut costs</li> <li>▲ Seamless supply chain management</li> </ul>

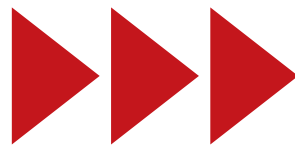
## Agility

KGL strives to stay ahead of the curve by imbibing the best of garment manufacturing and consistent capex programmes for technology and capacity enhancements. We relentlessly upgrade our product designing, value chain and customer engagement capabilities to remain agile in a highly competitive global market.

### Capacity Increase

**280,000**

Units per day (FY10)



**432,000**

Units per day (FY20)

## Resilience

KGL's Business resilience is its ability to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and overall brand equity. We are able to manage our business continuity through our agile operational model and manpower diversity.

Chairman's Message

To further streamline our processes and reduce costs, we have initiated renewed cost optimization strategies at various levels of our production



**Sabu M Jacob**  
Chairman &  
Managing Director



### Dear Shareholders,

With immense pleasure, I would like to inform you that this year, your company has touched a record turnover of 78,357.54 lakhs signifying a growth of 24.52% over previous financial year. The operating profit stood at Rs. 14,317.12 lakhs compared to Rs. 13,019.01 lakhs in the previous year. This growth is an outcome of Kitex Garments Ltd enhancing its global brand equity in the highly regulated infantwear markets such as US and Europe

I convey my profound thanks to our customers, employees and suppliers for this remarkable outcome.

FY2020 ended with the spread of COVID-19 pandemic across the globe. I hope all of you and your dear ones are taking all necessary precautions to stay safe.

Across the globe, Pandemic has disrupted the normal life of human beings, business operations and society as a whole. India saw its overall economic growth hitting an 11-year low of 4.2% in the FY 20. We believe that the economy will bounce back to the normal state and will see its signs of a recovery in the coming quarters.

### COVID Impact on Our Business

During the lock down period, business operations of the Company were significantly impacted. Although regular production was suspended in the month of March, April and sometime in May, the Company produced Personal Protective Equipment (PPE) kits and masks during this time and hence, the machineries and equipments were partially put to use. However, we resumed operations post lifting of the lockdown and since then the production has picked up and the Q1 production is estimated to be around 35%. We envisage our production to improve in line with the recovery in our key markets. For parents infant apparel is an emotional and essential item and going forward we are hopeful of a recovery in our key markets.

We continue to focus on further streamlining our processes and reduce costs, we have initiated renewed cost optimization strategies at various levels of our production. Due to Stringent Covid Guidelines and social distancing norms enforced at the workplace the operations continue to be run at lower capacity.

We adhere to all necessary precautions and guidelines thereby ensuring the safety and health of our employees. We are also deferring our capex plans earmarked for FY21 till the situation is completely normalized.

FY 2020-21 is a challenging year for your company with significant impact on production in Q1. With the overall retail volumes through stores as well as online picking up in USA, we believe that Q2 will be a regaining period in which we could increase the production capacity to 60% from 35% in Q1.

We are continuously monitoring the current situation with respect to all challenges and opportunities including the situation emerging from USA – China trade war.

As you leaf through the pages of this year's Annual Report, you will read about our unique capabilities and key differentiators to stay ahead of the curve. Last but not least the initiatives taken by the Company for Caring the Society towards housing for poor families, rural infrastructure development, promotion of agriculture cultivations to name a few.

I would like to take this opportunity to thank all banks and other financial institutions, the Government of India and the respective state governments and buyers for their unstinted support and actively contributing to our success. We, at Kitex Garments Limited remain ever committed and sincere in our efforts to keep delivering better value to you.

Wishing you all the best. Stay safe.

### Sabu M. Jacob

Chairman and Managing Director



About us

# 2<sup>nd</sup> largest Infants Apparel Manufacturer in the world



Established in 1992, Kitex Garments Ltd (KGL) is into exports of cotton and organic cotton garments especially infants wear. The company exports its products to US and European markets. In 1995 the company went public and the shares are currently listed on NSE & BSE. The vertically integrated manufacturing plant makes infants wear as well as fabrics.

Infant apparels manufactured by the company are available in Australia, Austria, Brazil, Canada, China, France, Germany, Liberia, India, Indonesia, Israel, Japan, Mexico, Poland, Saudi Arabia, Switzerland, UAE and USA through the outlets of our clients.

Our unit located near Kochi- India comes with an advantage of direct logistic connectivity with major international destinations by sea and air. The newly commissioned INDIA GATEWAY TERMINAL (IGT) at Vallarpadam, Kochi, is the first International Transshipment terminal in India. It eliminates the need to transship through Singapore or Colombo - increasing speed to market, at lower cost. The port is adjacent to the direct maritime highway between Far-East, Europe and the United States.

**432,000**

Per day Capacity (Infant wear) units

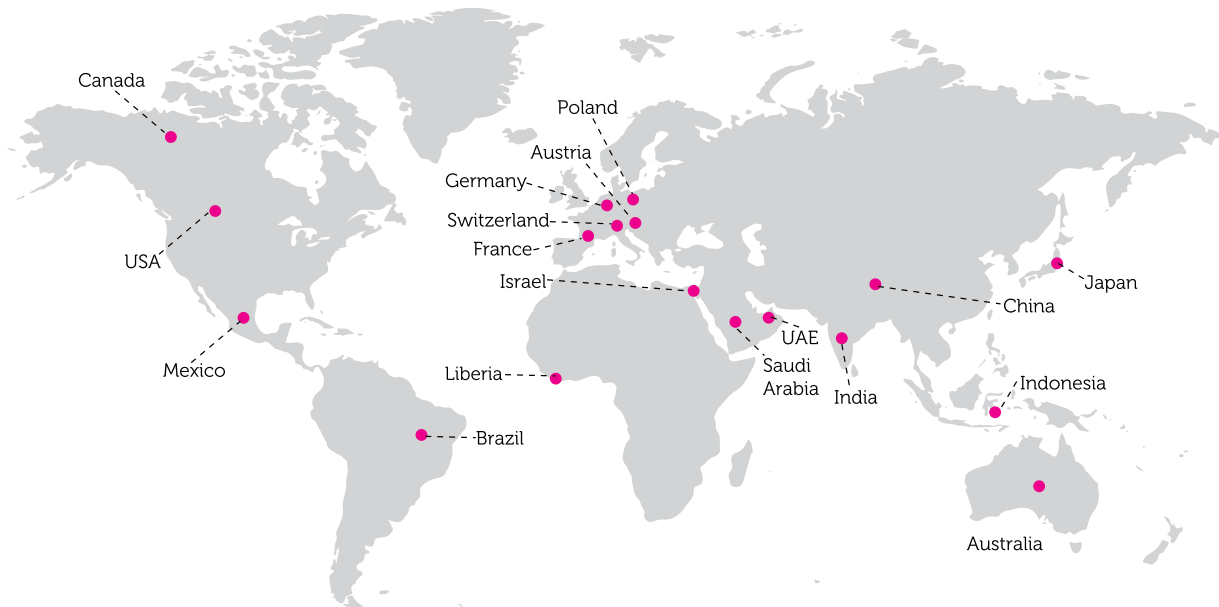
**5535**

Number of Employees

**50**

Textile Capacity per day (Tons)

### Our Global Footprints



# Kitex Value Chain

Having an integrated and traceable value chain which meets various global standards at various stages of the product supply chain is the key global differentiator at Kitex. The value chain at Kitex primarily consists of an external and internal value chain. We purchase yarns, dyestuffs and chemicals from approved sources and are tested as per Oekotex Standard 100 Class-I and GOTS Organic standards. The dye recipes, dye dispensing and yarn dyeing are done using robotic technology for accuracy and quality. Kitex uses the most advanced knitting machinery including fully robotised yarn dyeing machine to convert yarn into greige fabric which is bleached using advanced German machinery and further dyed using colour pad technology. Dyed fabrics are washed and printed on modern rotary printing machines. The fabrics thus produced confirms to all product safety standards and meet strict international quality norms (CPSIA). Fabrics are further cut by using automated spreading and cutting machines. Advanced embroidery machines, cutting-edge- IT enabled sewing procedure takes the process to the final product stage which confirms to Oekotex Standard 100 Class1, GOTS and CPSIA. We have special software in production which monitors hourly individual operator efficiency.

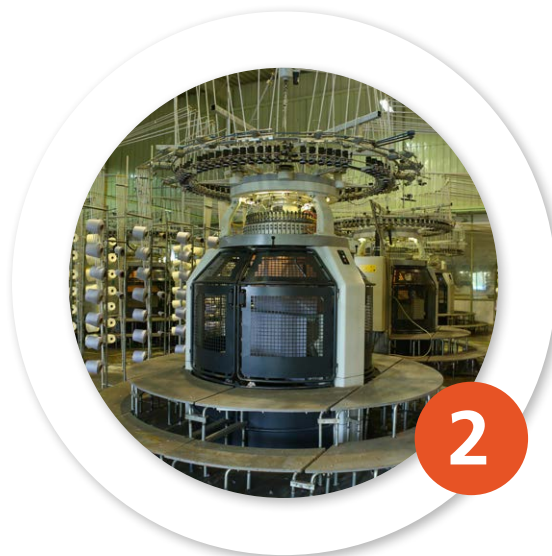


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Cotton is harvested from farms

Raw Cotton undergoes Ginning and is cleaned and converted to Bales for dispatch to Spinning Mills

Fibres are spun to make Yarns in Spinning Mills



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Yarn, Dyestuffs and Chemicals are purchased by Kitex and tested at its laboratory. All ingredients must meet Oekotex Standard 100 Class-I standards and GOTS Organic standards

Fully automated Robotic technology is used to prepare dyeing recipes at Kitex's laboratory. This ensures accuracy and consistency of colours

Dye-dispensing is done in a fully automated manner at Kitex

Robotized, fully automated yarn-dyeing is used for value-added yarn-dyed products

3



Yarns are of the highest quality in terms of specifications like count, strength, evenness as well as product safety parameters laid out by Oekotex Standard 100 Class-I & GOTS standards

Kitex uses the most modern advanced knitting machinery from Japan and Germany to convert yarn to greige fabric

Greige fabric is bleached on advanced bleaching machinery from Germany

Cold Pad Technology is used to dye fabrics in a relaxed continuous open-width process that ensures high dye-pickup, color consistency and low water and energy consumption. Rolling stations ensure efficient dye-pickup and excellent colour fastness

Washing is done thereafter on advanced relaxed open-width machinery from Germany

Fabric is printed on modern rotary printing machines from Austria. Advanced features like design-memory and extended chamber ensures high quality output

Fabrics produced are of highest quality in terms of specification and product safety compliance

4



Automated Spreading and Cutting machines enable accurate cutting of fabrics

Automatic screen-printing machines from Austria are used for placement printing - for value-added products that have prints on garments

Advanced embroidery machines from Germany and Japan enable value addition of garments to cater to higher-end customers who require embroidery motifs on their garments

Sewing production done in a systematic manner. Advanced systems like GSD, Inspire and ERP enable cost-effective and efficient production and tracking

Final products are of the highest quality in terms of specifications, and comply with strict product safety standards of Oekotex Standard 100 Class-I, GOTS and CPSIA

5



**The facility is a 350000 sq. ft garmenting factory and manufactures fabrics in its 240 meters long and 70 meters wide process house in an area of 200000 sq. ft. which is one of the largest in the world under one roof**



The company has been allotting regular capex for improvement of technology and infrastructure and is in the process of upgrading its current facilities so as to expand its capacity. It is a vertical set-up with knitting and processing of fabrics, until finished garments are done in-house. The facility is a 350000 sq. ft garmenting factory and manufactures fabrics in its 240 meters long and 70 meters wide process house in an area of 200000 sq. ft. which is one of the largest in the world under one roof. The process line is equipped with digital dispenser system for error-free, automatic and computer controlled preparation of color guidelines, high quality knitting machines, most modern dyeing, printing and finishing machines that use cutting-edge technology.

Our garmenting unit uses latest machinery for pattern Computer- Aided-Design (CAD), plotting and grading. It has Automatic spreader machines which enhance the speed of spreading and Automated cutting machines that enable faster & precision cutting. The factory is equipped with latest sewing machinery ensures stain-free, quality sewing and state-of-the-art spectrophotometer ensures electronic color reading & transmission. The plant produces knitted fabrics that are of exceptional quality, and is well appreciated and recognized by reputed childrenswear apparel brands in the United States and Europe.



# Financial Highlights

## Total Income

(₹ in lakhs)

<b>FY 20</b>	78,357
<b>FY 19</b>	62,926
<b>FY 18</b>	55,992
<b>FY 17</b>	54,790
<b>FY 16</b>	56,563

## PBT

(₹ in lakhs)

<b>FY 20</b>	14,317
<b>FY 19</b>	13,019
<b>FY 18</b>	10,749
<b>FY 17</b>	14,270
<b>FY 16</b>	17,106

## PAT

(₹ in lakhs)

<b>FY 20</b>	10,867
<b>FY 19</b>	8,146
<b>FY 18</b>	7,002
<b>FY 17</b>	9,254
<b>FY 16</b>	11,210

## Finance Costs

(₹ in lakhs)

<b>FY 20</b>	702
<b>FY 19</b>	388
<b>FY 18</b>	581
<b>FY 17</b>	927
<b>FY 16</b>	1,376

## EPS

(in ₹)

<b>FY 20</b>	16.34
<b>FY 19</b>	12.22
<b>FY 18</b>	10.64
<b>FY 17</b>	19.48
<b>FY 16</b>	23.60



# 8 Years Highlights

(₹ in lakhs)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Income</b>								
Sales	31,698.33	44,221.00	51,109.59	54,581.67	54,590.13	55,725.42	60,680.46	73,920.98
Other Income	402.51	1,334.36	1,342.34	1,981.66	199.77	267.07	2,246.01	4,436.56
<b>Total</b>	<b>32,100.85</b>	<b>45,555.36</b>	<b>52,451.94</b>	<b>56,563.33</b>	<b>54,789.90</b>	<b>55,992.49</b>	<b>62,926.47</b>	<b>78,357.54</b>

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Expenditure</b>								
Cost of Raw Materials Consumed	16,126.71	23,477.44	20,978.53	20,976.48	21,096.16	25,404.54	28,280.74	31,706.18
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	389.11	118.23	(21.54)	29.72	(1,575.74)	(3,735.78)	(3,644.54)	439.95
Employees Benefits Expense	4,376.44	5,697.16	7,450.07	8,361.72	9,182.86	9,851.37	10,508.83	12,148.57
Finance Costs	1,147.20	1,061.59	1,916.41	1,375.67	926.68	581.18	388.00	702.49
Depreciation and amortization expense	862.13	968.00	2,132.94	2,127.31	2,036.28	2340.14	2,726.25	2,645.23
Other Expenses	4,795.17	5,414.40	5,828.78	6,586.93	8,853.55	10,802.12	11,648.18	16,398.00
<b>Total</b>	<b>27,696.76</b>	<b>36,736.83</b>	<b>38,285.19</b>	<b>39,457.83</b>	<b>40,519.79</b>	<b>45,243.57</b>	<b>49,907.46</b>	<b>64,040.42</b>
Profit Before Tax	4,404.08	8,818.53	14,166.75	17,105.50	14,270.11	10,748.92	13,019.01	14,317.12
Current Tax	1,485.00	2,536.00	4,217.00	6,094.00	5,312.70	3,978.82	4,873.46	4,104.17
Deferred Tax	(18.60)	545.65	98.00	(198.00)	(296.67)	(232.13)	(233.54)	(654.44)
Profit After Tax	2,937.68	5,736.88	9,851.75	11,209.50	9,254.08	7,002.23	8,145.55	10,867.39
Capital	475.00	475.00	475.00	475.00	475.00	665.00	665.00	665.00
Earnings per equity share (₹)	6.18	12.08	20.74	23.60	19.48	10.64	12.22	16.34

## Our People

# The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity. The Company is giving direct employment to 5535 employees. The Company endeavours to be an 'Employer of Choice' by fostering an environment of aspirational goal setting, continuous improvement, in addition to health and safety, and corporate responsibility.

The company believes that employees are its wealth. In addition to salary and perquisites like ESI, PF, Gratuity, etc, employees are also provided free food and accommodation. All workplaces, including production facilities, are centrally air-conditioned. Company provides free transportation facilities to all local employees to commute between various parts of the city and its premises.

Other welfare facilities include Doctor-on-call, counsellors, stationed nurses and a medical laboratory. ATM, Shopping and Bakery services are also available within its premises. The company's clean and modern dormitories and cooking & dining facilities are highly appreciated by our customers and stakeholders across the world. Satellite TVs are available for entertainment of hostel residents. Arts and Sports events are conducted periodically at its premises to keep employees engaged and productive.



## Corporate Social Responsibility

# If Kerala is 'God's own country' then Kizhakkambalam is 'God's own village.'

## Times of India

Formed in 2013, Twenty20 is a development initiative of Kitex Group for sustained and sustainable inputs to community growth through long-term commitments to specific issues and for initiating strategic alliances and sources funds from philanthropic budgets. It also aims to develop Kizhakkambalam as a pilot model of sustainable growth, a model that is both scalable and replicable.

The Anna-Kitex Group was founded by Mr. MC Jacob in 1968 as a manufacturer of aluminium products and household utensils. Soon enough these became household names and within a decade the company branched out to include curry powder, spices and ready-to-eat foods. Textiles and items like school and travel bags were added to the product portfolio during the 80s. Kitex Garments was established by Mr. Sabu M Jacob, son of the late founder, in 1992 as a manufacturer of organically sourced cotton fabric as well as infantwear including body suits, sleep wear, romper, burps, bibs, and training pants. Kitex Garments is professionally managed and enjoys the best-in-the-world technology and infrastructure. While stringent norms are in place to ensure product quality, there is no compromise on workplace safety. The biggest advantage of Kitex Garments, besides the highly trained and motivated manpower is state-of-the-art process machines, international quality check systems and the final delivery of customised products. Kitex Garments has grown manifold over the past two decades and is one of the largest manufacturers of infantwear in the world. Today it is a Rs 8 billion company and employs around 6,000 people from all over India.

### Twenty20 – Nation building through village development

**Twenty20**  
Nation building through village development

**Simpi20**  
കിഴക്കമ്പലം

Twenty20 is the development initiative of the Kitex Group under the leadership of Mr. Sabu M. Jacob and Mr. Bobby M. Jacob covering multiple themes from

basic necessities like housing, food security and water conservation to women and child care, education and sanitation. What began as a development initiative to cover the home village soon grew in scope to include the entire development spectrum and any village, anywhere. Today, Twenty20 has the knowledge and experience to carry out the holistic development of a village in a sustainable manner regardless of its location or condition.

A team of highly qualified and experienced social workers, engineers, doctors, nurses, project managers, veterinary and agriculture experts see that the projects are implemented in a systematic and scientific manner. To ensure that the programmes and initiatives reach everyone and none of the deserving is left out the population is categorized on the basis of economic status. Red cards are issued to the extremely poor and vulnerable, yellow to those from below poverty line, green to the middle class and blue for the upper middle class.

#### Vision

The development of a village in a systematic and scientific manner through sustainable programmes that uplift and enrich every aspect of an individual's life which will in the long run ensure the progress of the nation itself as a whole.

#### Mission

Twenty20 provides the leadership in catalysing action to enable vibrant progress from grassroot level upwards.

₹ **6.76** crores  
CSR Expenditure in FY20

**Development carried out by the company across carefully chosen thematic heads brings about a truly holistic progress. The scientifically-driven development empowers the rural population in a systematic and sustainable manner to bridge the urban-rural divide.**



### **Infrastructure**

As a good road network is crucial to the development of a community Twenty20 builds new roads, widens and converts existing rural ones to BMBC to ensure quality and longevity. Also included are public lighting, drainage systems, CCTVs, FTTH, internet libraries and skill and culture centres.



### **Housing**

Twenty20 undertakes construction of new houses for the homeless and landless and renovation of houses in disrepair. All the houses are built using modern technologies, with quality components, using latest technologies and as per Vastu, the ancient Indian system of construction, to ensure good health, peace and prosperity for the inhabitants.



**Food security**

The country's first food security market was started by Twenty20 to meet the fundamental right of residents to food in abundance and comfort. The food security market is spread across 14,000 square feet, open six days of the week and functions under closely monitored pricing mechanisms to insulate it from the vagaries of the market.



**Water security**

Twenty20 safeguards water security by harnessing the productive power of water, ensuring a sustainable supply through environmental protection and effective supply systems. Digging of new wells, renovation of existing ones, construction of ponds and renovation of old ones, well recharging with rainwater, construction, cleaning and protection of canals and check dams, setting up water tanks and distribution of water are some of the ways Twenty20 has achieved water security.



**Agriculture and irrigation**

Agricultural practices that are unsustainable have rendered large tracts of the earth barren and unusable. The only way to prevent further deterioration is through adoption of organic farming and sustainable agriculture techniques. Twenty20's thrust on sustainable agriculture successfully integrates three main goals: Environmental health, economic growth, and social and economic equity.



**Healthcare**

Twenty20 invests substantially in measures to reduce the burden of disease and increase life expectancy which will contribute to creating richer and healthier economies. Medical support, ambulance services, palliative care, personal and family accident and medical insurance coverage are provided by Twenty20 to promote good health and long life of the citizens.



### Education

No corners are cut in spending on education and related infrastructure: converting classrooms to smart classrooms, furnishing every school with computer laboratories, school bus, childrens' park, furniture, nutritious food, toilets and school sanitation. Anganwadis are also set up across the village.



### Self-employment

As self-employment has tangible, positive impact on per capita income growth and poverty reduction, Twenty20 promotes a slew of income-generating activities among the people through training and grants: Supply of cattle and buffalo for dairy and other farm produce, domestically bred chicken for poultry, fish farm, rabbit, duck, goat, quail for meat. Jasmine farm for export and sugarcane farm are part of the initiative.



### Mother and child

A healthy pregnancy is important for a healthy birth. Twenty20 provides pre and post-natal orientation and counselling, all vaccinations till six years of age, free nutritious food like egg and milk, vitamins and minerals.



### Women empowerment

Women are the true agents of change and keepers of natural resources. Recognising this Twenty20 has launched several schemes for the empowerment of women in the village: Digital skill training – in using computers and smart phones, driving school, grants to buy four and two-wheelers, self-defence training, cultural training, parental counselling, efficient budgeting to run households.



### Sanitation

Promotion of bio-mass in every house, developing a centralised waste management system for collection, segregation and treatment of solid and liquid waste, construction of public toilets and fogging are included here.



### Enhancing living standards

All major household appliances are made available to the economically backward families at hugely concessional rates. This not just improves the quality of life but also frees up time for family members, especially women, which can be utilised for productive, income-generating activities.

Twenty20 thus provides, to quote the World Commission on Development, 'a better quality of life to everyone through development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' The model is now ready to be scaled up and replicated in any village, anywhere.

# Corporate Information

## BOARD OF DIRECTORS

Mr. Sabu M. Jacob – Chairman & Managing Director  
Mr. Benni Joseph – Independent Director  
Mr. C P Philipose – Independent Director  
Prof. E.M Paulose – Independent Director  
Mr. K L V Narayanan – Non Exe. Director  
Mrs. Sindhu Chandrasekharan – Executive Director

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr. Benni Joseph, Chairman  
Prof. E.M Paulose, Member  
Mr. C P Philipose, Member

### NOMINATION AND REMUNERATION COMMITTEE

Prof. E.M Paulose – Chairman  
Mr. Benni Joseph – Member  
Mr. K L V Narayanan – Member

### STAKEHOLDERS RELATIONSHIP COMMITTEE

Mr. K L V Narayanan – Chairman  
Mr. Sabu M Jacob – Member  
Mrs. Sindhu Chandrasekharan – Member  
Mr. Benni Joseph – Member

### CSR COMMITTEE

Mr. Sabu M Jacob – Chairman  
Mr. Benni Joseph – Member  
Mr. K L V Narayanan – Member  
Mr. C P Philipose – Member

### SHARE TRANSFER COMMITTEE

Mr. Sabu M Jacob – Chairman  
Mr. C P Philipose – Member  
Mrs. Sindhu Chandrasekharan – Member

### CHIEF FINANCIAL OFFICER

Mr. Bobby Michael

### COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Mithun B Shenoy

## MANAGEMENT TEAM

Mr. Sabu M Jacob – Chairman & Managing Director  
Mr. Donnie Hodge – President and COO, Kitex USA LLC  
Mr. Christian Strahm – Vice President – Manufacturing  
Mr. Harkishan Singh Sodhi – Vice President (Business Operations)  
Mr. Bobby Michael – Chief Financial Officer (CFO)

## INDEPENDENT STATUTORY AUDITORS

M/s. MSKA & Associates, Chartered Accountants, Chennai

## INTERNAL AUDITORS

M/s. K Venkitachalam & Aiyer & Co., Chartered Accountants, Kochi

## SECRETARIAL AUDITORS

M/s. SVJS & Associates, Company Secretaries, Kochi

## INCOME TAX CONSULTANTS

M/s. Varma & Varma, Chartered Accountants, Kochi

## BANKER

State Bank Of India  
ICICI Bank  
HDFC Bank

## SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited  
Subramanian Building No. 1, Club House Road,  
Chennai 600002, Tamil Nadu  
Tel: 044-28460390, Fax: 044-28460129  
E-mail: investor@cameoindia.com

## REGISTERED OFFICE & FACTORY

Kitex Garments Limited  
(CIN: L18101KL1992PLC006528)  
P. B. No. 5, Kizhakkambalam - 683562, Alwaye, Kochi, Kerala  
Phone: 91 484 4142000, Fax: 91 484 2680604  
Website: www.kitexgarments.com,  
E-mail: sect@kitexgarments.com  
Grievance Redressal Division: investor@kitexgarments.com

## LISTED IN STOCK EXCHANGES:

BSE Limited, Mumbai  
The National Stock Exchange of India Limited, Mumbai



# MANAGEMENT DISCUSSION & ANALYSIS

## I. ECONOMY

### GLOBAL ECONOMY

The outbreak and spread of the CoVID-19 pandemic, and consequential measures have resulted the global economy into biggest slump since the Great Depression of the 1930s. Most of the global economies were closed/ shut down and many of the CoVID affected patients were quarantined/ isolated in order to control the spread of virus. As per the June 2020 projections of the IMF, the global economy is projected to contract at 4.9% in 2020 over the previous year, after a growth of 2.9% in 2019.

Advanced economies are more severely impacted economically, with a projected contraction of 8%, with emerging markets and developing economies at -3%. The Global Economy projection for FY 2021 is with a growth of 5.4%, however there are a lot of uncertainties in the assumptions made in June 2020.

Global medical communities are coming together and working hard to discover vaccines (prevention) and drugs (cure) for the virus infection, and the recovery of the global economy will be dependent on the timing of these.

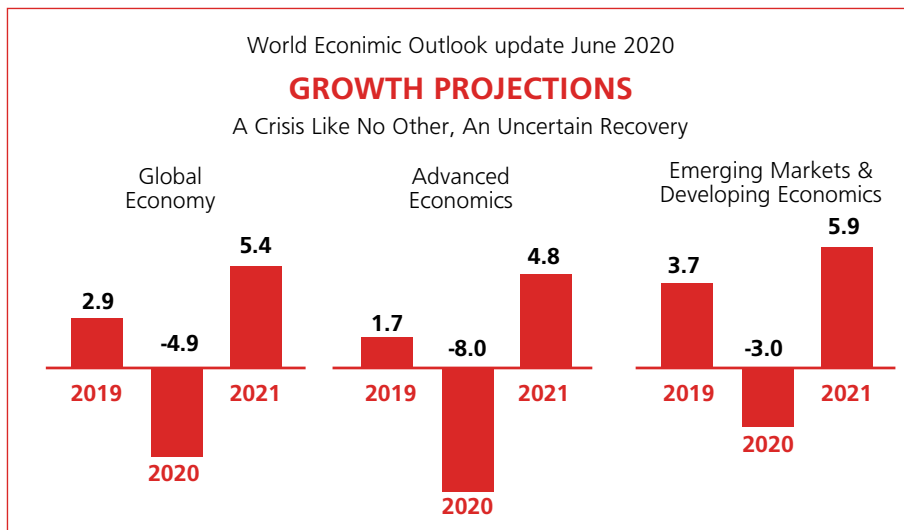


Figure 1: Global economy projections for 2020

Nearly 90% of the globe has experienced some degree of lockdowns and supply chain disruptions, low consumption and increasing unemployment. From a health perspective, the primary challenges as a fallout of the pandemic include containment of the infection, mortality and recovery rates of infected population, readiness and availability of healthcare facilities and supplies to treat coronavirus infected, as well as all other diseases in populations. Most countries have announced huge fiscal stimulus packages, especially to help the weaker and underprivileged sections of society.

During the month of February 2020, Index of Industrial Production (IIP) grew by 4.5% as compared to 2.1% in January 2020. Around 8 crores industries registered a growth of 5.5% (Year on Year basis) in February 2020, the highest growth since March 2019. Industries are rapidly trying to evolve their business models to adapt to the new model. The retail sector across the globe has witnessed a steep decline in demand, mainly due to social distancing and remote working, cessation of travel and discouragement of public gatherings. Retailers and realty are having to rethink their short term and long term models, with most malls being either closed, or seeing very low footfall. Retailers are looking at renegotiating with all their stakeholders: realtors, financiers and suppliers, while simultaneously trying to improve the customer relationship during such times of crises.

### INDIAN ECONOMY

India was under lockdown from March 25, 2020 to May 1, 2020, in order to contain the spread of the coronavirus. During this time, the economy came to a standstill, and with public transportation across the nation being shut, significant bottlenecks in supply chain and movement of migrant labourers caused concerns. With the partial re-opening of economic activities across the country, movement of goods and people resuming, the number of cases have now surpassed to new high, putting India in the 4<sup>th</sup> position of countries with the largest number of coronavirus infected people. As of July 2020, India has about 1.4 m confirmed cases of Covid-19, 918 k recoveries and about 32,500 deaths.

The Indian Government announced a stimulus package of 20 lakh crores, around 10% of the Indian GDP. The stimulus is aimed to assist mainly the daily wage labourers and MSMEs, who are deeply impacted by the pandemic and facing survival issues.

As per the IMF report Jun 2020, India is projected to contract to 4.5% decline in 2020, compared to a growth of 4.2% growth in 2019.

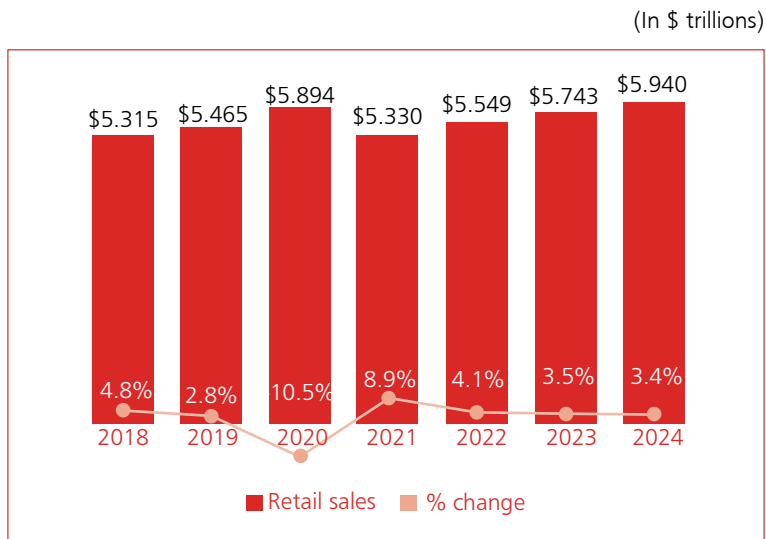
Export of goods shows negative growth of (34.6%) in March 2020 against positive growth in the month of February 2020. On the other side, Imports of various materials also shown negative growth of (28.5%) in March 2020 against positive growth of 2.5% in February 2020. The Indian apparel industry may take a hit of about ₹ 1 lakh crore in 2020, as per the Clothing Manufacturers of Association of India (CMAI) estimates. On the exports side, shipments worth ₹ 23 k crores are at stake for India’s apparel exporters, following order cancellations, supply disruptions and payment delays amid the pandemic.

**US ECONOMY**

The United States has been severely impacted by the pandemic, with more than 4m confirmed cases, 1.3m recovered and about 149k deaths. The current administration, as well as the Centre for Disease Control, the premier public health agency of the United States, have come under criticism for their handling of the pandemic. The healthcare system of the United States is under a lot of strain, unemployment is high at ~14%, consumption is low and several businesses are facing risks of closures and bankruptcies.

Real GDP in the US has declined by 5% in Q1 2020 (3<sup>rd</sup> estimate, Bureau of Economic Analysis, June 2020). As per the IMF report Jun 2020, the US economy is projected to contract to 8% decline in 2020, compared to a growth of 2.3% growth in 2019.

Analysts estimate the US retail sector, which also includes auto and fuel, to take a hit of 10.5% in 2020, a level not seen since 2016. Brick and mortar retail sales will fall by 14%, whereas online sales are expected to increase by 18%, mitigating some of the severity in retail’s decline.



The overall size of the US apparel market is estimated at ~\$368 billion in 2019, with about \$268 billion brought by in-store sales. The recession and uncertainties have made frugality a priority, thereby reducing discretionary spends across all groups of people. More than 2200 stores across the country are expected to close, and top apparel retailers such as Neiman Marcus, Brooks Brothers and Ascena Retail group have filed for bankruptcy in 2020.

**II. INFANT APPAREL SECTOR**

The market for baby clothes encompasses all clothing and accessories for children upto a height of 85 cm. The revenues from this sector are estimated globally at ~ \$43.7bn in 2020, a 2.1% decline yoy. On the brighter side, this is expected to grow at a CAGR of 5.5% from 2020-25. The US revenues is sized at \$8bn, comprising about 18.3% of the global market. (Source: statista.com)

The clothing is largely segmented as outerwear and underwear, in a 65:35 ratio. Distribution channels are largely offline and online, with the online channel gaining a lot of traction in the post pandemic world. Major retailers in the Infantswear segment are Carter’s Inc., Cotton On Group, Hennes & Mauritz AB and Gerber Childrenswear LLC.

Despite apparel being a discretionary spend in the pandemic era, Infantswear could be less impacted due to the inherent reasons of buying clothes for infants. Infants outgrow their clothes very quickly, add to this that several women also work and have additional disposable income, making this a fairly stable market.

In India, the online childrenswear sales trebled after the lockdown was lifted, showing the pent up demand of parents who were waiting to shop before the lockdown.

### ONLINE DISTRIBUTION CHANNEL OF INFANTSWEAR

With a growing population gaining access to the internet, as well as the physical distancing and other pandemic impacts, online sales are witnessing a surge across the retail industry. Online events and promotions and discount offers, all contribute to the rise of online Infantswear sales. Psychological factors such as showcasing the baby in the best possible clothes, and growing influence of social media such as Facebook and Instagram, all contribute to a growing demand for Infantswear. Other factors influencing babywear choices are comfort, safety, convenience and hazards such as buttons and embellishments etc.

Marketing is also important in the Infantswear segment; effective advertising, product promotions and pricing strategies are all factors that influence sales. Online shopping is facilitated by door delivery, contactless payment and secure e-transactions.

## II. INDUSTRY SCENARIO

### Review of Operations

During the year under review, your company had recorded excellent growth in Q2 & Q3 and had lined up various investment strategies to increase the capacity. But CoVID-19 pandemic struck various future plan and unfolded the realities of various crisis. During the month of April & May, 2020, your company utilized the opportunity by supplying Personal Protective Equipment (PPE) kits to hospital and other organizations and this was carried out by the company without any additional investment in the existing infrastructure.

Your company has a vertical setup with knitting and processing of fabrics, until finished garments are done in-house. The facility at Kizhakkambalam near Kochi in India is a 350000 sq. ft garmenting factory and manufactures fabrics in its 240 meters long and 70 meters wide process house in an area of 200000 sq. ft., and is one of the largest in the world under one roof. The process line is equipped with digital dispenser system for error-free, automatic and computer controlled preparation of color guidelines, high quality knitting machines, most modern dyeing, printing and finishing machines that use cutting-edge technology. Its garmenting unit uses latest machinery for pattern Computer Aided-Design (CAD), plotting and grading. It has Automatic spreader machines which enhance the speed of spreading and Automated cutting machines that enable faster & precision cutting. The factory is equipped with latest sewing machinery ensures stain-free, quality sewing and state-of-the-art spectrophotometer ensures electronic color reading & transmission. The plant produces knitted fabrics that are of exceptional quality, and is well appreciated and recognized by reputed infant apparel brands in the United States and Europe.

### Market & Customers

During the year under review, your company received and continue to receive enormous order confirmations from major infant garment buyers viz., Gerber Childrenswear LLC, Carters, Buy-Buy Baby, Ross Stores, Amazon, Target, Sam's Club, Oshkosh and Walmart who can contribute major part of your Company's turnover in coming years. On a good day, the Company manufactures 4.32 lakhs pieces of infant's apparel and dispatches as whole container of them to the US.

The company's products are sold in over 18 countries through our clients. In terms of clients the key market for the company is USA (99%) followed by Europe (1%). Company has an Associate in USA by name Kitex USA LLC which takes care of the new forward integration initiatives in USA. The company has also set up a Design Studio in US for value added design services.

### Seasonality

The company experience seasonal fluctuations in the sales and profitability due to the timing of certain holidays and key retail shopping periods, which generally has resulted in lower sales and gross profit in the first half of the calendar year versus the second half of the year. Accordingly, our results of operations during the first half of the year may not be indicative of the results we expect for the full year.

## IV. SCOT ANALYSIS

The Board of Directors of the Company have listed out the Strength, Challenges, Opportunities and Threats affected the company, the details of which are as given below:

### Strengths/ Opportunities

- With increase in infants and considering various factors like growing trend of nuclear family system, increased spending on children and better focus on this segment by organised players, the Infantswear segment will grow in coming years.
- Distribution network globally drives the brand closer to consumers through our buyers.
- Operates a vertically integrated manufacturing facility which helps in ensuring quality of products, operational flexibility and optimized operating expenses and fully automatic robotized yarn dyeing with Advanced Relaxed Open-width (German) Tensionless processing.

- Growth in organized Infantswear retail provides a greater opportunity for branded play.
- Changing trends and brand consciousness making consumers more aspirational and discerning.
- The increasing need to serve consumers at their doorstep provides a big opportunity to the e-commerce business.
- The Company has a global and culturally diversified Management Team driving growth across geographies.
- Biological effluent treatment at international standards treated effluents are re-used by the Company in toilets and irrigation for internal horticulture.
- Generation of bio-gas from the biological wastes produced. The gas is then used for cooking.
- Workplace Conditions Assessment (WCA) program - Sustainable and ethical practices for work place people, products and environment.
- Assurance of product safety with following practices and policies in place:
  - Purchase of dyes and chemicals from approved list of international suppliers.
  - Strict small parts pull testing at production stage.
  - Stringent broken needle policy.
  - Metal detection scanning for all products before being packed.

#### Challenges/ Threats

- Few international Infantswear brands have commenced operations in India realizing that India is likely to emerge as one of the largest Infantswear manufacturing hub in the world in the coming year.
- The overall closure of markets, malls and highstreets due to lockdown which is expected to affect the business, is considered short threat.
- A prolonged lockdown due to COVID-19 in many parts where the Company operates can have a significant impact on its business. Consumer will be cautious in purchase of clothing for their children due to CoVID-19 pandemic.

## V. REVIEW OF FINANCIAL PERFORMANCE

The Company continues to strengthen its market leadership in Infantswear across US markets during the year. It delivered yet another year of consistent growth in turnover and profit and fortified its manufacturing capabilities.

### STANDALONE PERFORMANCE

On standalone basis, your company reported a total income of ₹ 78,357.54 lakhs signifying a growth of 24.52% over previous financial year. The Revenue increased due to the better orders from the buyers. The operating profit stood at ₹ 14,317.12 lakhs compared with ₹ 13,019.01 lakhs in the previous year. Total employee benefit expense has increased by 15.60%. Our effective tax rate is at (19.64) % when compared to the previous year. The net profit for the year was ₹ 10,867.39 lakhs against ₹ 8,145.55 lakhs reported in the previous year. The EPS from continuing operations for the reporting year was ₹ 16.34.

### CONSOLIDATED PERFORMANCE

On consolidated basis, total revenue for the financial year under review was ₹ 77,839.77 lakhs as against ₹ 62,927.58 for the previous financial year, 23.70% growth. Profit before tax was ₹ 13,786.82 lakhs and net profit after tax was ₹ 10,337.09 lakhs for the financial year under review as against ₹ 13,000.35 lakhs and ₹ 7144.55 lakhs for the previous year.

## VI. RATIOS:

Ratios	Financial Year	
	FY 2020	FY 2019
Return on net worth	16.14%	13.77%
Current ratio	3.25%	2.95%
Interest coverage ratio	21.38%	34.55%

## VII. OUTLOOK

Since company is in Infantswear business, we expect that business will grow in good pace and there is also a possibility of getting new good order from existing/ new buyers from across globe considering trade war between US and China. We are continuously monitoring the current situation to grab the opportunities and also ready to face any challenges.

## VIII. SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

The Company is engaged in the business of manufacturing garments and there is no separate reportable segment.

## IX. RISK & RISK MITIGATION

Your Company continues to strengthen its robust Risk Management Framework and the same was reviewed by the Audit Committee periodically. The Committee focuses on ensuring that risks promptly identified initially and a mitigation plan is developed and monitored periodically to ensure that risks are being addressed accordingly. The Committee operates with following objectives especially related to risks:

- Identify and highlight risks affecting the company.
- Facilitate discussion around risk prioritisation and mitigation. The company's approach in addressing business risks includes periodical review of such risks and thereby mitigating it effectively.
- Provide a framework to monitor and mitigate the risk affecting the Company.

Your company believes that managing risk helps in maximizing return. Some of the risks that the company is exposed to are:

- **FINANCIAL RISKS:** The Company's policy is to actively manage its foreign exchange risks within the framework laid down by the Company's forex policy approved by the Board. Given the interest rate fluctuations, your Company has adopted a prudent and conservative risk mitigation strategy to minimize financial and interest cost risks.
- **COMMODITY PRICE RISKS:** The Company is exposed to the risk of price fluctuations of raw materials as well as finished goods. The company proactively manages these risks through forward booking, inventory management and proactive vendor development practices. Your company's reputation for quality, product differentiation coupled with the existence of a powerful brand image with a robust design and marketing network in US mitigates the impact of price risk on finished goods.
- **REGULATORY RISKS:** The Company recognized its risks attached to various statutes, laws and regulations. The company is mitigating these risks through regular review of legal compliances carried out through our internal as well as external compliance audits by our customers.
- **HUMAN RESOURCE RISKS:** Retaining the existing talent pool and attracting new talent are the major risks affecting the company. We have initiated various measures including rolling out of strategic talent management systems, training and integration of learning and development activities. Our company has collaborated with various agencies like Integrated Skill Development Scheme (ISDS), Kudumbashree which helps to identify, nurture and groom labour talents within all states of India to prepare them for future business leadership.
- **STRATEGIC RISKS:** Emerging businesses, capital expenditure for capacity expansion etc are normal strategic risks faced by your company. However, your Company has well-defined processes and procedures for obtaining approval for investments in new businesses and capacity expansions.
- **PANDEMIC RISKS:** Pandemic risks like Covid 19 which causes severe social and economic destructions impacts our clients' business. It also disrupts the company's supply chain and regular operations which results in inability to delivery the products thus impact the revenue. The management has shown its ability to respond to such situations with safe and prudent business continuity plans and continues engagement with our customers to ensure gradual recovery while going forward.

## X. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorised, recorded and reported correctly. The internal control is exercised through documented policies, guidelines and procedures. It is supplemented by an extensive program of internal audits conducted by in house trained personnel. The audit observations and corrective action taken thereon are periodically reviewed by the audit committee to ensure effectiveness of the internal control system. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of persons. Apart from the above the company has engaged Messrs. K Venkitachalam Aiyer & Co, Chartered Accountants to conduct Internal Audit during the year 2019-20.

## **XI. HUMAN RESOURCES/ INDUSTRIAL RELATIONS**

Human Resources (HR) of the Company plays vital role in managing, guiding and motivating the company's workforce. In this pandemic situation, it's our responsibility to take precaution not only to manage the present crisis situation, but also to protect our workforce. The Company is also cautious in grabbing emerging opportunities in Infantswear sector and also maintain stakeholder's value at the maximum. The Company during CoVID-19 pandemic, has implemented various measures to protect employees from such situation, the details of which is as below:

Employees staying at the company's accommodation are permitted to work at the registered office and factory premise. We have been taking utmost care in following safety standards as prescribed by the government like office sanitizations, strictly enforcing social distancing for all personnel, installation of hand sanitizing machine, dispensers, use of masks and other protective measures to prevent the spread of CoVID-19, in our office and factory premises. Employees also being monitored with the help of contactless infrared thermometer and anyone suffering from fever or not wearing mask are not permitted to enter the office premises. Connectivity through VPN access has been made available to the officers who have been working from home. We have utilised various ways to conduct the meetings digitally. All activities relating to account closing, reconciliation of accounts and payments have been made seamlessly during lockdown period.

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel. The Company has designed and implemented performance management system of employees that helps in achieving its goals. The Company is giving direct employment to 5535 employees. Industrial relations are cordial and satisfactory.

## **XII. CAUTIONARY STATEMENT**

Statements made herein describing the Company's expectations or predictions are "forward-looking statements". The actual results may differ from those expected or predicted. Prime factors that may make a difference to the Company's performance include market conditions, input costs, govt. regulations, economic development within/outside country etc.

For and on behalf of the Board of  
**Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman and Managing Director  
(DIN: 00046016)

Kizhakkambalam  
July 29, 2020



## Kitex Garments Limited

(CIN: L18101KL1992PLC006528)

Regd. Office: P. B. No. 5, Kizhakkambalam, Alwaye - 683562, Kochi, Kerala

Phone: 91 0484 4142000, Fax: 91 484 2680604

Website: www.kitexgarments.com, E-mail: sect@kitexgarments.com

## NOTICE

**Notice** is hereby given that the 28<sup>th</sup> Annual General Meeting of the Members of Kitex Garments Limited will be held on Wednesday, September 30, 2020 through Video Conferencing (VC) / Other Audio Visual Means (OAVM) at 10.00 A.M. (IST) to transact the following business: -

### ORDINARY BUSINESS

#### 1. Adoption of Accounts – Standalone & Consolidated

To receive, consider and adopt audited financial statements (including the consolidated financial statements) of the Company for the year ended March 31, 2020 together with the Report of the Board of Directors and Independent Auditors report thereon.

#### 2. Confirmation of Dividend

To confirm Interim Dividend of ₹ 1.50 per equity share (ie., 150%) already paid for the year ended March 31, 2020.

#### 3. Appointment of a Director retiring by rotation

To appoint a director in place of Mr. K. L. V. Narayanan (DIN: 01273573), who retires by rotation in terms of Section 152(6) of Companies Act, 2013 and Article 116 of Articles of Association, and being eligible offers himself for re-appointment.

### SPECIAL BUSINESS

#### 4. Re-appointment of Mr. C. P. Phillipose (DIN: 01125157) as an Independent Director for a second term:

To consider and if thought fit, to pass the following Resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and all other applicable provisions of the Companies Act, 2013 (the ‘Act’) and the Companies (Appointment and Qualification of Directors) Rules, 2014 made thereunder (including any amendment, variation, statutory modifications or re-enactment(s) thereof for the time being in force) read with Schedule IV of the Act and Reg 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, (“SEBI Listing Regulations”) and subject to the provisions of its Articles of Association and based on recommendation of the Nomination & Remuneration Committee of Directors and the Board of Directors of the Company, Mr. C. P. Phillipose (DIN: 01125157), who was appointed as a Non-Executive Independent Director of the Company, who has submitted the declaration that meets the criteria of independence as in the Act and the SEBI Listing Regulations and who holds office of Independent Director up to June 09, 2021, and being eligible, and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director for reappointment, be and is hereby re-appointed as an Non-Executive Independent Director of the Company to hold office for a second term of five (5) years with effect from June 10, 2021 to June 9, 2026 and whose office shall not be liable to retire by rotation.”

**“RESOLVED FURTHER THAT** pursuant to the provisions of Regulation 17 (1A) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the consent of the members be and is hereby accorded the reappointment of Mr. C. P. Phillipose, as the Non-Executive Independent Director of the Company, who has attained the age of above 75 years, from the re-appointment date ie., June 10, 2021 till the expiry of his term i.e., June 9, 2026.”

**“RESOLVED FURTHER THAT** any Director and/or the Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things including filings and take steps as may be deemed necessary, proper or expedient to give effect to this Resolution and matters incidental thereto”.

#### 5. Re-appointment of Mr. Sabu M. Jacob (DIN: 00046016) as Chairman and Managing Director:

To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution: -

**“RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 read with schedule V and all other applicable provisions of the Companies Act, 2013 (“Act”) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and as recommended by the Nomination and Remuneration Committee of the Directors (“NR Committee”) subject to such other approvals/ permission, if any, as may be required, the consent of the

members of the Company be and is hereby accorded the re-appointment of Mr. Sabu M Jacob (DIN: 00046016) as Chairman & Managing Director of the Company in the capacity as Key Managerial Personnel for a term of 5 years effective from August 16, 2020 till August 15, 2025 on such terms and conditions including remuneration as set out in this resolution and the explanatory statement annexed hereto and the payment of such remuneration, as may be determined by the Board or a duly constituted committee thereof, from time to time, within the maximum limits of remuneration for Managing Director as approved by the members of the Company."

**"RESOLVED FURTHER THAT** Regulation 17(6)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, the payment of remuneration to Mr. Sabu M. Jacob, Chairman and Managing Director may exceed higher of 2.5% of net profits of the Company as calculated under Sec 198 of the Act or ₹ 5 crores per annum and aggregate remuneration payable to such director shall be within 5% of net profits of the Company or prescribed limits as mentioned in schedule V of the Act, in any financial year during his tenure of re-appointment as mentioned in this resolution."

**"RESOLVED FURTHER THAT** where in any financial year during the tenure of Mr. Sabu M. Jacob, Chairman and Managing Director, if the Company has no profits or inadequate profits, the remuneration as detailed in the explanatory statement shall be paid as minimum remuneration."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to this Resolution and/or to make modification as may be deemed to be in the best interest of the Company."

**6. Re-appointment of Mrs. Sindhu Chandrasekharan (DIN: 06434415) as a Whole Time Director:**

To consider and if thought fit to pass with or without modification, the following resolution as a Ordinary Resolution: -

**"RESOLVED THAT** pursuant to the provisions of Section 196, 197, 203 read with schedule V and all other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and as recommended by the Nomination and Remuneration Committee of the Directors ("NR Committee") subject to such other approvals/ permission, if any, as may be required, the consent of the members of the Company be and is hereby accorded the re-appointment of Mrs. Sindhu Chandrasekharan (DIN: 06434415) as Whole Time Director of the Company in the capacity as Key Managerial Personnel for a term of 5 years effective from March 16, 2020 till March 15, 2025 on such terms and conditions including remuneration as set out in this resolution and the explanatory statement annexed hereto and the payment of such remuneration, as may be determined by the Board or a duly constituted committee thereof, from time to time, within the maximum limits of remuneration for Whole Time Director as approved by the members of the Company."

**"RESOLVED FURTHER THAT** where in any financial year during the tenure of Mrs. Sindhu Chandrasekharan, Whole Time Director, the Company has no profits or inadequate profits, the remuneration as detailed in the explanatory statement shall be paid as minimum remuneration subject to the provisions of Schedule V of the Act."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to this Resolution and/or to make modification as may be deemed to be in the best interest of the Company."

**7. Approval to borrow in excess of the paid-up share capital and free reserves of the Company under Section 180(1) (c) of the Companies Act, 2013**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** in supersession of the resolution passed by the shareholders of the Company at the 19<sup>th</sup> Annual General Meeting held on Monday, May 30, 2011 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, and the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) for borrowing, from time to time, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company, free reserves and its securities premium provided that the total amount so borrowed by the Board shall not at any time exceed ₹ 500 crores or the aggregate of the paid up capital, free reserves and securities premium of the Company, whichever is higher."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required to give effect to this Resolution."



**8. Approval to create charge/ mortgage over the properties of the Company for the purpose of borrowing in the terms of Section 180(1)(a) of the Companies Act, 2013.**

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, and the Rules made thereunder including any statutory modifications or re-enactments thereof for the time being in force, and the Articles of Association of the Company, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of banks/ financial institutions to secure rupee/ foreign currency loans and (hereinafter collectively referred to as "Loans") provided that the total amount of Loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premium on pre-payment or on redemption, costs, charges, expenses and all other monies payable by the Company in respect of the said Loans for which the charge is to be created, shall not, at any time exceed ₹ 500 crores or the aggregate of the paid up capital, free reserves and its securities premium of the Company, whichever is higher."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required to give effect to this Resolution."

By Order of the Board of Directors of  
**Kitex Garments Limited**

Sd/-

**CS. Mithun B Shenoy**

Company Secretary

(ICSI M. No. FCS 10527)

Kizhakkambalam  
July 29, 2020

**Notes:**

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted holding of the Annual General Meeting ("AGM") through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
2. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Attendance Slip and Proxy Form are not annexed to this Notice.
3. A statement pursuant to Section 102(1) of the Act, relating to the Special Business to be transacted at the AGM is annexed hereto.
4. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
5. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
6. In terms of the provisions of Section 152 of the Act, Mr. K.L.V. Narayanan, Non-Executive Director retire by rotation at the Meeting. The Nomination and Remuneration Committee and the Board of Directors of the Company recommends his re-appointment.

Mr. K. L. V. Narayanan is interested in the Ordinary Resolution set out at Item No. 3 of the Notice with regard to their re-appointment. Save and except the above, none of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Ordinary Business set out under Item Nos. 1 to 3 of the Notice.

7. Details of Directors retiring by rotation / seeking appointment / re-appointment at this Meeting are provided in the "Annexure" to the Notice.
8. The Register of Members and Share Transfer Books of the Company will remain closed from September 24, 2020 to September 30, 2020 (both days inclusive).

#### **DISPATCH OF ANNUAL REPORT THROUGH ELECTRONIC MODE:**

9. In compliance with the MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the 28<sup>th</sup> Annual General Meeting along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.kitexgarments.com](http://www.kitexgarments.com), websites of the Stock Exchanges, i.e., BSE Limited and The National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively.
10. For receiving all communication (including Annual Report) from the Company electronically:
  - a) Members holding shares in physical mode and who have not registered/ updated their email address, Bank particulars, Residential status or request for transmission of shares including its changes etc. with the Company, are requested to register/ update the same by writing a request letter to the Company with details of folio number and attaching a self-attested copy of PAN card, passbook/ cancelled cheque etc. at [sect@kitexgarments.com](mailto:sect@kitexgarments.com) or to Share Transfer Agent of the Company, M/s. Cameo Corporate Services Limited at Subramanian Building No. 1, Club House Road, Chennai - 600002, Tamil Nadu, Tel: 044-28460390 Fax: 044-28460129 [investor@cameoindia.com](mailto:investor@cameoindia.com).
  - b) Members holding shares in electronic form are advised to send their request for updating items including changes, to their Depository Participant. The Company or its Registrar and Share Transfer Agent cannot act on any such requests received directly from the members holding shares in electronic form.
11. In case of joint holders attending the meeting, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
12. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. September 30, 2020. Members seeking to inspect such documents can send an email to [sect@kitexgarments.com](mailto:sect@kitexgarments.com).
13. Members of the Company under the category of Institutional Investors are encouraged to attend and vote at the AGM through VC. Corporate Members intending to authorize their representatives to participate and vote at the meeting are requested to send a certified copy of the Board resolution/ authorization letter to the Company's email id: [sect@kitexgarments.com](mailto:sect@kitexgarments.com).

#### **UNCLAIMED DIVIDEND & IEPF RELATED INFORMATION**

14. Members who have not encashed the dividend warrants for the financial year ended 2013-14 and/or any subsequent years are requested to write to the Company giving necessary details along with claimant's proof of identity and address. In this connection, the company has placed the names of such persons who has not claimed dividend since FY 2013-14 in the website of the company and the shareholders can view the details at [www.kitexgarments.com](http://www.kitexgarments.com)
15. In order to enable payment of dividend by direct credit to the bank accounts of the shareholders through National Electronic Clearing Service (NECS) / National Electronic Fund Transfer (NEFT), those holding shares in physical form are requested to furnish their mandates for the same in the attached format along with the specified details/ documents to M/s Cameo Corporate Services Limited. Those holding shares in De-mat form are requested to update their records with DPs in this respect.
15. As per provisions of Section 124 of Companies Act, 2013, the amount of dividends remaining unclaimed for a period of seven years are required to be transferred along with shares held in those folios to the Investor Education and Protection Fund. Accordingly, the dividend declared for all the financial years ended upto March 31, 2013 had been transferred to Investor Education and Protection Fund (IEPF) established by Central Government. Details of dividends so far transferred to the IEPF Authority are available on the website of IEPF Authority and the same can be accessed through the link [www.iepf.gov.in](http://www.iepf.gov.in).
16. The details of unpaid and unclaimed dividends lying with the Company as on March 31, 2020 are uploaded on the website of the Company under the main head "investors relations" and can be accessed through the link [www.kitexgarments.com](http://www.kitexgarments.com). Details of unpaid and unclaimed dividends up to March 31, 2019 are also uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

Adhering to the various requirements set out in the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, the Company has, during financial year 2019-20 & 2020-21, transferred to the IEPF Authority all shares in respect of which dividend had remained unpaid or unclaimed for seven consecutive years

or more as on the due date of transfer, i.e., July 5, 2019 & June 18, 2020. Details of shares so far transferred to the IEPF/ Authority are available on the website of the Company under main head "investors relation" and the same can be accessed through the link: <https://www.kitexgarments.com/>

The said details have also been uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in). Members may note that shares as well as unclaimed dividends transferred to IEPF Authority can be claimed back from the IEPF Authority.

17. Details of dividend declared for the financial years from 2013-14 onwards are given below:

Financial Year	Declared on	Dividend yield	Amount paid per equity share (₹)	Due date for transfer to IEPF
2013-14	15.05.2014	100%	Re.1.00	19.06.2021
2014-15	04.06.2015	125%	Rs.1.25	09.07.2022
2015-16 (Interim)	30.10.2015	75%	Re.0.75	04.12.2022
2015-16 (Final)	10.06.2016	75%	Re.0.75	16.07.2023
2016-17 (Interim)	31.10.2016	75%	Re.0.75	06.12.2023
2016-17 (Final)	19.06.2017	75%	Re.0.75	24.07.2024
2017-18 (interim)	04.11.2017	75%	Re.0.75	09.12.2024
2017-18 (Final)	28.07.2018	75%	Re.0.75	01.09.2025
2018-19 (final)	28.08.2019	150%	Rs. 1.50	02.10.2026
2019-20 (Interim)	11.02.2020	150%	Rs. 1.50	18.03.2027

18. The Company had released an Advertisement dated March 17, 2020 in National Daily viz., Financial Express and Regional language daily viz., Chandrika for transferring unpaid/ unclaimed dividend and unclaimed shares of the Company to Investor Education and Protection Fund (IEPF) Account as per Section 124(6) of the Companies Act, 2013. The Company had also sent individual communication dated March 13, 2020 to the concerned shareholders whose dividend remains unpaid or unclaimed for period of Seven (7) consecutive years since 2013, at their registered address and shares are liable to be transferred to IEPF account under the aforesaid Rules, for taking appropriate action(s) by the shareholder concerned. The Complete details of unpaid or unclaimed dividends and shares due for transfer are available on the website of the Company ie., [www.kitexgarments.com](http://www.kitexgarments.com).
19. For any communication, the shareholders may also send requests to the Company's investor e-mail IDs: [investor@kitexgarments.com](mailto:investor@kitexgarments.com) or [sect@kitexgarments.com](mailto:sect@kitexgarments.com)

#### THE INSTRUCTIONS FOR REMOTE E-VOTING/E-VOTING AND ATTENDING AGM THROUGH VC/ OVAM ARE AS UNDER:

##### 20. Voting through electronic means:

- In compliance with provisions of Section 108 of the Companies Act, 2013 and the Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended from time to time together with relevant clauses in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide Members the facility to exercise their right to vote at the 28<sup>th</sup> Annual General Meeting by electronic means and the business may be transacted through e-voting services provided by the Central Depository Services (India) Limited (CDSL).
- The facility for e-voting will also be made available during the AGM and the Shareholders attending the AGM who have not cast their vote by remote e-voting shall be eligible to vote through the e-voting system during the AGM. The Shareholders who have cast their vote by remote e-voting may also attend the AGM but shall not be entitled to cast their vote again.

**"Remote e-voting"** means the facility of casting votes by a Member using an electronic voting system from a place other than venue of a general meeting.

- The remote e-voting period commences on Sunday, September 27, 2020 at 9:00 A.M. and ends on Tuesday, September 29, 2020 at 5:00 P.M. During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on Wednesday, September 23, 2020 ("the cut-off date") may cast their vote electronically. The remote e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- The voting rights of the Shareholders shall be in proportion to the paid-up value of their shares in the equity capital of the Company as on the cut-off date i.e. September 23, 2020 and a person who is not a Member as on the cut-off date should treat this Notice for information purpose only. In case of joint holders, only such joint holder who is named first in the order of names will be entitled to vote.

- e) The Board of Directors of the Company has appointed Mr. Jayan K. (FCS 8154 and CP. 7363), Partner, M/s SVJS & Associates, Company Secretaries as Scrutinizer to scrutinize the remote e-voting process and e-voting during the AGM in a fair and transparent manner.
- f) Members have an option to vote either Remote e-voting (availing the services provided by CDSL) OR by e-voting at the time of AGM. If members have cast their vote through remote e-voting, then they should not cast their vote at the meeting but they can attend meeting. However, if a member has voted through Remote e-voting and has again voted at the meeting, then the voting done through Remote e-voting shall prevail and voting done at the meeting shall be treated as invalid. Members attending meeting through VC/ OAVM who have not already cast their vote by remote e-voting shall be able to exercise their right at the time of AGM.

**A. THE INTRUCTIONS FOR SHAREHOLDRES FOR REMOTE E-VOTING ARE AS UNDER:**

- (i) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (ii) Click on "Shareholders" module.
- (iii) Now enter your User ID
- For CDSL: 16 digits beneficiary ID,
  - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

OR

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from **Login - Myeasi** using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.

- (iv) Next enter the Image Verification as displayed and Click on Login.
- (v) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier e-voting of any company, then your existing password is to be used.
- (vi) If you are a first time user follow the steps given below:

**For Shareholders holding shares in Demat Form and Physical Form**

PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA..</li> </ul>
Dividend Bank Details <b>OR</b> Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant <KITEX GARMENTS LIMITED> on which you choose to vote.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xvi) If a demat account holder has forgotten the login password, then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Shareholders can also cast their vote using CDSL's mobile app "m-Voting". The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

**PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:**

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to sect@kitexgarments.com
2. For Demat shareholders -, please provide Demat account details (CDSL 16-digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to sect@kitexgarments.com

**Note for Non – Individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; [svjssassociates@gmail.com](mailto:svjssassociates@gmail.com), if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or contact Mr. Nitin Kunder (022- 23058738 ) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL, ) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) or call on 022-23058542/43.

**B. INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/ OAVM ARE AS UNDER:**

1. Only those persons who are Members of the Company as on the cut-off date i.e. September 23, 2020 will be able to attend the AGM through VC/OAVM and a person who is not a Member as on the cut-off date should treat this Notice for information purpose only.
2. Members will be able to attend the AGM through VC/ OAVM at the CDSL e-Voting system. Members may access the same at <https://www.evotingindia.com> undershareholders/ members login by using the remote e-voting credentials. The link for VC/ OAVM will be available in shareholder/ members login where the EVSN of Company will be displayed.

3. Facility of joining the AGM through VC/OAVM shall be opened 30 minutes before the time scheduled for the AGM and shall be kept open throughout the proceedings of AGM. The facility will be available for Members on first come first served basis.
4. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience
5. For better experience, we recommend that you join the session with high-speed wired internet connectivity. This prevents Wi-Fi dropouts and speed issues.
6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/ Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
7. Members who would like to express their views/ ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 7 days prior to AGM mentioning their name, demat account number/ folio number, email id, mobile number at sect@kitexgarments.com. Those members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

**C. INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER: -**

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members, who are present in the AGM through VC/ OAVM facility and have not cast their vote on the Resolution(s) through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
3. If any votes are cast by the Members through e-voting available during the AGM and if the same Members have not participated in the meeting through VC/OAVM facility, then the votes cast by such Members shall be considered invalid as the facility of e-voting during the meeting is available only to the Members attending the meeting.
4. Members who have voted through Remote e-Voting will be eligible to attend the AGM However, they will not be able to vote at the AGM.

**DECLARATION OF VOTING RESULTS**

21. The Scrutinizer shall, immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting and make not later than 2 days of conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman and/or Director or a person authorized by him in writing who shall counter sign the same.
22. The results shall be declared forthwith upon receipt of the Scrutinizer's Report. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.kitexgarments.com, its Notice Board and on the website of CDSL and communicated to the stock exchanges where shares of the Company are listed.

**GENERAL INSTRUCTIONS**

23. All documents, transfers, dematerialization requests and other communications in relation thereto should be addressed directly to the Company's Registrar & Share Transfer Agents.
24. The Securities and Exchange Board of India (SEBI) vide its notification dated November 30, 2018 mandated that, except in case of transmission or transposition, securities of listed companies can be transferred only in dematerialized form w.e.f. April 1, 2019. In view of this and to avail various benefits of dematerialization, members are advised to dematerialize shares held by them in physical form.
25. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Registrar and Share Transfer Agent (RTA)
26. Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination, pursuant to Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014, are requested to send their requests in Form No. SH-13 to the RTA of the Company. Further, members desirous of cancelling/varying nomination pursuant to Rule 19(9) of the Companies (Share Capital and Debentures) Rules, 2014, are requested to send their requests in Form No. SH-14 to the RTA of the Company. These forms will be made available on request.

**PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE RE-APPOINTED/ APPOINTED AT THE MEETING ARE GIVEN BELOW.**

**A. MR. SABU M. JACOB**

Name of Director	Mr. Sabu M. Jacob
Date of Birth & Age	11.05.1962; 58 years
Qualification	BA Economics
Experience in specific functional areas	Mr. Sabu M. Jacob (DIN: 0046016) has been involved in the promotion and the Management of the Company as Managing Director right from its inception. He is having more than 29 years of experience in the field of garments industry.
Directorship held in other Companies	<ul style="list-style-type: none"> <li>• Kitex Garments Limited as Chairman &amp; Managing Director</li> <li>• Kitex Apparels Limited as Director</li> <li>• Kitex Herbals Limited as Director</li> <li>• Kitex Infantswear Limited as Director</li> <li>• Kitex Childrenswear Limited as Managing Director</li> <li>• Kitex babywear Limited as Director</li> <li>• Kitex Kidswear Limited as Director</li> <li>• Kitex Knits Limited as Director</li> <li>• Kitex Littlewear Limited as Director</li> <li>• Kitex Socks Limited as Director</li> </ul>
Details of terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid and the remuneration last drawn	Refer the Directors Report
Date of first appointment on the Board	16.08.1993
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	He is a promoter of the Company and not related to the directors, Manager and other Key Managerial Personnel.
Number of Meetings of the Board attended during the year and other Directorships	Refer the Directors Report.
Chairman/ Member of the Committee of the Board of Directors of this Company	Refer the Directors Report
Committee Membership in other Companies	<ul style="list-style-type: none"> <li>• Kitex Childrenswear Limited: Chairman of CSR Committee</li> <li>• Kitex Infantswear Limited: Member of Audit Committee and Nomination and Remuneration Committee</li> </ul>
Shareholdings in the Company	2,20,15,606 Equity Shares

**B. MRS. SINDHU CHANDRASEKHARAN**

Name of Director	Mrs. Sindhu Chandrasekharan
Date of Birth	01.06.1969; 51 years of age
Qualification	Science Graduate
Experience in specific functional areas	Mrs. Sindhu Chandrasekharan joined Kitex Group in April 1995 and later on inducted into Kitex Garments Limited in the year 1997. She has been holding various positions and presently holding the post of Manager (Finance). Mrs. Sindhu Chandrasekharan has been handling the Treasury Management of the company for a quite long period. Mrs.Sindhu Chandrasekharan is instrumental in maintaining a perfect cash management system in the company during her tenure.

Directorship held in other Companies	<ul style="list-style-type: none"> <li>• Kitex Garments Limited as Whole Time Director</li> <li>• Kitex Herbals Limited as Director</li> <li>• Kitex Infantswear Limited as Director</li> <li>• Kitex Babywear Limited as Director</li> <li>• Kitex Kidswear Limited as Director</li> <li>• Kitex Knits Limited as Director</li> <li>• Kitex Littlewear Limited as Director</li> <li>• Kitex Socks Limited as Director</li> <li>• Kitex Packs Limited as Director</li> </ul>
Details of terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid and the remuneration last drawn	Refer the Directors Report
Date of first appointment on the Board	16.03.2015
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
number of Meetings of the Board attended during the year and other Directorships	Refer the Directors Report.
Chairman/member of the Committee of the Board of Directors of this Company	Refer the Directors Report
Committee Membership in other Companies	Kitex Infantswear Limited: Chairperson of Audit Committee and Member of Nomination and Remuneration Committee
Shareholdings in the Company	Nil

### C. **MR. K. L. V. NARAYANAN**

Name of Director	Mr. K. L. V. Narayanan
Date of Birth and age	02.04.1957; 63 years of age
Qualification	Bachelor of Arts
Experience in specific functional areas	Expertise in Export management, Excellent Knowledge of all export related matters with an industry experience of over 46 years in textile industry.
Directorship held in other Companies	<ul style="list-style-type: none"> <li>• Victory Paper and Boards (India) Ltd as Managing Director</li> <li>• Kitex Apparels Limited as Director</li> <li>• Kitex Garments Limited as Director</li> <li>• Kitex Childrenswear Limited as Director</li> </ul>
Details of terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid and the remuneration last drawn	Refer the Directors Report
Date of first appointment on the Board	04.04.2013
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
Number of Meetings of the Board attended during the year and other Directorships	Refer the Directors Report.
Chairman/member of the Committee of the Board of Directors of this Company	Refer the Directors Report.
Committee Membership in other Companies	Kitex Childrenswear Limited- Member of Nomination and Remuneration Committee
Shareholdings in the Company	Nil



**D. Mr. C.P. Philipose**

Name of Director	Mr. C. P. Philipose
Date of Birth	11.04.1943; 77 years of age.
Qualification	B.tech
Experience in specific functional areas	Mr. C. P. Philipose is a non-executive director of the Company, joined the company on July 20, 2015. Mr. Philipose, a businessman by profession having more than 40 years in establishing and maintaining various production lines in his capacity as a director on the board of various companies in Sevana Group.
Directorship held in other Companies	<ul style="list-style-type: none"> <li>• Sevana Engineering Research Centre Pvt. Ltd as Director</li> <li>• Sevana Electrical Appliance Pvt. Ltd as Director</li> <li>• Sevana Medineeds Pvt. Ltd as Director</li> <li>• Kitex Garments Limited as Director</li> </ul>
Details of terms and conditions of appointment or re-appointment along with details of remuneration sought to be paid and the remuneration last drawn	Refer the Directors Report.
Date of first appointment on the Board	20.07.2015
Relationship with other Directors, Manager and other Key Managerial Personnel of the company	Nil
number of Meetings of the Board attended during the year and other Directorships	Refer the Directors Report.
Chairman/member of the Committee of the Board of Directors of this Company	Refer the Directors Report.
Committee Membership in other Companies	Nil.
Shareholdings in the Company	1240 shares

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF COMPANIES ACT, 2013****Item No. 4**

Mr. C. P. Philipose (DIN: 01125157), was appointed as the Non-Executive Independent Director of the Company in accordance with the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder, at the 24<sup>th</sup> Annual General Meeting held on June 10, 2016 for a period of five years. The said period of five years ends on June 9, 2021. He is eligible for re-appointment as Independent Directors for one more term of upto five consecutive years subject to fulfillment of the criteria of independence and passing of a special resolution by the shareholders of the Company to that effect.

Considering the past performance of Mr. C. P. Philipose as Directors of the Company, his consent and necessary disclosures to continue as Independent Directors of the Company and that he continue to meet criteria of Independence, the Board of Directors, on July 29, 2020, had approved his re-appointment as Independent Director of the Company for the second term of 5 years from June 10, 2021 to June 9, 2026, subject to approval of the shareholders and has recommended his re-appointment for approval of the shareholders in the forthcoming 28<sup>th</sup> Annual General Meeting by way of Special Resolution.

Mr. C. P. Philipose is not disqualified from being appointed as director in terms of Sec 164 of the Companies Act, 2013 and his consent to act as director has been received by the Company. The Company has received a declaration from him that, he meets the criteria of independence as prescribed both under Sec 149 (6) read Schedule IV of the Companies Act, 2013 and under Reg 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In the opinion of the Board, Mr. C. P. Philipose fulfills the conditions for the appointment as an Independent director as specified in the Act and the Rules made thereunder including Schedule IV of the Act and the SEBI regulations. Mr. C. P. Philipose is independent of the management and possess appropriate skills, experience and knowledge.

The Company has received notices in writing from a member under Section 160 of the Act proposing the candidature of Mr. C. P. Philipose for the office of Independent Director of the Company.

Mr. C. P. Philipose is holding 1240 shares in the Company as per declaration given by him.

The Nomination and Remuneration Committee (NRC) of the Board of Directors, based on the report of performance evaluation of Independent Directors, has recommended the re-appointment of Mr. C. P. Philipose as Independent Director for a second term of 5 (five) consecutive years on the Board of the Company from June 10, 2021 to June 9, 2026.

Pursuant to the Regulation 17 (1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended on May 9, 2018 prescribes that listed entity shall not appoint a person or continue directorship of any person as a Non-Executive Director(s) who has attained the age of 75 years, unless a special resolution is passed to that effect. Since Mr. C. P. Philipose has attained the age of 75 years and his term ends on June 9, 2021, his re-appointment must be approved by the shareholder by way of special resolution. The Board of Directors at its meeting held on July 29, 2020, decided to seek the approval of the shareholders for his reappointment.

The copy of the draft letter for re-appointment of Mr. C. P. Philipose as Independent director of the Company would be made available for inspection through electronic mode upto the date of the Annual General Meeting, basis the request being sent on sect@kitexgarments.com.

The Board recommends the Special Resolution set out at Item Nos. 4 of the Notice, for approval by the members. None of the Directors other than Mr. C. P. Philipose, nor any Key Managerial Personnel or their respective relatives is, in any way interested in the Resolution at Item No. 4 of the Notice.

#### **Item No. 5**

The Board of Directors of the Company ("the Board"), at its meeting held on July 29, 2020 has, subject to approval of members, re-appointed Mr. Sabu M Jacob (DIN: 00046016) as Chairman and Managing Director of the Company for a period of 5 (five) years from the expiry of his present term, i.e., with effect from August 16, 2020 till August 15, 2025, on terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee (the 'NR Committee') of the Board.

Members' approval is sought for the re-appointment of and remuneration payable to Mr. Sabu M Jacob as a Chairman and Managing Director of the Company, in terms of the applicable provisions of the Companies Act, 2013 ("the Act"). Broad particulars of the terms of reappointment of and remuneration payable to Mr. Sabu M Jacob are as under:

#### **A. REMUNERATION IN CASE OF ADEQUATE PROFITS:**

1. Basic salary: ₹ 9 lakhs per month
2. Perquisites:
  - a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961
  - b) Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and
  - c) Encashment of leave at the end of the tenure or at specified intervals will be as per Rules of the Company.

For the purposes of calculating the ceiling on remuneration, perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rule, the same shall be evaluated at actual cost.
3. Commission, subject to the conditions that the total remuneration consisting of salary, allowances, perquisites and commission shall not exceed 5% of the net profit of the Company for any financial year computed in accordance with the provisions of the Companies Act, 2013.
4. Subject to the provision of Reg 17(6)(e) of SEBI (LODR) 2015 as amended, the annual remuneration payable to Chairman and Managing Director of the company, exceeds ₹ 5 Crores or 2.5% of the net profits of the Company as calculated under Section 198 of the Act whichever is higher and but remuneration including commission payable shall not exceed 5% of the net profit of the Company for any financial year computed in accordance with the provisions of the Companies Act, 2013.

#### **B. MINIMUM REMUNERATION IN CASE OF LACK OR INADEQUACY OF PROFITS:**

Where in any financial year during the currency of the tenure of the Chairman & Managing Director we have Nil profits or the profits are inadequate, Chairman & Managing Director shall be paid remuneration as under:

1. Remuneration payable not exceeding the limit prescribed under Section II Part II of Schedule V of the Companies Act, 2013 based on the effective capital of the Company and in accordance with the approval of the Nomination and Remuneration Committee at the relevant point of time.
2. Contributions of Provident Fund, Superannuation Fund or Annuity Fund to the extent singly or taken together are not taxable under the Income Tax Act, 1961;
3. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
4. Encashment of leave at the end of the tenure or at specified intervals will be as per Rules of the Company.

#### **C. GENERAL:**

1. The perquisites shall be valued in terms of the actual expenditure. However, where such actual expenditure cannot be ascertained, such perquisites shall be valued as per the Income Tax Rules.
2. The Chairman & Managing Director shall not be entitled to any sitting fees for attending the meetings of the Board or of the Committee(s) of which he is a Member.
3. The Chairman & Managing Director shall be subject to all other service conditions and employee benefit schemes, as applicable to any other employee of the Company.
4. The Chairman and Managing Director shall perform his duties as such with regard to all work of the Company and will manage and attend to such business and carry out the orders and directions given by the Board of the Directors from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time

be given and made by the Board and the functions of the Chairman and Managing Director will be under the overall authority of the Board of Directors.

5. The Chairman and Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
6. The Chairman and Managing Director shall adhere to the Company's Code of Conduct.
7. Mr. Sabu M. Jacob satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under subsection (3) of Section 196 of the Act for being eligible for his reappointment. He is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mr. Sabu M. Jacob under Section 190 of the Act. Details of Mr. Sabu M. Jacob are provided elsewhere in this Notice of AGM, pursuant to the provisions of (i) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings issued by the ICSI. Necessary declaration in form DIR-2 and DIR-8 have been received and the same are available for inspection at the Registered Office of the Company.

Mr. Sabu M. Jacob is interested in the resolution set out at Item No. 5 of the Notice. Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board recommends the Special Resolution set out at Item No. 5 of the Notice for approval by the members.

#### Item No. 6

The Board of Directors of the Company ("the Board"), at its meeting held on February 11, 2020 has, subject to approval of members, re-appointed Mrs. Sindhu Chandrasekharan (DIN: 06434415) as a Whole Time Director designated as Executive Director of the Company for a period of 5 (five) years from the expiry of her present term, i.e., with effect from March 16, 2020 till March 15, 2025, on terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee (the 'NR Committee') of the Board.

Members' approval is sought for the re-appointment of and remuneration payable to Mrs. Sindhu Chandrasekharan as a Whole Time Director of the Company, in terms of the applicable provisions of the Companies Act, 2013 ("the Act"). Broad particulars of the terms of reappointment of and remuneration payable to Mrs. Sindhu Chandrasekharan are as under:

**SALARY:** ₹ 75,000/- to ₹ 1,00,000 per month with an annual increment not exceeding 25% per annum at the discretion of Chairman & Managing Director with the approval of the Board.

**PERFORMANCE BONUS:** Upto a maximum of 24 months' salary per annum payable quarterly based on the performance as may be decided by the Chairman & Managing Director with the approval of the Board.

**PERQUISITES:** Contribution to Provident Fund, Superannuation fund or Annuity fund and Annual Leave in accordance with the practices, Rules and Regulations in force in the company and as may be applicable as per company's HR policy from time to time.

Income Tax and all other levies chargeable/ applicable to be deducted as source as per relevant Acts.

**INCREMENT IN REMUNERATION:** The Board of Directors are authorized to increase the salary annually depending upon the overall performance of Mrs. Sindhu Chandrasekharan within the above mentioned limit.

**MINIMUM REMUNERATION IN CASE OF LACK OR INADEQUACY OF PROFITS:** In the event of inadequate profits or loss being incurred during any year during the tenure, the company proposes to retain the same salary as was drawn by her till date as the minimum salary as per the provisions of Section 197 of companies Act 2013 read with Schedule V.

#### GENERAL:

1. The Whole Time Director shall not be entitled to any sitting fees for attending the meetings of the Board or of the Committee(s) of which he is a Member.
2. The Whole Time Director shall be subject to all other service conditions and employee benefit schemes, as applicable to any other employee of the Company.
3. The Whole Time Director shall perform his duties as such with regard to all work of the Company and will manage and attend to such business and carry out the orders and directions given by the Board of the Directors/ Chairman and Managing Director from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board/ Chairman and Managing Director and the functions of the Whole Time Director will be under the overall authority of the Board of Directors/ Chairman and Managing Director.
4. The Whole Time Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
5. The Whole Time Director shall adhere to the Company's Code of Conduct.

6. Mrs. Sindhu Chandrasekharan satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under subsection (3) of Section 196 of the Act for being eligible for his reappointment. She is not disqualified from being appointed as a Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mrs. Sindhu Chandrasekharan under Section 190 of the Act. Details of Mrs. Sindhu Chandrasekharan are provided in the elsewhere in this Notice of AGM, pursuant to the provisions of (i) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and (ii) Secretarial Standard on General Meetings issued by the ICSI. Necessary declaration in form DIR-2 and DIR-8 have been received and the same are available for inspection at the Registered Office of the Company.

Mrs. Sindhu Chandrasekharan is interested in the resolution set out at Item No. 6 of the Notice. Save and except the above, none of the other Directors/ Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

The Board recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval by the members.

#### **Item No. 7 & 8**

The shareholders of the Company at the 19<sup>th</sup> Annual General Meeting held on May 30, 2011 had accorded their consent to the Board of Directors for borrowing of any sum or sums of money, from time to time, notwithstanding that the money or monies to be borrowed, together with the monies already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), will or may, exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say , reserves not set apart for any specific purpose, provided that the total amounts so borrowed shall not exceed ₹ 200 crores (₹ Two hundred crores only)" pursuant to erstwhile sec 293 (1) (d) of the erstwhile Companies Act, 1956.

In accordance with the provisions of Section 180(1)(a) and 180(1)(c) of the Companies Act, 2013, the following powers can be exercised by the Board of Directors with the consent of the company by a Special Resolution:

- To pledge, mortgage, hypothecate and/or charge all or any part of the moveable or immovable properties of the Company and the whole or part of the undertaking of the Company;
- To borrow money, where the money to be borrowed, together with the money already borrowed by the Company will exceed the aggregate of the Company's paid-up share capital and free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business. The expression temporary loans for this purpose means loans repayable on demand or within six months from date of loan such as short term, cash credit arrangements, the discounting of bills, etc.

Keeping in view the Company's existing and future financial requirements to support its business operations, the Company may be further required to borrow money, either secured or unsecured, from the banks/ financial institutions/ any other lending institutions/ other body corporates and/ or such other persons/ individuals as may be considered fit, from time to time, and to pledge, mortgage, hypothecate and/or charge any or all of the movable and immovable properties of the Company and/or whole or part of the undertaking of the Company.

The Board of Directors of the Company proposes to increase the limits to borrow money upto ₹ 500 Crores (Rupees Five hundred crores only) and to secure such borrowings by pledging, mortgaging, hypothecating the movable or immovable properties of the Company amounting up to ₹ 500 Crores (Rupees Five hundred crores only).

It is, therefore, required to obtain fresh approval of members by Special Resolution under Sections 180(1)(a) and 180(1)(c) of the Companies Act, 2013, to enable the Board of Directors to borrow money in excess of the aggregate of the paid up share capital, free reserves and its securities premium of the Company and to create charge on the assets of the Company under the Companies Act, 2013.

The Board of Directors recommends the passing of the proposed resolutions stated in Item No.'s 7 and 8 as special resolutions.

None of the Directors or Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the Special Resolutions except to the extent of their shareholding in the Company.

By Order of the Board of Directors of  
**Kitex Garments Limited**

Sd/-

**CS. Mithun B Shenoy**  
Company Secretary  
(ICSI M. No. FCS 10527)

Kizhakkambalam  
July 29, 2020

# DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Twenty Eighth Annual Report of the Company together with the audited financials statements for the financial year ended March 31, 2020.

## 1. CORPORATE OVERVIEW

Your company is into exports of cotton garments especially Infantswear. The Company exports its products to United States and European Markets.

## 2. FINANCIAL HIGHLIGHTS

As mandated by the Ministry of Corporate Affairs, your company has prepared the financial statement (both standalone and consolidated) for the year ended March 31, 2020 as per Indian Accounting Standard ('IND AS') notified under Sec 133 of the Companies Act, 2013 read with notification no. G.S.R. 111(E) dated 16.02.2015 as amended from time to time.

The Standalone and consolidated financial performance of the Company for the financial year ended March 31, 2020 is summarized below:

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Sales and other Income</b>				
Revenue from operations	73,920.98	60,680.46	73,920.98	60,680.47
Other Income	4,436.56	2,246.01	3,918.79	2247.12
<b>Total Revenue</b>	<b>78,357.54</b>	<b>62,926.47</b>	<b>77,839.77</b>	<b>62927.58</b>
Profit Before Interest and Depreciation	17664.83	16,133.25	17134.54	16114.60
Less: Finance Charges	702.49	387.99	702.49	388.00
Depreciation	2,645.23	2,726.25	2,645.23	2726.25
<b>Net Profit Before Tax</b>	<b>14,317.12</b>	<b>13,019.01</b>	<b>13,786.82</b>	<b>13,000.35</b>
Less: Provision for Tax	3,449.73	4,873.46	3,449.73	4,873.46
<b>Net Profit After Tax</b>	<b>10,867.39</b>	<b>8,145.55</b>	<b>10,337.09</b>	<b>8126.89</b>
Share Of Profit/ (Loss) Of Associates	-	-	-	(982.34)
<b>Net Profit after share of profit of Associates</b>	<b>10,867.39</b>	<b>8,145.55</b>	<b>10,337.09</b>	<b>7144.55</b>
Balance of Profit brought forward	35,775.33	29,252.65	33,011.04	27,489.37
Balance available for appropriation	46,556.31	37,376.59	43,208.03	34,612.31
Dividend paid on Equity Shares	1995.00	498.75	1995.00	498.75
Tax on Dividend	410.09	102.52	410.09	102.52
Transfer to General Reserve	2,000.00	1,000.00	2,000.00	1,000.00
Surplus carried to Balance Sheet	42,151.22	35,775.33	38,802.94	33,011.05

## 3. FINANCIAL PERFORMANCE

The Company continues to strengthen its market leadership in Infantswear across US markets during the year. It delivered yet another year of consistent growth in turnover and profit and fortified its manufacturing capabilities.

Your Company continued to build good relationship with our customers. The quality in our products is prime motto of our business. The manpower of the Company also remained a priority. During the year under report, there was a sustained focus to increase strength of your company and sharpen competitive advantages with a view towards long term value creation.

### STANDALONE PERFORMANCE

On standalone basis, your company reported the revenue from operation and other income was ₹ 78,357.54 lakhs signifying a growth of 24.52% over previous financial year. The Revenue increased due to the better orders from the buyers. The

operating profit stood at ₹ 14,317.12 lakhs compared with ₹ 13,019.01 lakhs in the previous year. Total employee benefit expense has increased by 15.60%. Our effective tax rate is at (19.64) % when compared to the previous year. The net profit for the year was ₹ 10,867.39 lakhs against ₹ 8,145.55 lakhs reported in the previous year. The EPS from continuing operations for the reporting year was ₹ 16.34.

### **CONSOLIDATED PERFORMANCE**

On consolidated basis, total revenue for the financial year under review was ₹ 77,839.77 lakhs as against ₹ 62,927.58 for the previous financial year, 23.70% growth. Profit before tax was ₹ 13,786.82 lakhs and net profit after tax was ₹ 10,337.09 lakhs for the financial year under review as against ₹ 13,000.35 lakhs and ₹ 7144.55 lakhs for the previous year.

During the year under review, your company received and continued to receive enormous order confirmations from major infant garment buyers viz., Gerber Childrenswear LLC, Carters, Buy-Buy Baby, Ross Stores, Amazon, Target, Sam's Club, Oshkosh and Walmart who can contribute major part of your Company's turnover in coming years. On a good day, the Company manufactures 6 lakhs pieces of infant's apparel and dispatches as whole container of them to the US. Your company had recorded excellent growth in last fiscal's Q2 & Q3 and had lined up various investment strategies to increase the capacity. But CoVID-19 pandemic struck various future plan and unfolded the realities of various crisis. During the month of April & May, 2020, your company utilized the opportunity by supplying Personal Protective Equipment (PPE) kits to various organizations and this was carried out by the company without any additional investment in the existing infrastructure.

There have been no material changes or commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this report except below:

### **COVID-19 GLOBAL PANDEMIC**

COVID 19 was declared a global pandemic on March 11, 2020 and consequently the Government of India declared lockdown on March 25, 2020 until May 2020. The pandemic and lockdown impacted normal operations by way of interruption in production, supply chain disruption, customer order deferrals, unavailability of personnel, etc. Manufacturing and Exports commenced by first week of May 2020 based on permissions from relevant authorities. The Management has made a detailed assessment on recoverability and carrying value of its assets comprising of Plant Property Equipment, Intangible assets, investments, inventory, trade receivables and other financial assets. Based on current visibility of future business environment, economic conditions and liquidity position of the company, the company expects to recover the carrying amount of these assets. The actual impact may be different from that estimated as at the date of approval of these financial results, as it will depend upon future developments and future actions to contain or treat the disease and mitigate its impact on the economy. Accordingly, no adjustments have been made to the financial statements. The detailed report on Disclosure on CoVID-19 impact to the company is given elsewhere in this report.

## **4. PERFORMANCE HIGHLIGHTS OF SUBSIDIARY & ASSOCIATE COMPANY**

### **• ASSOCIATE COMPANY**

As on March 31, 2020, the Company has an Associate Company. Kitex USA LLC being an Associate Company with joint investment between the Company and Kitex Childrenswear Limited to support and facilitate design for US Market customers. The Associate Company markets the licence brand "Lamaze" and Own Brand "Little Star" Infantswear in US and Canada.

The Consolidated Financial Statements of the Company along with its Associate prepared for the year 2019-20 in accordance with relevant Ind AS issued by ICAI forms part of this Annual Report.

### **• SUBSIDIARIES**

During the year under review, the company has 6 wholly owned subsidiaries viz., Kitex Littlewear Limited, Kitex Babywear Limited, Kitex Socks Limited, Kitex Packs Limited, Kitex Knits Limited and Kitex Kidswear Limited.

Further, pursuant to the provisions of Sec 136 of the Act, audited financial statements in respect of subsidiaries are available on the website of the Company [www.kitexgarments.com](http://www.kitexgarments.com).

A Report on the salient features of the financial statements of Subsidiaries/ Associate Companies/ Joint Ventures prepared in form AOC-1 is provided as Annexure – A.

There are no companies which have ceased to be its Subsidiaries, joint ventures or associate companies during the year under review.

The Company has adopted the policy for determining material subsidiaries in term of Reg 16(1)(c) of Listing Regulations as amended from time to time and may be accessed on the company's website [www.kitexgarments.com](http://www.kitexgarments.com).

Your company has also sold products worth ₹ 36805.64 Lakhs to its Associate during the reporting period.

## 5. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Sec 134 (5) of the Act, the Board of Directors of the Company hereby state and confirm that;

- (i) in the preparation of the Annual accounts for the year ended March 31, 2020, the applicable accounting standard have been followed along with proper explanation relating to the material departures, if any;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;
- (iii) that the Directors have taken proper and sufficient care 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;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) that proper internal financial controls were followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 6. DIVIDEND, DIVIDEND DISTRIBUTION POLICY AND TRANSFER TO RESERVE

Your Company has consistent track record of dividend payment. In compliance with Dividend Distribution policy of the company, the Board of Directors at its meeting held on February 11, 2020 had declared an Interim Dividend of ₹ 1.50 (150%) per equity shares of face value of Re. 1/- on equity share capital of the Company. The Interim dividend was paid to the members of the Company whose name appeared in the Register of Members as on Record date i.e. February 22, 2020.

The aforesaid interim dividend declared by the Board would be recommended for the confirmation of members as final dividend for FY20.

During the year under review, your company transferred a sum of ₹ 2000.00 lakhs to the General Reserve on account of future expansions.

The Total outgo on account of dividend inclusive of taxes for FY 2019-20 is ₹ 2,405.09 lakhs which represents a payout of 22.13% of the Company's standalone profits.

As per Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top five hundred listed entities based on market capitalization are required to formulate a Dividend Distribution Policy. However, since April, 2017 your company has been re-classified its class of scrip by the stock exchanges as small cap and hence this regulation does not apply to the Company. But, the Board approved and adopted Dividend Distribution policy is available on the Company's Website: viz., [www.kitexgarments.com](http://www.kitexgarments.com)

## 7. SHARE CAPITAL

The paid-up equity share capital as on 31<sup>st</sup> March, 2020, was ₹ 6.65 Crores consisting of 6,65,00,000 equity shares of Re. 1/- each fully paid-up.

## 8. TRANSFER TO INVESTORS EDUCATION AND PROTECTION FUND

### a. Transfer of Unpaid Dividend

Pursuant to the provisions of Sec 124 (5) of the Companies Act, 2013, your Company has transferred ₹ 6,68,905.00 for the financial year 2011-12 to Investors Education Protection Fund (IEPF) on 04.07.2019. This amount was lying unclaimed/ unpaid with the Company for the period of 7 (seven) years after declaration of final dividend for the said FY.

### b. Transfer of shares underlying unpaid dividend

The Board of Directors at its meeting held on May 20, 2019, transmitted 25,800 equity shares of the Company into the demat account of the IEPF Authority held with CDSL (DPID/ Client ID: 12047200 – 13676780) in terms of the provisions of Sec 124 (6) of the Companies Act, 2013 read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time.

The equity shares were the shares of 38 shareholders whose unclaimed/ unpaid dividend pertaining to FY 2011-12 had been transferred into IEPF and who had not encashed their dividends for 7 (seven) subsequent financial years. The Company has taken various steps by sending reminders requesting them to encash their dividend so as to reduce the limit of unclaimed dividend before transferring the dues to IEPF. The complete list of such shareholders whose shares were due for transfer to IEPF was also placed in investor's relationship section on the website of the Company [www.kitexgarments.com](http://www.kitexgarments.com).

Further, dividend which has become unclaimed for the last 7 years since 2012-13 must be claimed by the concerned shareholders on or before June 18, 2020 for which Company had sent the reminder letter to them. Since due date for such transfer was elapsed on above date, the company had initiated and completed the process of transfer of such dividend to IEPF Authority on July 8, 2020. The details are provided in the Shareholder information section of this Annual Report and are also available on our website [www.kitexgarments.com](http://www.kitexgarments.com).

## 9. CAPITAL EXPENDITURE

As on 31<sup>st</sup> March, 2020, the Fixed Assets stood at ₹ 26,400.81 lakhs and net fixed assets of ₹ 16,924.64 lakhs. Additions during the year amount to ₹ 3,174.05 lakhs.

## 10. FUTURE PROSPECTS

In the last Board's Report, your Board of Directors had mentioned about investment plan of ₹ 910 crores to be spent over 7 years since 2018 under the theme "Kitex Garments Limited Strategic road map 2025". The said investment shall be from internal accruals and borrowings. The status of key activities w.r.t. above expansion plan is as follows:

- Preparation of strategy document – 100% completed
- Incorporation of Wholly owned Subsidiaries – 100% completed
- Land identification – 100% completed
- Preparation of detailed project report – under process
- Machinery and supplier identification – under process
- Land acquisition – under process
- Building and infrastructure planning – under process
- Automation of existing machinery – 40% completed

The Board is yet to receive project report for investment in setting up unit for spinning mill, socks, diaper and wet tissue manufacturing. Due to CoVID-19 pandemic, Board has put on hold all investment plan even in the core business. Only diversification which company has been doing is of supply of PPE kits to hospital and other organization without any additional investment and restraining the workforce. Board expects there would be good growth in the infants' apparel business in coming years.

## 11. CREDIT RATING

During the year under review, ICRA, the Credit Rating Agency maintained the "[ICRA] AA-" rating with stable outlook for the company's long term borrowings and maintained the "[ICRA] A1+" rating for the Company's short term borrowings.

## 12. QUALITY AND ACCOLADES

Your Company continues to win awards year by year, thus reiterating its credible market position.

## 13. CHANGE IN THE NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business.

## 14. LISTING

The Equity Shares of the Company continue to remain listed on BSE Limited and the National Stock Exchange of India Limited.

## 15. DEPOSIT FROM THE PUBLIC

The Company has not accepted any deposit within the meaning of Chapter V of the Companies Act, 2013 and the Rules framed thereunder.

## 16. EXTRACT OF ANNUAL RETURN

As per the requirements of Sec 92 (3) of the Act and Rules framed thereunder, the extract of annual return for the FY 2019-20 is given in Annexure – B in the prescribed form MGT 9, which is a part of this report. The same is available on [www.kitexgarments.com](http://www.kitexgarments.com).



**17. SECRETARIAL STANDARD**

The Company complies with all applicable secretarial standards.

**18. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENT BY THE COMPANY**

During the year under review, no loan, guarantees and investments pursuant to the provisions of Section 186 of the Act and SEBI (LODR) Regulations, 2015, were made by the Company. However, loans and Investments covered under the provision of the said section are given in the notes to financial Statements.

**19. DIRECTORS AND KEY MANAGERIAL PERSONNEL**

During the year under review and between the end of the financial year and date of this report, the following are the changes in directors and Key Managerial Personnel of the Company:

- (i) In accordance with Articles of Association, Mr. K. L. V Narayanan (DIN: 01273573), non-executive director of the Company will be retiring at the ensuing Annual General Meeting and being eligible, seek reappointment. Item seeking his re-appointment along with his detailed profile has been included in the notice convening the AGM.
- (ii) Mr. C. P. Philipose (DIN: 01125157) was appointed as the Non-Executive Independent Director of the Company at the 24<sup>th</sup> Annual General Meeting held on June 10, 2016 for a period of five years. The said period of five years ends on June 9, 2021. Considering the past performance of Mr. C. P. Philipose as Director of the Company, his consent and necessary disclosures to continue as Independent Director of the Company and that he continue to meet criteria of Independence, the Board of Directors, on July 29, 2020, had approved his re-appointment as Independent Director of the Company and who has attained the age of 75 years, for the second term from June 10, 2021 to June 9, 2026, subject to approval of the shareholders and has recommended his re-appointments for approval of the shareholders in the forthcoming Annual General Meeting by way of Special Resolution.
- (iii) Mr. Sabu M. Jacob (DIN: 00046016) is sought to be re-appointed as Chairman and Managing Director of the Company effective from August 16, 2020 till August 15, 2025 based on recommendation of Nomination and Remuneration Committee subject to the approval of shareholders at the ensuing Annual General Meeting.
- (iv) Mrs. Sindhu Chandrasekharan (DIN: 06434415) is sought to be re-appointed as Whole Time Director of the Company effective from March 16, 2020 till March 15, 2025 based on recommendation of Nomination and Remuneration Committee subject to the approval of shareholders at the ensuing Annual General Meeting.
- (v) The Board has appointed Mr. Bobby Michael as Chief Financial officer (CFO) and Key Managerial Personnel (KMP) of the Company w.e.f. July 1, 2019 in the place of Mr. Sabu M. Jacob, Chairman and Managing Director who has been additionally holding the responsibility of CFO.

There is no change in the Board of Directors & Key Managerial Personnel of your company during the financial year 2019-20 except as mentioned above.

All Independent Directors have given declaration that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Reg 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended from time to time. Based on the confirmation/ disclosure received from the directors, the Non Executive Directors namely Mr. E. M. Paulose, Mr. Benni Joseph and Mr. C. P. Philipose are treated as independent as on March 31, 2020.

The Company recognizes the importance of a diverse board and believes that it brings new ways of thinking, insights and different perspective on consumer wants and needs. This will help company to retain competitive position in the corporate world.

In the opinion of the Board, the Independent Directors are persons with integrity, expertise and experience in the relevant functional areas. Requirements of online proficiency self-assessment test in terms of Rule 6(4) of The Companies (Appointment and Qualifications of Directors) Rules, 2014 will be complied within the prescribed timeline, if the same is applicable to each of them.

During the year under review, meetings of the Board of Directors and its Committees were held, details of which are set out in the Corporate Governance Report which forms part of this Report.

**20. BOARD EVALUATION & FAMILIARISATION PROGRAMME**

Having a formalized Board evaluation give Board Members an opportunity of assessing their own performance and brings out the importance of the contributions of individual directors. It is a mechanism by which Board members candidly reflect on how well the Board is meeting its responsibilities.

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions of the Companies Act, 2013 as well as SEBI (LoDR) Regulations, 2015.

With the objective of evaluating the performance of Directors, Nomination and Remuneration Committee has formulated a structured questionnaire after taking into consideration the various aspects viz., composition of the Board and its committees, Board's function, its culture, quality and timely flow of information, frequency of meetings, execution and performance of specific duties, obligations and governance.

Board has carried out an annual performance evaluation of its own performance, the performance of various committees of the Board, Individual Directors and the Chairman based on adopted questionnaire. A note on the familiarizing programme adopted by the Company for the orientation and training of the Directors and the manner in which the Board evaluation process undertaken in compliance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in the Corporate Governance Report which forms part of this Report.

Further, the Independent Directors of the Company met on February 11, 2020 to review the performance of the Non-executive directors, Chairman of the Company and the access of the quality, quantity and timeliness of flow of information between the Company management and the Board to effectively perform their duties. The details of familiarization program conducted for Independent Directors of your Company are available on your Company's website [www.kitexgarments.com](http://www.kitexgarments.com).

## **21. POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION AND OTHER DETAILS**

The Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided in Section 178(3) of the Act is available on our website [www.kitexgarments.com](http://www.kitexgarments.com). We affirm that remuneration paid to the directors is as per the terms laid out in the Nomination and Remuneration Policy of the Company.

Some of the salient features of which are as follows:

1. To regulate the appointment and remuneration of directors, key managerial personnel and the senior management personnel;
2. To identify persons who are qualified to become directors as per the criteria/ Board skill matrix identified by the Board;
3. To ensure proper composition of Board of Directors and Board diversity;
4. To ensure that level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management and their remuneration involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to Company's working and its goals.

## **22. BOARD COMMITTEES**

Detailed composition of the mandatory Board committees namely Audit Committee, Nomination and Remuneration Committee, CSR Committee, Stakeholders Relationship Committee, its number of meetings held during the year under review and other related details are set out in the Corporate Governance Report which forms part of this Report.

There have been no situations where the Board has not accepted any recommendation of the Audit Committee.

## **23. EMPLOYEES' STOCK OPTION SCHEME**

The Company has not granted any Employee Stock Option within the meaning of section 62 (1) (b) of the Companies Act, 2013 read with its Rules framed thereunder and respective SEBI regulations.

## **24. CORPORATE SOCIAL RESPONSIBILITY**

Your Company believes in touching some of the important aspects of human life. Even before commencement of Companies Act, 2013, it has embarked on the journey of social change through inclusive growth, dedicated to the cause of future and future generations. The Company implements CSR directly to society of Kizhakambalam Panchayat in which it operates and efforts are revolved around several projects relating to Social Empowerment and Welfare, Infrastructure Development, Sustainable Livelihood, Health Care and Education during the year under review. These projects are in accordance with Schedule VII of the Act and its CSR policy.

The brief report of the Corporate Social Responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in Annexure C of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which is a part of this report. The Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company are available on your Company's website [www.kitexgarments.com](http://www.kitexgarments.com).

## **25. MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis Report on the operations of the Company, as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, forms an integral part of this Report.

**26. BUSINESS RESPONSIBILITY REPORT**

As required under Regulation 34 of the Listing Regulations, the Business Responsibility Report is provided in a separate section and forms part of the Annual Report.

**27. CORPORATE GOVERNANCE**

A separate section on parameters of statutory compliance evidencing the standards expected from a listed entity have been duly observed and a report on Corporate Governance as well as certificate from company secretary in practice confirming compliance with the requirements of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 forms part of this Report.

**28. VIGIL MECHANISM**

The Company has a Vigil Mechanism to report concern about unethical behavior, actual or suspected fraud or violation of Company's code of conduct by the Directors and employees. The vigil mechanism is disclosed in the website of the company viz., [www.kitexgarments.com](http://www.kitexgarments.com)

**29. RELATED PARTY TRANSACTIONS**

All transactions or arrangement entered into with the related parties for the year under review were on arm's length basis and in the ordinary course of business. Hence the provisions of Section 188 of the Companies Act, 2013 and the Rules made thereunder are not attracted. Accordingly, the disclosure of Related Party Transactions as required under Section 134 (3) (h) of the Companies Act, 2013 in Form AOC 2 is enclosed as Annexure D.

The company has developed a framework through Standard Operating Procedures for the purpose of identification and monitoring of such Related Party Transactions. All Related Party Transactions were placed before the Audit Committee as also to the Board for approval. Omnibus approval was obtained on a yearly basis for transactions which are of repetitive nature. Transactions entered into pursuant to omnibus approval are audited by the Risk Assurance Department and a statement showing the details of all Related Party Transactions are placed before the Audit Committee and the Board for review and approval on a quarterly basis.

None of the Directors has any pecuniary relationship or transactions vis-à-vis the Company.

The policy on Related Party Transactions as approved by the Board of Directors has been uploaded on the website of the Company viz., [www.kitexgarments.com](http://www.kitexgarments.com).

**30. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

Your Company has an effective internal control and risk-mitigation system, which are constantly assessed and strengthened with new/ revised standard operating procedures. The Company's internal control system is commensurate with its size, scale and complexities of its operations. The Internal and operational audit is entrusted with M/s. K. Venkitachalam Aiyer & Co, a firm of Chartered Accountants. The main thrust of Internal Audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal financial control systems w.r.t. the financial statements and suggests improvements to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

The Audit Committee of the Board of Directors, Independent Auditors and the Core Committee Heads have periodically been appraised the significant internal audit observations and the corrective actions have been taken. The Audit Committee places a key role in providing assurance to the Board of Directors. In order to maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee.

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

The information on conservation of energy, technology absorption and foreign exchanges earnings and outgo pursuant to Section 134 (3) (m) of the Companies Act, 2013 read with the Rule 8(3) of the Companies (accounts) Rules, 2014 as amended from time to time is annexed as Annexure - E and forms an integral part of this Report.

**32. BUSINESS RISK MANAGEMENT**

Your Company continues to strengthen its robust Risk Management Framework and the same was reviewed by the Audit Committee periodically. The Committee meets for focused interaction with business, identifying and prioritizing strategic, operational risk and formulating appropriate mitigation strategies and conducting frequent review of the progress on the management of the identified risk. Your company believes that managing risk helps in maximizing return. The company's approach in addressing business risks includes periodical review of such risks and thereby mitigating it effectively. The risk management framework is reviewed periodically by the Board and the Audit Committee. Some of the risks that the company is exposed to are:

- **FINANCIAL RISKS:**

The Company's policy is to actively manage its foreign exchange risks within the framework laid down by the Company's forex policy approved by the Board. Given the interest rate fluctuations, your Company has adopted a prudent and conservative risk mitigation strategy to minimize financial and interest cost risks.

- **COMMODITY PRICE RISKS**

The Company is exposed to the risk of price fluctuations of raw materials as well as finished goods. The company proactively manages these risks through forward booking, inventory management and proactive vendor development practices. Your company's reputation for quality, product differentiation coupled with the existence of a powerful brand image with a robust design and marketing network in US mitigates the impact of price risk on finished goods.

- **REGULATORY RISKS**

The Company recognized its risks attached to various statutes, laws and regulations. The company is mitigating these risks through regular review of legal compliances carried out through our internal as well as external compliance audits by our customers.

- **HUMAN RESOURCE RISKS**

Retaining the existing talent pool and attracting new talent are the major risks affecting the company. We have initiated various measures including rolling out of strategic talent management systems, training and integration of learning and development activities. Our company has collaborated with various agencies like Integrated Skill Development Scheme (ISDS), Kudumbashree which helps to identify, nurture and groom labour talents within all states of India to prepare them for future business leadership.

- **STRATEGIC RISKS**

Emerging businesses, capital expenditure for capacity expansion etc are normal strategic risks face by your company. However, your Company has well-defined processes and procedures for obtaining approval for investments in new businesses and capacity expansions.

### 33. AUDITORS

#### 33.1. INDEPENDENT AUDITORS

As per the provisions of Section 139 of the Companies Act, 2013, MSKA & Associates, Chartered Accountants, (FRN 105047W) have been appointed as Independent Auditors of the company for a period of 5 (Five) years in the AGM of the Company held on July 28, 2018.

Further the report of the Independent Auditors along with notes to financial statements is enclosed to this Annual Report. The Auditors' Report does not contain any qualification, reservation, disclaimer or adverse remarks.

#### 33.2. SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has re-appointed M/s. SVJS & Associates, Practicing Company Secretaries, Kochi to conduct the secretarial Audit for the financial year 2019-20. The Audit Report issued by the Secretarial Auditors for the said FY form part of this Report and is set out in Annexure – F which is a self-explanatory.

#### 33.3. INTERNAL AUDITORS

M/s. K. Venkitachalam Aiyer & Co, Chartered Accountants continue to be the Internal Auditors of your company for the financial year 2019-20.

### 34. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There were no significant and material orders passed by the Regulators/ courts except as detailed below, which would impact the going concern status of your company and its future operations during the period under review.

Name of Regulator	Date of levy	Reason for levy	Amount	Company Remarks
SEBI	31.08.2018	Non Redressal of investors complaint of Mr. Madhubhai Patwa	Rs. 11,00,000	The Company has redressed the investor's complaint on time during the period where principle of natural justice was in force. Without considering it, Adjudication officer has passed such order. Company had filed an appeal with Securities Appellate Tribunal (SAT), Mumbai against aggrieved order of SEBI. SAT rejected the appeal. The Company had paid said fine amount to SEBI. Considering the amount, matter is not considered as material

### 35. ENVIRONMENT AND SAFETY

The Company is conscious of the importance to environmental friendly and safe operations. The company's policy requires conduct of operations in such a manner so as to ensure safety of all concerned, compliance of environmental regulations and preservation of natural resources.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition and redressal) Act, 2013, the Company has formulated and implemented a policy on prevention of sexual harassment at the workplace with a mechanism of lodging complaints. The following is a summary of sexual harassment complaints received and disposed off during the reporting period:

- No. of complaints received: Nil
- No. of complaints disposed off: Nil
- No. of complaints pending: Nil

The company has complied with provisions relating to the constitution of Internal Complaints Committee under the Act. The Company has filed Annual Report for the year ended December 31, 2019 under the Act with District officer.

### 36. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your Company believes that its manpower is an asset for the company and enjoys strong brand image as a preferred and caring employer. The ongoing focus is on attracting, retaining and engaging talent with the objective of creating a robust talent pipeline at all levels. Value-based HR programmes have enabled your Company's HR team to become strategic partners for the business. Your company laid stress to build a women-friendly workplace by introducing various initiatives for the development of women employees in the organization. Your Company has focused on internal talents and nurtures them through the culture of continuous learning and development, thereby building capabilities for creating future leaders. Your company's initiatives like a hiring freeze at some levels, robust talent review, career development conservations and best-in-class development opportunities, which will help to enhance the employees experience at your Company. The Company's Human Resources plays a critical role in your Company's talent management process.

The Disclosure as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as Annexure – G and forms a part of this report.

Information relating to remuneration of Directors under Section 197 read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been given in Annexure H to the Director's Report.

### 37. GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review:

- Neither the Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries;
- there were no frauds reported by the auditors under provisions of the Companies Act, 2013;
- Issue of equity shares with differential rights as to dividend, voting or otherwise;
- There were no revisions in the financial statements;
- Issue of share (including sweat equity shares) to employees of the Company under any scheme as permitted under any provision of Companies Act, 2013.
- Company is not required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013.

### 38. ACKNOWLEDGEMENTS

Your Directors thank various Central and State Government Departments, Organizations and Agencies for the continued help and cooperation extended by them. The Directors also gratefully acknowledge all stakeholders of the Company viz. customers, members, dealers, vendors, banks and other business partners for the excellent support received from them during the year. The Directors place on record their sincere appreciation to all employees of the Company for their unstinted commitment and continued contribution to the Company.

For and on behalf of the Board of  
**Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman and Managing Director  
(DIN: 00046016)

Kizhakkambalam  
July 29, 2020

## ANNEXURE – A

### TO THE DIRECTOR'S REPORT

#### STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES/ ASSOCIATE COMPANIES/ JOINT VENTURES

##### (Form AOC-1)

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

##### Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in lakhs)

Sl. No.	1	2	3	4	5	6
Name of the subsidiary:	Kitex Littlewear Ltd	Kitex Babywear Ltd	Kitex Knits Ltd	Kitex Socks Ltd	Kitex Packs Ltd	Kitex Kidswear Ltd
The date since when subsidiary was acquired:	25.09.2018	29.10.2018	29.10.2018	29.10.2018	29.10.2018	17.10.2018
Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	31.03.2020	31.03.2020	31.03.2020	31.03.2020	31.03.2020	31.03.2020
Reporting currency	INR	INR	INR	INR	INR	INR
Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	NA	NA	NA	NA	NA	NA
Share capital:	100.00	10.00	10.00	10.00	10.00	100.00
Reserves & surplus:	(31.01)	(4.16)	(4.17)	(4.17)	(4.18)	(36.84)
Total assets:	3370.23	391.40	934.28	643.98	317.12	1685.57
Total Liabilities:	3370.23	391.40	934.28	643.98	317.12	1685.57
Investments:	-	-	-	-	-	-
Turnover:	-	-	-	-	-	-
Profit before taxation:	(251.15)	(31.88)	(69.89)	(50.25)	(24.52)	(102.61)
Provision for taxation:	-	-	-	-	-	-
Profit after taxation:	(251.15)	(31.88)	(69.89)	(50.25)	(24.52)	(102.61)
Proposed Dividend:	-	-	-	-	-	-
Extent of shareholding (in %)	100%	100%	100%	100%	100%	100%

**Notes:** The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations: Nil
- Names of subsidiaries which have been liquidated or sold during the year: Nil

**Part "B": Associates and Joint Ventures**

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Amount in Lakhs)

Sl. No.	Name of Associates/Joint Ventures	KITEX USA LLC
1	Latest audited Balance Sheet Date	31.03.2020
2	Date on which the Associate or Joint Venture was associated or acquired	04.04.2015
3	Shares of Associate/Joint Ventures held by the company on the year end	
	i. No.	4250210.09 shares
	ii. Amount of Investment in Associates/Joint Venture	2776.24
	iii. Extend of Holding %	50%
4	Description of how there is significant influence	More than 20% of total share capital held by the Company
5	Reason why the associate/ joint venture is not consolidated	Not applicable
6	Net-worth attributable to Shareholding as per latest audited Balance Sheet	(658.97)
7	Profit / Loss for the year	
	i. Considered in Consolidation	-
	ii. Not Considered in Consolidation	NA

- Names of associates or joint ventures which are yet to commence operations: NIL
- Names of associates or joint ventures which have been liquidated or sold during the year: Nil

For **Kitex Garments Limited**

Sd/-  
**Sabu M. Jacob**  
 Chairman & Managing Director  
 (DIN: 00046016)

Sd/-  
**Benni Joseph**  
 Director  
 (DIN: 01219476)

Sd/-  
**Mithun B Shenoy**  
 Company Secretary  
 (ICSI M No. FCS 10527)

July 29, 2020  
 Kizhakkambalam

# ANNEXURE – B

## TO THE DIRECTOR'S REPORT

### EXTRACT OF ANNUAL RETURN

#### (Form MGT-9)

As on the financial year ended on March 31, 2020

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

#### I. REGISTRATION AND OTHER DETAILS

i)	CIN	L18101KL1992PLC006528
ii)	Registration date	29.05.1992
iii)	Name of the Company	Kitex Garments Limited
iv)	Category/Sub category of the Company	Company Limited by Shares Indian Non-Government Company
v)	Address of the Registered office and contact details	Building No. 9/536 A, Kizhakkambalam, Aluva, Kochi 683 562, Kerala Tel. No.: 0484- 4142000 Fax No.: 0484- 2680604 Email: sect@kitexgarments.com
vi)	Whether listed company	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Cameo Corporate Services Limited Subramanian Building No. 1, Club House Road Chennai 600 002, Tamil Nadu Tel: 044- 28460390 Fax:044 – 28460129 E-mail: investor@cameoindia.com

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name and Description of main products / services	NIC Code* of the Product/ service	% to total turnover of the company
1	Garments	2650	82.47%
2	Fabrics	2650	17.53%

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Kitex USA LLC, Suit No. 110, 160, Summit Avenue, Montvale, New Jersey - 07645	141389240	Associate	50%	2(6)
2	Kitex Babywear Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U18204KL2018PLC055316	Wholly owned Subsidiary	100%	2 (87)
3	Kitex Kidswear Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U18109KL2018PLC055151	Wholly owned Subsidiary	100%	2 (87)
4	Kitex Knits Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U18209KL2018PLC055318	Wholly owned Subsidiary	100%	2 (87)
5	Kitex Littlewear Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U18109KL2018PLC054849	Wholly owned Subsidiary	100%	2 (87)
6	Kitex Packs Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U25209KL2018PLC055321	Wholly owned Subsidiary	100%	2 (87)
7	Kitex Socks Limited, P.B. No. - 5, Kizhakkambalam, Aluva - 683562, Kerala	U18109KL2018PLC055319	Wholly owned Subsidiary	100%	2 (87)



**IV) SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)****i) Category-wise Share Holding as of March 31, 2020**

Category of Shareholders	No. of shares at the beginning of the year				No of shares at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s).	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	10,385,507	-	10,385,507	15.62	10,585,822	-	10,585,822	15.92	0.30
e) Banks/ FI	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
i. Directors and Relatives of Director	26,370,995	-	26,370,995	39.66	26,370,995	-	26,370,995	39.66	-
Sub-total (A) (1) :-	36,756,502	-	36,756,502	55.27	36,956,817	-	36,956,817	55.57	0.30
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Others - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/ FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub- total (A) (2):-</b>	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A)(1) + (A)(2)	36,756,502	-	36,756,502	55.27	36,956,817	-	36,956,817	55.57	0.30

Category of Shareholders	No. of shares at the beginning of the year				No of shares at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/ FI	72,852	-	72,852	0.11	77,309	-	77,309	0.12	0.01
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of shares at the beginning of the year				No of shares at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Foreign Portfolio Investor (Corporate) Category I	-	-	-	-	5,075	-	5,075	0.01	0.01
Foreign Portfolio Investor (Corporate) category II	981,918	-	981,918	1.48	66,965	-	66,965	0.10	-1.38
Foreign Portfolio Investor (Corporate) Category III	66,965	-	66,965	0.10	-	-	-	-	-0.10
Sub -total (B) (1) :-	1,121,735	-	1,121,735	1.69	149,349	-	149,349	0.22	-1.46
<b>2. Non-Institutions</b>									
a) Bodies Corp.	6,490,309	96,400	6,586,709	9.90	6,603,313	301,480	6,904,793	10.38	0.48
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual Shareholders holding nominal share Capital upto ₹ 1 lakh	10,872,253	1,517,180	12,389,433	18.63	10,240,949	1,227,500	11,468,449	17.25	-1.38
ii) Individual shareholders holding nominal share Capital in excess of ₹ 1 lakh	7,789,528	-	7,789,528	11.71	8,821,495	-	8,821,495	13.27	1.55
c) Others (specify)	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Clearing Member	60,920	-	60,920	0.09	367,428	-	367,428	0.55	0.01
Market Maker	-	-	-	-	-	-	-	-	-
IEPF	428,990	-	428,990	0.65	452,690	-	452,690	0.68	0.04
Foreign National	1,725	-	1,725	0.00	304	-	304	0.00	-0.00
Non Resident Indian	1,092,755	-	1,092,755	1.64	1,081,246	-	1,081,246	1.63	-0.02
HUF	268,903	-	268,903	0.40	294,629	-	294,629	0.44	0.04
TRUSTS	2,800	-	2,800	0.00	2,800	-	2,800	0.00	-
Resident HUF	-	-	-	-	-	-	-	-	-
Sub -total (B) (2):-	27,008,183	1,613,580	28,621,763	43.04	27,864,854	1,528,980	29,393,834	44.20	1.16
Total Public Shareholding (B) = (B)(1) + (B)(2)	28,129,918	1,613,580	29,743,498	44.73	28,014,203	1,528,980	29,543,183	44.43	-0.30

Category of Shareholders	No. of shares at the beginning of the year				No of shares at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	64,886,420	1,613,580	66,500,000	100.00	64,971,020	1,528,980	66,500,000	100.00	-

## ii) Shareholding of Promoters:

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in the shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
1	KITEX CHILDRENSWEAR LIMITED	10,385,507	15.62	-	10,585,822	15.92	-	0.30
2	SABU M JACOB	22,015,606	33.11	-	22,015,606	33.11	-	-
3	RENJITHA JOSEPH	4,328,100	6.51	-	4,328,100	6.51	-	-
4	BOBY M JACOB	27,289	0.04	-	27,289	0.04	-	-
	Total	36,756,502	55.27	-	36,956,817	55.57	-	0.30

**iii) Change in Promoters' Shareholding:**

SI No	Name of the Share holder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
1	KITEX CHILDRENSWEAR LIMITED				
	At the beginning of the year 01-Apr-2019	10385507	15.62	10385507	15.62
	Addition: purchase of shares	200315	0.30	10585822	15.92
	At the end of the Year 31-Mar-2020			10585822	15.92
2	SABU MECKAMKUNNEL JACOB				
	At the beginning of the year 01-Apr-2019	22015606	33.11	22015606	33.11
	Addition: purchase of shares				
	At the end of the Year 31-Mar-2020			22015606	33.11
3	RENJITHA JOSEPH				
	At the beginning of the year 01-Apr-2019	4328100	6.51	4328100	6.51
	At the end of the Year 31-Mar-2020			4328100	6.51
4	BOBY M JACOB				
	At the beginning of the year 01-Apr-2019	27289	0.04	27289	0.04
	Addition: purchase of shares				
	At the end of the Year 31-Mar-2020			27289	0.04

The above shareholders are holding shares in multiple folios which have been combined based on PAN.

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

SI No	Name of the Share holder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
1	C K G SUPER MARKET LIMITED				
	At the beginning of the year 01-Apr-2019	4125428	6.20	4125428	6.20
	At the end of the Year 31-Mar-2020			4053630	6.10
2	GOPINATHAN C K .				
	At the beginning of the year 01-Apr-2019	4069000	6.12	4069000	6.12
	At the end of the Year 31-Mar-2020			4961444	7.46
3	JINSHA NATH C K				
	At the beginning of the year 01-Apr-2019	1203999	1.81	1203999	1.81
	At the end of the Year 31-Mar-2020			1203999	1.81
4	ACUMEN CAPITAL MARKET (INDIA) LIMITED				
	At the beginning of the year 01-Apr-2019	1152692	1.73	1152692	1.73
	At the end of the Year 31-Mar-2020			1273723	1.92
5	ICG Q LIMITED				
	At the beginning of the year 01-Apr-2019	938521	1.41	938521	1.41
	At the end of the Year 31-Mar-2020			938521	1.41

Sl No	Name of the Share holder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
6	SETHUPARVATHY .				
	At the beginning of the year 01-Apr-2019	719046	1.08	719046	1.08
	At the end of the Year 31-Mar-2020			694434	1.04
7	RAJALAKSHMI S				
	At the beginning of the year 01-Apr-2019	644854	0.97	644854	0.97
	At the end of the Year 31-Mar-2020			626661	0.94
8	INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS				
	At the beginning of the year 01-Apr-2019	428990	0.65	428990	0.65
	At the end of the Year 31-Mar-2020			452690	0.68
9	CAMEL FOODS PVT LTD				
	At the beginning of the year 01-Apr-2019	199933	0.30	199933	0.30
	At the end of the Year 31-Mar-2020			134799	0.20
10	SONAL APURVAKUMAR GANDHI				
	At the beginning of the year 01-Apr-2019	184072	0.28	184072	0.28
	At the end of the Year 31-Mar-2020			184072	0.28
11	C K G FINANCE PRIVATE LIMITED				
	At the beginning of the year 01-Apr-2019	0	0.00	0	0.00
	At the end of the Year 31-Mar-2020			642726	0.97

#### Note

- The above shareholders are holding shares in multiple folios which have been combined based on PAN.
- The Shares of the Company are substantially held in demat form and are traded on daily basis and hence date wise increase/decrease in shareholding not indicated. The top 10 shareholders as on March 31, 2020 is considered.

#### v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding		Date	increase/decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares at beginning 01.04.2019/ end of the year 31.03.2020	% of total shares of the Company				No. of shares	% of total shares of the Company
<b>Shareholding of Director:</b>								
1	Mr. K. L. V. Narayanan	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
2	Mr. Benni Joseph	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
3	Mr. E. M. Paulose	140	0.00	01.04.2019	-	-	140	0.00
		140	0.00	31.03.2020	-	-	140	0.00
4	Mr. C. P. Philipose	1,240	0.00	01.04.2019	-	-	1,240	0.00
		1,240	0.00	31.03.2020	-	-	1,240	0.00

Sl. No.	For Each of the Directors and KMP	Shareholding		Date	increase/decrease in shareholding	Reason	Cumulative shareholding during the year	
		No. of shares at beginning 01.04.2019/ end of the year 31.03.2020	% of total shares of the Company				No. of shares	% of total shares of the Company
Shareholding of Key Managerial Personnel								
1	Mr. Sabu M. Jacob * (Chairman and Managing Director)	22,015,606	33.11	01.04.2019	-	-	22,015,606	33.11
		22,015,606	33.11	31.03.2020	-	-	22,015,606	33.11
2	Mrs. Sindhu Chandrasekharan (Whole Time Director)	-	-	-	-	-	-	-
3	Mr. Bobby Michael (CFO)	640	-	01.04.2019	-	-	640	-
		640	-	31.03.2020	-	-	640	-
4	Mithun B Shenoy (Company Secretary and Compliance officer)	-	-	-	-	-	-	-

\* date wise details are given in 'iii) Change in Promoters' Shareholding' of 'IV - Shareholding Pattern' as above

## V INDEBTEDNESS

### Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in ₹)

Indebtedness at the beginning of the financial year - 01.04.2019	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
i) Principal Amount	896,385,537	-	-	896,385,537
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4,013,547	-	-	4,013,547
<b>Total (i+ii+iii)</b>	<b>900,399,084</b>	<b>-</b>	<b>-</b>	<b>900,399,084</b>
Change in Indebtedness during the financial year				
* Addition	99,230,798	-	-	99,230,798
* Reduction	-33,269,846	-	-	-33,269,846
<b>Net Change</b>	<b>65,960,952</b>	<b>-</b>	<b>-</b>	<b>65,960,952</b>
Indebtedness at the end of the financial year 31.03.2020				
i) Principal Amount	961,256,762	-	-	961,256,762
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,103,274	-	-	5,103,274
<b>Total (i+ii+iii)</b>	<b>966,360,036</b>	<b>-</b>	<b>-</b>	<b>966,360,036</b>

## VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of the Managing Director/ Whole Time Director/ Manger		Total Amount (₹)
		Mr. Sabu M. Jacob Chairman, Managing Director & Chief Financial Officer	Mrs. Sindhu Chandrasekharan Whole Time Director	
<b>1</b>	<b>Gross salary</b>			
	a. Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	10,800,000	813,461	11,613,461
	b. Value of perquisites u/s 17(2) Income-tax Act, 1961*	-	-	-
	c. Profits in lieu of salary under section 17(3) Income-Tax Act, 1961	-	1,044,664	1,044,664
<b>2</b>	<b>Stock Option</b>	-	-	-
<b>3</b>	<b>Sweat Equity</b>	-	-	-
<b>4</b>	<b>Commission:</b>			
	- As a % of Profit	38,545,508	-	38,545,508
	- Others, specify	-	-	-
<b>5</b>	<b>Others, please specify</b>			
	Contribution to PF	654,492	21,600	676,092
	Contribution to Gratuity	-	-	-
	Contribution to Superannuation Fund	-	-	-
	Consolidated Allowances	-	-	-
	<b>Total (A)</b>	<b>50,000,000</b>	<b>1,879,725</b>	<b>51,879,725</b>
	<b>Ceiling as per the Act</b>	10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013 is ₹ 147,20,43,663.217		

### B. Remuneration to other directors:

Sl. No.	Particulars of Remuneration					Total
		Mr. Benni Joseph	Prof. E. M. Paulose	Mr. K.L.V. Narayanan	Mr. C.P. Philipose	
<b>1</b>	<b>Independent Directors</b>					
	- Fees for attending Board/ Committee Meetings	210,000	100,000	-	160,000	470,000
	- Commission	-	-	-	-	-
	- Others	-	-	-	-	-
	<b>Total (1)</b>	<b>210,000</b>	<b>100,000</b>	<b>-</b>	<b>160,000</b>	<b>470,000</b>
<b>2</b>	<b>Other Non- Executive Directors</b>					
	- Fees for attending Board/ Committee Meetings	-	-	170,000	-	-
	- Commission	-	-	-	-	-
	- Others	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>170,000</b>	<b>-</b>	<b>170,000</b>
	<b>Total (B) = (1+2)</b>	<b>210,000</b>	<b>100,000</b>	<b>170,000</b>	<b>160,000</b>	<b>640,000</b>
	Ceiling as per the Act	being 1% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013. Sitting fees paid have not been considered as a component for reckoning overall ceiling as per Companies Act, 2013				
	Total Managerial Remuneration					51,879,725
	Overall Ceiling as per the Act	being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013.				

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Mr. Bobby Michael Chief Financial Officer *	Mr. Krishnaraj, Chief Financial Officer\$	Mr. Mithun B Shenoy, Company Secretary	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2,607,691	213,660	926,615	3,747,966
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	588,380	588,380
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- As % of profit	-	-	-	-
	- Others, , specify	-	-	-	-
5	<b>Others, please specify</b>	-	-	-	-
	Contribution to PF	16,200	1,800	21,600	39,600
	Contribution to Gratuity	-	-	-	-
	Contribution to Superannuation Fund	-	-	-	-
	Consolidated Allowances	-	-	-	-
	<b>Total</b>	<b>2,623,891</b>	<b>215,460</b>	<b>1,536,595</b>	<b>4,375,946</b>

\* Mr. Bobby Michael was appointed as CFO w.e.f. July 01, 2019

\$Mr. Krishnaraj S. resigned on May 20, 2019

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

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

**Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman and Managing Director  
(DIN:00046016)

July 29, 2020  
Kizhakkambalam

# ANNEXURE – C

## TO THE DIRECTOR'S REPORT

### ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES – 2019-20

(As per Rule 8 (1) of Companies (Corporate Social Responsibility policy) Rules, 2014)

#### A. Brief outline of the company's CSR policy

The Company, since its inception believed in the guiding principle "Caring the Community" and as a responsible corporate, it always believes in improving the quality of life of communities interfacing with the Company. We have served disadvantaged communities in and around our factory premises directly or through Twenty20 Kizhakkambalam Association through its focus on Eradicating Hunger and Poverty, Education and Skill Development, ensuring good Health & Wellness, Environment Sustainability and making available Safe Drinking Water and contributed towards national causes. We have also been successful in inspiring stakeholders in participating in our CSR journey. The Projects undertaken has been a hall mark and much appreciated by the community and was within the broad framework of Schedule VII of the Companies Act, 2013.

**Our vision** is – "to effectively contribute to the social and economic development of the communities in which we operate. In doing so we intend to build a better, sustainable way of life for the weaker sections of society and raise the country's human development index".

#### Our CSR policy includes:

1. To pursue a corporate strategy that enables realization of the twin goals of shareholders' value enhancement and societal value creation in a mutually reinforcing and synergistic manner.
2. To implement Social Investments/ CSR programmes primarily in the economic vicinity of your Company's operations with a view to ensuring the long term sustainability of such interventions.
3. To contribute to sustainable development in areas of strategic interest through initiatives designed in a manner that addresses the challenges faced by the Indian society especially in rural India.
4. To collaborate with communities and groups to contribute to the national mission of eradicating poverty and hunger, especially in rural areas, through superior farm and agri-extension practices, soil and moisture conservation and watershed management, conservation and development of forest resources, empowering women economically, supplementing primary education and participating in rural capacity building programmes and such other initiatives.
5. To sustain and continuously improve standards of Environment, Health and Safety through the collective endeavour of your Company and its employees at all levels towards attaining world class standards and support other programmes and initiatives, internal or external, for the prevention of illness and combating of diseases as may be considered appropriate from time to time.
6. To encourage the development of human capital by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields.

Details of CSR activities undertaken in the current year are available in our web link: [www.facebook.com/KitexGarments](http://www.facebook.com/KitexGarments). Further details of Company's CSR policy is available in [www.kitexgarments.com](http://www.kitexgarments.com)

#### B. Composition of the CSR Committee

Kitex Garments Limited has set up Corporate Social Responsibility Committee (CSR Committee) as per the requirement of the Companies Act, 2013. The members of the CSR Committee as on March 31, 2020 are:

- i. Mr. Sabu M. Jacob - Chairman
- ii. Mr. K.L.V. Narayanan - Member
- iii. Mr. Benni Joseph - Member
- iv. Mr. C. P. Philipose – Member

**C.** Average net profit of the company for last three financial years: ₹ 126,79,35,508.33

**D.** Prescribed CSR Expenditure (two per cent of the amount as in Item C above): ₹ 2,53,58,710.17

#### E. Details of CSR Spend during the financial year

- i. Total amount spent for the financial year: ₹ 6,75,56,784.00
- ii. Amount Unspent, if any; None.



iii. Manner in which the amount was spent during the financial year is detailed below.

(Amount in ₹ in lacs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr.No.	CSR project or activity identified	Sector in which the Project is covered	Projects or programs	Amount outlay (budget) project or Program wise	Amount spent on the projects or programs	Cumulative expenditure upto to the reporting period	Amount spent: Direct or through implementing agency
					Sub Heads		
			(1) Local area or other		(1) Direct expenditure on Projects or Programs		
			(2) Specify the State and district where projects or programs was Undertaken		(2) Overhead		
1	Agriculture capacity building	Environment sustainability	Local Area covered by Kizhakkambalam Panchayat in	61,712.00	1,64,403 (Direct expenditure on Programs)	1,64,403	Directly by the Company
2	House construction and colony development	Environment sustainability	Ernakulam District in State of Kerala	88,047.00	2,34,560 (Direct expenditure on Programs)	2,34,560	
3	Infrastructure Development	Environment sustainability		2,52,08,951.00	6,71,57,821 (Direct expenditure on Programs)	6,71,57,821	
<b>Total Spent</b>				<b>2,53,58,710.00</b>	<b>6,75,56,784</b>	<b>6,75,56,784</b>	

G. In case the company has failed to spend the two percent, of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. Not Applicable. The Company has spent the required amount.

#### Our Responsibility

The Responsibility Statement of the Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company is reproduced below:

'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.'

July 29, 2020  
Kizhakkambalam

Sd/-  
**Sabu M. Jacob**  
Managing Director  
& Chairman of CSR Committee  
(DIN: 00046016)

Sd/-  
**Benni Joseph**  
Member  
CSR Committee  
(DIN: 01219476)

## ANNEXURE – D

### TO THE DIRECTOR'S REPORT

#### PARTICULARS OF CONTRACTS/ARRANGEMENTS WITH RELATED PARTIES

(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 arms length transactions under third proviso thereto]

1. Details of contracts or arrangements or transactions not at arm's length basis **Not applicable**
  - a. Name(s) of the related party and nature of relationship:
  - b. Nature of contracts/arrangements/transactions:
  - c. Duration of the contracts / arrangements/transactions:
  - d. Salient terms of the contracts or arrangements or transactions including the value, if any:
  - e. Justification for entering into such contracts or arrangements or transactions:
  - f. Date(s) of approval by the Board:
  - g. Amount paid as advances, if any:
  - h. Date on which the special resolution was passed in general meeting as required under first proviso to section 188:
2. Details of material contracts or arrangement or transactions at arm's length basis

Sl. No	Name of Related Party	Nature of Relationship	Duration of Contract	Salient Terms <sup>(1)</sup>	Amount (In Lakhs)
Nature of Contract or arrangement					
<b>Revenue from Sale of goods and services (including expenses recovered)</b>					
1	Kitex Childrenswear Limited	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing	Based on Transfer Pricing Guidelines	10,812.23
2	Kitex Limited				288.74
3	Anna Aluminum Company (P) Ltd.				1.28
<b>Purchases of goods and services (including reimbursements)</b>					
4	Kitex Childrenswear Limited	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing	Based on Transfer Pricing Guidelines	2,637.94
5	Kitex Limited				2,094.81
6	Anna Aluminum Company (P) Ltd.				34.65
<b>Donation</b>					
7	Twenty 20 Kizhakkambalam Association	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing		630.00
<b>Corporate Social Responsibility Activities</b>					
8	Twenty 20 Kizhakkambalam Association	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing		670.00

Revenue from services (including expense recovered)					
9	Kitex Littlewear Limited		ongoing	Based on Transfer Pricing Guidelines	308.55
10	Kitex Kidswear Limited	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing		1711.76
11	Kitex Knits Limited		ongoing		439.94
12	Kitex Socks Limited		ongoing		136.72
13	Kitex Packs Limited		ongoing		170.18
14	Kitex Babywear Limited		ongoing		34.10
Sales commission paid					
15	Kitex USA LLC	Enterprises owned or significantly influenced by key management personnel or their relatives	ongoing	Based on Transfer Pricing Guidelines	403.42
Sales - Ready Made Garments					
16	Kitex USA LLC	Enterprises owned or significantly influenced by key management personnel or their relatives	Ongoing	Based on Transfer Pricing Guidelines	36,805.64

**Note**

(1) Appropriate approvals have been taken for related party transaction. Advances paid if any have been adjusted against billing wherever applicable.

For and on behalf of the Board of Directors  
**Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman & Managing Director  
(DIN: 00046016)

July 29, 2020  
Kizhakkambalam

## ANNEXURE – E

### TO DIRECTORS' REPORT

#### PARTICULARS OF ENERGY CONSERVATION, RESEARCH AND DEVELOPMENT TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

(Particulars pursuant to the Rule 8(3) Companies (Accounts) Rules, 2014)

##### A. Conservation of Energy

###### i. Steps taken for conservation of energy:

Your Company continually took necessary steps to absorb and adopt the latest technologies and innovations in the Garment Industry. Some of the steps undertaken are:

- a) All Yard Lighting Luminaire of the Premises have been changed from 400W Metal Halide to 100W LED.
- b) Motors of AHUs and Chiller Unit are now controlled and operated with VFD, thus achieving ample saving in energy cost.
- c) Replacing of all Motors which are re-wound more than 3 times with new one.
- d) Conducting periodical "Awareness/Orientation classes to the technicians, workers and other concerned to pass on a clear message on the importance of preserving energy and to take manual steps to switch off light and power wherever it is not required.
- e) All 13W PL Lamps of Toilet Blocks were replaced with 5W LED Lamps. Similarly 14W CFL of Gents Hostel were replaced with 7W LED.
- f) For Pneumatic Lines of compressed air system, "Floor wise Valve" control has been introduced so as to control air supply and to achieve reduced usage of compressor.
- g) Conducting periodical "Thermal imaging" on Switch Gears, Bus Bars and Cable termination to understand loose connection, if any, and thereby avoiding chances overheating and insulation failures.
- h) Installed "Solar Water Heating System" for 'Canteen use' and thereby dependency on usage of LPG and other sources of Heating is reduced.
- i) Steps were initiated to use "Canteen Waste" for the generation of 'Bio gas'
- j) Decision is taken to procure only energy efficient Motors whenever requirement for new Motors or replacing existing Motors are coming.
- k) Steps were initiated to switch off Electric Lamps on areas where adequate natural light is available during day time.
- l) Usage of water is restricted/regulated by closing respective valves at different intervals. This is being carried-out without creating any difficulty for the end user.

These measures have also led to better pollution control, reduced the impact on environment, reduced maintenance time and cost, improved hygienic condition and consistency in quality and improved productivity.

###### ii. The steps taken by the Company for utilizing alternative source of energy.

Your company has taken steps for up-gradation and modernization of various machines in phased manner. The Company also replaces old plant and machinery in the processing unit and steps are taken to modernization of various operations including installation of robotic machines for handling very specialized work/activities.

Your Company have conducted the possibility of generating and using "Renewable sources of Energy" on a large scale for our 3 Units, particularly for "Processing Division". But as per feasibility study of outside agency, the roof structure of the Processing Unit is not capable of withstanding "Dead Load" of Solar Panels, unless and until it is reinforced/modified properly. According to the observation of the professional agencies, who had conducted study on the suitability of "Roof" for the generation of solar power, the available area on the building is equivalent to that of 2500 kWp worth power.

Since modification of the roof structure requires "Plant Shut Down" for weeks together and it is practically not possible to think on it due to extremely tight production schedules, the idea for generating alternative source of energy is dropped for the time being. The only option left out is to take necessary precautionary measures to make the roof structurally strong to accommodate "Dead Load" of Solar Panels when we construct new building/ factory sheds.

iii. Capital investment on energy conversation equipment: NIL

iv. Total Energy consumption and energy consumption per unit of production

POWER & FUEL CONSUMPTION	Year Ended 31.03.2020	Year Ended 31.03.2019
<b>Electricity</b>		
<b>a) Purchased</b>		
Units (KWH)	19163254 units	19517975 units
Total Amount (₹)	13,29,51,398	11,90,24,066
Cost/Unit (₹/ KWH)	6.94	6.10
<b>b) Own generation</b>		
Through Diesel Generator		
Units (KWH)	116571 units	326218 units
Total Amount (₹)	27,47,164	71,12,823
Cost/Unit (₹ / KWH)	23.57	21.80
<b>Fuel</b>		
<b>a) Furnace Oil</b>		
Quantity (KL)	2331 KL	2097 KL
Total Amount(₹)	7,50,42,145	7,48,65,547
Cost/Unit (₹ KL)	32193	35,701
<b>b) Firewood</b>		
Quantity (MT)	19090 MT	19975 MT
Total Amount(₹)	5,22,35,123	5,30,38,887
Cost/Unit (₹ MT)	2,736	2,655
<b>c) Diesel</b>		
Quantity (KL)	70 KL	24 KL
Total Amount(₹)	49,12,690	16,55,634
Cost/Unit (₹ KL)	70,181	68,985

## B. Technology Absorption

### i. The efforts made towards technology absorption

In addition to product and raw material development which continues to be strengthened, Research and Development activities on fashion designing are carried out on on-going basis. Absorbing technologies with state of art machineries like automated cutting machine, automated fabric inspection machines, etc., the quality of the products and efficiency of the systems have been substantially improved. By applying those technologies, the cost of production was under control. During the last three financial years, the Company has not imported any technology. The nature of activities of the Company does not warrant any exclusive R&D department.

The Company has been using Austrian imported machinery "Loop Steamer" from last financial year onwards for reactive printed fabric finishing. The Machinery is designed to facilitate the dyes fixation in a continuous process on to the printed fabric with tension less loop formation, in single web or double strand operation methods. Its thermo-cure technology enables to obtain excellent quality of finishing results of printed fabrics in brilliant colours while saving a lot of energy. Multiple applications like saturated steam, super-heated steam and hot air polymerizing are some added advantages of the machine.

### ii. The benefits derived like product improvement, cost reduction, product development or import substitution

The benefits derived from automation has increased the production and capacity utilization. By delivering better and quality products, repeat orders have been placed by customers due to consistency in quality.

Loop steamer machinery's thermo-cure technology enables to obtain excellent quality of finishing results of printed fabrics in brilliant colours while saving a lot of energy. Multiple applications like saturated steam, super-heated steam and hot air polymerizing are some added advantages of the machine. PLC touch screen control enables easy and quick adjustments on machine with low noise. With value addition in fabrics, the machinery is highly efficient in steam consumption and easy maintenance.

iii. In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year)

The details of technology imported	The year of import	Whether the technology has been fully absorbed	If not fully absorbed, areas where absorption has not taken place and reasons
------------------------------------	--------------------	--	---

NIL

iv. Expenditure incurred on research and development

No specific expenditure of recurring or capital nature is involved in technology absorption, adoption and innovation directly.

C. Foreign exchange Earnings and Outgo:

(₹ in lakhs)

Sl. No.	Particulars	2019-20	2018-19
1	Earnings on account of Exports	58,881.36	46,671.61
2	Outgo on account of Imports & Expenditure	7,246.80	7,178.78

For and on behalf of the Board of Directors  
**Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman & Managing Director  
(DIN: 00046016)

Kizhakkambalam  
July 29, 2020

## ANNEXURE – F

### TO THE DIRECTOR'S REPORT

Form No. MR-3

## SECRETARIAL AUDIT REPORT

### FOR THE FINANCIAL YEAR ENDED 31.03.2020

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

To  
The Members  
Kitex Garments Limited  
P.B.No. 5, Kizhakkambalam  
Alwaye, Ernakulam -683562, Kerala

We, SVJS & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kitex Garments Limited [CIN: L18101KL1992PLC006528]** (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, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2020, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

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 31.03.2020 according to the provisions of:

- i) The Companies Act, 2013(the Act) and the Rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992: -
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
  - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - (e) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 to the extent applicable.
- vi) The Management has identified and confirmed the following law as specifically applicable to the Company:
  1. The Textiles (Development and Regulation) Order, 2001

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

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

As informed, the Company has responded appropriately to notices received from various statutory/regulatory authorities including initiating actions for corrective measures, payment of penalties etc., wherever necessary.

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. Other than reappointments, there were no changes in the composition of the Board of Directors during the period under review.

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.

There were no dissenting views on any decisions of the Board, as recorded in the Minutes of Board meetings.

We further report that, as represented by the Management and relied upon by us, there are adequate systems and processes in the Company commensurate with 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 instances of:

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

We further report that further to an appeal filed before the Securities Appellate Tribunal being dismissed, the Company has made payment of the penalty levied under Section 15 HB and 15 C of the Securities and Exchange Board of India Act, 1992, in respect of failure to redress complaints and comply with the provisions of Securities and Exchange Board of India Circular dated 18.12.2014, totaling to ₹ 11 Lakhs, on 21.06.2019. Management has represented that aforesaid investor's grievance which had various legal impediments has been settled.

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.

For **SVJS & Associates**  
**Company Secretaries**

Sd/-  
**CS. Vincent P. D.**  
Managing Partner  
FCS: 3067  
CP No: 7940

UDIN: **F003067B000523906**

Kochi  
29.07.2020



## Annexure A

**ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE**

To  
The Members  
Kitex Garments Limited  
P.B.No. 5, Kizhakkambalam  
Alwaye, Ernakulam -683562, Kerala

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

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. During the audit, we have followed the practices and processes as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Company after 31<sup>st</sup> March 2020 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For **SVJS & Associates**  
**Company Secretaries**

Sd/-

**CS. Vincent P. D.**

Managing Partner

FCS: 3067

CP No: 7940

UDIN: **F003067B000523906**

Kochi  
29.07.2020

## ANNEXURE – G

TO THE DIRECTOR'S REPORT

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

Sl.No.	Particulars	Name of Directors/ KMP		
1	The ratio of the remuneration of each director to the median remuneration of the employees of the company excluding Managing Director for the financial year	Mr. Sabu M. Jacob	252.29	: 1
		Mr. Benni Joseph, Independent Director	1.06	: 1
		Mrs. Sindhu Chandrasekharan	9.38	: 1
		Prof. E. M. Paulose, Independent Director	0.50	: 1
		Mr. K L V Narayanan, Director	0.86	: 1
		Mr. C. P. Phillipose, Director	0.81	: 1
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Mr. Sabu M. Jacob, MD	No increase	
		Mr. Benni Joseph	No increase	
		Prof. E. M. Paulose	No increase	
		Mr. K L V Narayanan	No increase	
		Mr. C. P. Phillipose	No increase	
		Mrs. Sindhu Chandrasekharan	4.33%	
		Mr. Bobby Michael \$	NA	
		Mr. Mithun B Shenoy, Company Secretary	27.20%	
3	The percentage Increase/ Decrease in the median remuneration of employees	42.23%		
4	The number of permanent employees on the rolls of company	5535		
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration			<b>March 31, 2020</b>
		Average increase in remuneration of employees excluding KMP		-7.58%
		Average increase in remuneration of KMP		-20.91%
6	Affirmation that the remuneration is as per the remuneration policy of the company.	Remuneration paid during the year ended March 31, 2020 is as per the Remuneration policy of the Company		

\$ Mr. Bobby Michael, CFO joined the company w.e.f. July 1, 2019

For and on behalf of the Board of Directors  
**Kitex Garments Limited**

Kizhakkambalam  
July 29, 2020

Sd/-  
**Sabu M. Jacob**  
Chairman & Managing Director  
(DIN: 00046016)

## ANNEXURE – H TO THE DIRECTOR'S REPORT

### PARTICULARS OF EMPLOYEES PURSUANT TO PROVISIONS OF SECTION 197(12) OF THE COMPANIES ACT 2013 READ WITH COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 AS AMENDED

Sl. No.	Name	Age	Qualification	Nature of employment	Designation	Date of Commencement of employment	Experience (Years)	Gross Remuneration	Previous Employment/ Designation	the percentage of equity shares held in the Company	whether any such employee is a relative of any director or manager of the company
1	Mr. Sabu M. Jacob	58	Graduate	Employee	Managing Director	16.08.1993	37	5,00,00,000	Executive Director – Kitek Limited	33.11%	No

The Particulars of top ten employees in terms of remuneration drawn as required under Rule 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 shall be provided to the shareholders on request.

Kizhakkambalam  
July 29, 2020

For and on behalf of the Board of Directors  
**Kitek Garments Limited**

Sd/-  
**Sabu M. Jacob**  
Chairman & Managing Director  
(DIN: 00046016)

# CORPORATE GOVERNANCE REPORT

*“Corporate Governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies are managed. Corporate governance addresses the issues facing Board of Directors, such as the interaction with top management and relationships with the owners and others interested in the affairs of the company” - Robert Ian (Bob) Tricker (who introduced the words corporate governance for the first time in his book in 1984)*

Your Directors present the Company’s Report on Corporate Governance for the year ended March 31, 2020 in terms of regulations 34 (3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“The Listing Regulations”) as amended from time to time.

## 1. COMPANY’S PHILOSOPHY

Kitex Garment’s governance philosophy is based on trusteeship, transparency and accountability. As a corporate citizen, our business fosters a culture of ethical behavior and disclosures aimed at building trust of our stakeholders. The Company’s Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons and Immediate Relatives of Designated Persons & Code of Practices and Procedures for Fair Disclosure of UPSI are an extension of our values and reflect our commitment to ethical business practices, integrity and regulatory compliance.

The Company’s governance framework is based on the following principles:

- Appropriate composition and size of the Board with each member bringing in expertise in their respective domains;
- Availability of information to the members of the Board and Board Committees to enable them to discharge their fiduciary duties;
- Timely disclosure of material operation and financial information to the stakeholders;
- Systems and processes are in place for internal control;
- Communicate externally, in a truthful manner, about how the Company runs internally;
- Have a simple and transparent corporate structure driven solely by business needs; and
- The Management is the trustee of the shareholders’ capital and not the owner.

The Board of Directors is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interest of all stakeholders. The Company continues to focus its resource, strengths and strategies to achieve the vision of becoming a Global Leader in Infantswear Garments while uplifting the core values of Quality, Trust, Leadership and Excellence.

A Report on compliance with the principles of Corporate Governance as prescribed by SEBI in Chapter IV read with Schedule V of the Listing Regulations is given below:

## 2. GOVERNANCE STRUCTURE

The Corporate Governance structure of your company is as follows:

**BOARD OF DIRECTORS:** The Board is entrusted with ultimate responsibility of the Management, Directors and performance of the Company. The Board also provides leadership, strategic guidance, objective and independent view to the Company’s management while discharging its responsibilities, thus ensuring that the management adheres to ethics, transparency and disclosures.

**BOARD COMMITTEES:** The Board has constituted the following committees viz., Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders’ Relationship Committee and Share Transfer Committee. Each of the said committees has been mandated to operate within a given framework.

### 2. A. THE BOARD OF DIRECTORS

#### 2. A. 1. COMPOSITION AND CATEGORY OF DIRECTORS

The Board of Directors consists of eminent individuals from Industrial, Managerial, Technical and Financial background. The company is managed by the Board of Directors in co-ordination with the Senior Management Team. The strength and composition of the Board is reviewed from time to time so that it remains aligned with statutory as well as business requirements.

As on March 31, 2020 the Company has a judicious combination of Executive and Non-executive Directors with one Women Director on the Board. Of the total 6 Directors, 2 are Executive Directors, 3 are Independent Directors and 1 is Non-executive Director. The Chairman of the Board is an Executive Director.

Details of each member of the Board along with number of Directorship/ Membership as on March 31, 2020 are given below:

Name	Date of Appointment	Category of Director	Directorship in other Indian Public Limited Companies (excluding KGL)	No. of Board Committees in which Chairman/ Member (Excluding (KGL))		Directorship in other listed entity (Category of Directorship)	No of shares or convertible Instruments
				Chairman	Member		
<b>Executive and promoter Directors</b>							
Mr. Sabu M Jacob (DIN 00046016)	27.04.1994	Promoter/ Exe. Chairman & MD	9	-	-	-	2,20,15,606
Mrs. Sindhu Chandrasekharan (DIN 06434415)	16.03.2015	Executive Director (Woman Director)	8	1	1	-	-
<b>Non Executive Independent Directors</b>							
Mr. Benni Joseph (DIN 01219476)	12.01.2015	Non-Executive Independent Director	7	2	1	-	-
Prof. E M Paulose (DIN 03563106)	12.01.2015	Non-Executive Independent Director	1	0	2	-	140
Mr. C P Philipose (DIN 01125157)	10.06.2016	Non-Executive Independent Director	-	-	-	-	1240
<b>Non Executive Non Independent Director</b>							
Mr. K.L.V. Narayanan (DIN 01273573)	04.04.2013	Non-Executive Director	3	-	1	Victory Paper & Boards (India) Ltd. (Executive Director)	-

Notes:

- 1) Directorship exclude Private Limited Companies, Foreign Companies and Section 8 Companies
- 2) Chairmanship/ Membership in Audit Committee, Nomination & Remuneration Committee and Stakeholders Relationship Committee in Indian Public Limited Companies other than M/s. Kitex Garments Limited are considered for this purpose. Members of the Board of the Company do not have membership of more than ten Board-level Committees or Chairman of more than five such Committees.
- 3) Details of Director(s) retiring or being re-appointed are given in Notice to Annual General Meeting.
- 4) There are no inter-se relationship between our Board Members

## 2. A. 2. INDEPENDENT DIRECTORS

The Independent Directors fulfill the conditions of Independence specified in Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations. Formal letters of appointment issued to Independent Directors as provided in Companies Act, 2013 are disclosed in the website of the company viz., [www.kitexgarments.com](http://www.kitexgarments.com). Based on confirmations/ disclosures received from the directors, the Board confirms that the Independent Directors fulfill the conditions specified under Schedule IV of the Companies Act, 2013 and SEBI (LoDR) Regulations, 2015 and are independent of the management.

## 2. A. 3. BOARD MEETINGS

The Board meets at regular intervals to discuss and decide on business strategies/ policies and review the financial performance of the Company. The Board meetings are pre-scheduled and are circulated to the Directors well in advance to facilitate the Directors to plan their schedules accordingly. In case of business exigencies, the Board's approval is taken through circular resolutions. The Circular resolutions are noted at the subsequent Board Meeting.

The Notice and detailed agenda along with the relevant notes and other material information are sent in advance separately to each Director and in exceptional cases tabled at the meeting with the approval of the Board. This ensures timely and informed decisions by the Board. The Board reviews the performance of the Company vis-à-vis the budgets/ targets.

In the financial year 2019-20, the Board met 5 times. The meetings were held on May 20, 2019, July 5, 2019, August 14, 2019, November 9, 2019 and February 11, 2020. The interval between two Meetings was well within the maximum period mentioned under Section 173 of the Companies Act, 2013 and Regulations 17(2) of the Listing Regulations.

#### **ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS AND AT THE LAST ANNUAL GENERAL MEETING**

<b>Sr. No</b>	<b>Name of the Directors</b>	<b>No. of Board Meetings attended</b>	<b>Attendance at the AGM held on August 28, 2019</b>
1.	Mr. Sabu M Jacob (Chairman & MD)	5 of 5	Present
2.	Mrs. Sindhu Chandrasekharan	5 of 5	Present
3.	Mr. Benni Joseph	5 of 5	Present
4.	Prof. E M Paulose	3 of 5	Leave sought
5.	Mr. C P Philipose	5 of 5	Present
6.	Mr. K L V Narayanan	5 of 5	Present

#### **2. A. 4. INFORMATION PLACED BEFORE THE BOARD**

The Company provides the information as set out in Regulation 17 read with Part - A of Schedule II of the Listing Regulations, to the Board and the Board Committees to the extent it is applicable and relevant. Such information is submitted either as a part of the agenda papers in advance of the respective meetings by way of presentation and discussions during the Meetings.

#### **2. A. 5. POST MEETING MECHANISM**

The important decisions taken at the Board/ Board Committees meetings are communicated to the concerned departments.

#### **2. A. 6. BOARD SUPPORT**

The Company Secretary attends the Board and Board's Committee Meetings and advises the Board & Board committee on Compliances with the applicable laws and governance.

#### **2. A. 7. FAMILIARISATION PROGRAMME FOR DIRECTORS**

At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, function, duties and responsibilities expected from him as a Director of the Company. The director is also explained in detail the Compliance required from him under Companies Act, 2013, the Listing Regulations and other various statutes and an affirmation is obtained in this regard. The Chairman and Managing Director also have a one to one discussion with the newly appointed Director to familiarize him with the Company's operations. Further, on an ongoing basis as a part of Agenda of Board/ Committee meetings, presentations are regularly made to the Independent Directors on various matters inter-alia covering the Company's and associates businesses and operations, industry and regulatory updates, strategy, finance, risk management framework, role, rights, responsibilities of the Independent Directors under various statutes and other relevant matters. The details of the familiarization programme for directors are available on the Company's weblink viz., <http://www.kitexgarments.com/wp-content/uploads/2015/11/FAMLIARISING-PROGRAM.pdf>

#### **2. A. 8. GOVERNANCE CODES**

- **CODE OF CONDUCT**

The Company has adopted a Code of Conduct which is applicable to the Board of Directors and Senior Management of the Company. The Board of Directors and members of the Senior Management Team (one level below the Board of Directors) of the Company are required to affirm annual compliance of this code. The code required Directors and Senior Management Team members to act honestly, fairly, ethically and with integrity, conduct themselves in professional, courteous and respectful manner. The Code of conduct is displayed on the Company's Website [www.kitexgarments.com](http://www.kitexgarments.com)

- **CONFLICT OF INTERESTS**

Each Director informs the Company on an annual basis about the Board and the Committee positions he occupies in other companies including Chairmanships and notifies changes during the year. The members of the Board while

discharging their duties, avoid conflict of interest in the decision making process. The Members of Board restrict themselves from any discussion and voting in transactions in which they have concern or interest.

• **INSIDER TRADING CODE**

The Company had adopted a “Code of Conduct for insider trading” in accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended. The code is applicable to designated person (as defined in the code) and immediate relative of designated person who are expected to have access to unpublished price sensitive information relating to the Company. The Company Secretary is the Compliance Officer for monitoring adherence to the said regulation.

The Company has also formulated ‘The code of Practices and procedures for fair disclosure of Unpublished Price Sensitive Information’ in compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015 and this code is displayed on the Company’s website viz., [www.kitexgarments.com](http://www.kitexgarments.com)

**2. A. 9. CHART SETTING OUT THE SKILLS/ EXPERTISE/ COMPETENCE OF BOARD OF DIRECTOR**

The Board of Directors along with Nomination & Remuneration Committee (NRC), identifies the right candidate with right qualities, skills and practical expertise/ competencies required for the effective functioning of individual member to possess and also the Board as a whole. The Committee focuses on the qualification and expertise of the person, the positive attributes, standard of integrity, ethical behavior, independent judgement of the person in selecting a new Board member. In addition to the above, in case of independent directors, the Committee shall satisfy itself with regard to the independence of the directors to enable the Board to discharge its functions and duties effectively. The same are in line with the relevant provisions of the Listing Regulations. The NRC has identified the following core skills, expertise and competencies for the effective functioning of the Company which is currently available with the Board:

a. Finance & Accounting Competence

*(Exposure in handling financial management of a large organization along with understanding financial statements)*

b. Leadership quality in running large enterprise

*(Expertise in leading well-governed large organization with an understanding of organizational structure and its environment, risk management and emerging local & global trends)*

c. Understanding use of latest technology in textile sector:

*(Understanding the use of latest technology across textile sector and ability to anticipate technology driven changes and disruption impacting the business)*

d. Expertise in understanding of changing regulatory framework

*(Expertise in handling large public companies with high governance standard and understanding of changing regulatory framework)*

e. Exposure in setting the Business Strategies

*(Ability to build up long term business strategies to bring growth in business consistently, profitability, competitively and in a sustainable manner in a diverse business environments and changing economic conditions)*

The following are the list of directors who have skills as identified by the Board.

Core skills/expertise/competencies identified by the Board of Directors as required in the context of its business(es) and sector(s)	Names of Directors who have such skills/ expertise / competence
Finance, Law, Management, Administration, Corporate Governance related to the Company’s business	Mr. Sabu M. Jacob, Mr. Benni Joseph, Mr. K. L. V. Narayanan, Mr. C. P. Phillipose, Mrs. Sindhu Chandrasekharan and Prof. E. M. Paulose
Technical Operations and knowledge on Production, Processing, Quality and Marketing of Infants apparel	Mr. Sabu M. Jacob, Mr. K. L. V. Narayanan and Mr. C. P. Phillipose,
Management, Strategy, Sales, Marketing, Administration Technical Operations related to the Company’s business	Mr. Sabu M. Jacob, Mr. K. L. V. Narayanan and Mr. C. P. Phillipose,

## 2. B. BOARD COMMITTEES

The Board of Directors has constituted Board Committees to deal with specific areas and activities which concern the Company and that requires the detailed discussion. The Board Committees are formed with approval of the Board and function under their respective charters. These committees play an important role in the overall management of day-to-day affairs and governance of the Company. The Board Committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. The minutes of the Committee meetings are placed before the Board for noting.

The Board currently has the following committees:

### 2.B.1. AUDIT COMMITTEE

#### Ø COMPOSITION

Audit Committee of the Board of Directors (“the Audit Committee”) is entrusted with the responsibility to supervise the Company’s Internal Controls and financial reporting process. The composition, quorum, powers, role and scope are in accordance with Section 177 of the Companies Act, 2013 and the provisions of Regulations 18 of the Listing Regulations. All members of the Audit Committee are financially literate and bring in expertise in the fields of Finance, Taxation, Economics, Risk and International finance. It functions in accordance with its terms of reference that defines its authority, responsibility and report function. Audit Committee comprised of 3 directors viz., Mr. Benni Joseph, as the Chairman, Prof. E M Paulose and Mr. C P Philipose as members of the Committee.

#### Ø MEETINGS AND ATTENDANCE

The Audit Committee met four times during the financial year 2019-20. The maximum gap between two meetings was not more than 120 days. The Committee met on May 20, 2019, August 14, 2019, November 9, 2019 and February 11, 2020. The requisite quorum was present at all the meetings. The Audit Committee authorized Mr. C P Philipose to be present at the 28<sup>th</sup> Annual General Meeting of the Company.

Details of attendance of Audit Committee members are given below:

Composition	Mr. Benni Joseph (Chairman)	Prof. E. M. Paulose (Member)	Mr. C. P. Philipose (Member)
No. of Meetings Attended	4	2	4

Mr. Sabu M. Jacob, Chairman & Managing Director, Mrs. Sindhu Chandrasekharan, Executive Director and Mr. Boby Michael, Chief Financial Officer are permanent invitees to the Audit Committee meeting. The Independent Auditors of the Company are also invited to the Audit Committee meeting. The Company Secretary is the Secretary to the Committee.

#### Ø TERMS OF REFERENCE

- The recommendation of appointment, remuneration and terms of appointment of auditors of the Company.
- Review and monitor the auditors’ independence and performance and effectiveness of audit process.
- Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity including any other services rendered by them.
- Reviewing with the management, the annual financial statements and auditor’s Report thereon before submission to the Board for approval, with particular reference to:
  - i. Matters required to be included in the Directors Responsibility Statement to be included in the Board Report in terms of Section 134 of the Act.
  - ii. Changes, if any, in accounting policies and practices and reason for the same.
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management.
  - iv. Significant adjustments made in the financial statements arising out of audit findings.
  - v. Compliance with listing and other legal requirements relating to financial statements.
  - vi. Disclosure of any related party transactions.
  - vii. Modified opinion in the draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the board for approval.



- Reviewing and monitoring the auditors independence and effectiveness of audit process
- Approval or subsequent modification of transactions of the listed entity with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the listed entity wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing 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.
- Discussion with internal auditors of any significant findings and follow up there on.
- 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.
- Discussion with Independent auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism.
- Approval of appointment of Chief Financial officer after assessing the qualifications, experience and background etc.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- Oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing the utilization of loan and/ or advances from/ investment by the holding company in the subsidiary exceeding ₹ 100 Crores 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 provisions.

The Audit Committee shall mandatorily review the following information:

- management discussion and analysis of financial condition and results of operations.
- statement of significant related party transactions (as defined by the audit committee), submitted by the management.
- management letters/letters of internal control weaknesses issued by the statutory auditors.
- internal audit reports relating to internal control weaknesses.
- the appointment, removal and terms of remuneration of the chief internal auditor and
- statement of deviations:
  - quarterly statement of deviation(s), including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Listing Regulations;
  - Annual statement of funds utilized for the purposes other than those stated in the offer document/ prospectus/ notice in terms of Listing Regulations.

Composition of the Committee is available on Company's website: <http://www.kitexgarments.com>

## **2.B.2. NOMINATION AND REMUNERATION COMMITTEE**

### **Ø COMPOSITION**

The Nomination and Remuneration Committee comprises of 3 non-executive directors. Prof. E. M. Paulose as the Chairman, Shri. Benni Joseph and Shri. K. L. V. Narayanan, as members. The Composition of Nomination and Remuneration Committee is in accordance with the provisions of Section 178 of the Companies Act, 2013 and Reg 19 of the Listing Regulations. The Company Secretary shall act as Secretary to the Committee.

## Ø MEETING AND ATTENDANCE

The Nomination and Remuneration Committee met three times during the year on May 20, 2019, July 5, 2019 and February 11, 2020. The requisite quorum was present at the meeting. The table below provides the attendance of the Committee members:

Composition	Prof. E M Paulose (Chairman)	Mr. Benni Joseph (Member)	Mr. K L V Narayanan (Member)
No. of Meetings Attended	2	3	3

## Ø TERMS OF REFERENCE

Terms of reference of the Committee inter alia consists of

- o Formulate criteria for determining qualifications, positive attributes and independence of director and recommend to the Board a policy relating to the remuneration of directors, Key Managerial Personnel and other employees.
- o Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- o Identify persons qualified to become directors or hold senior management positions and advise the Board for such appointments/ removals where necessary
- o Evaluate the performance of every director.
- o Devise a policy on Board diversity.
- o Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- o ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors and senior management of the quality required to run the Company successfully;
- o ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- o Review and implement succession plans for Managing Director, Executive Directors and Senior Management.
- o Recommend to the Board, all the remuneration, in whatever form, payable to Senior Management.

## Ø REMUNERATION POLICY

The Board has approved Nomination and Remuneration Policy as recommended by the Nomination and Remuneration Committee which forms part of Directors Report

### A. REMUNERATION TO NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The Non-Executive Directors and Independent Directors are paid sitting fees for each meeting of the Board or Committee of Directors attended by them. The total amount of Sitting Fees paid to Non-Executive and Independent Directors during the Financial Year 2019-20 was ₹ 6.40 lakhs. The Non-Executive Director/ Independent Directors do not have any pecuniary relationship or transactions with the Company.

### B. REMUNERATION OF EXECUTIVE DIRECTORS

The appointment and remuneration including annual increments if any, of Executive Directors including Chairman & Managing Director and Whole-time Director is governed by the recommendation of the Nomination & Remuneration Committee followed by the approval of Board of Directors and Shareholders of the Company. The remuneration package of Chairman & Managing Director and Whole-time Director comprises of Salary, performance bonus, perquisites and allowances and contributions to Provident fund.

The remuneration policy is directed towards rewarding performance, based on review of achievements. It is aimed at attracting and retaining high caliber talents. Presently, the Company does not have a stock option schemes for its Directors. The Nomination and Remuneration Policy of the Company is displayed on the Company's website [www.kitexgarments.com](http://www.kitexgarments.com)

**DETAILS OF REMUNERATION PAID TO DIRECTORS FOR THE YEAR ENDED MARCH 31, 2020**

Name of the Director	Term of appointment	Salary	Perquisites	Retiral Benefits	Commission	Others: contribution to PF	Performance Bonus	Total	Stock option granted
Mr. Sabu M Jacob Chairman & Managing Director	5 years from 16.08.2015 to 15.08.2020	1,08,00,000	-	-	3,85,45,508	6,54,492	-	5,00,00,000	-
Mrs. Sindhu Chandrasekharan, Executive Director	5 years from 16.03.2015 to 15.03.2020	8,13,461	-	-	-	21,600	10,44,664	18,79,725	-

**PERFORMANCE EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the Listing Regulations, the Board has carried out the annual evaluation of its own performance, its Committees and Directors individually. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its committees, Board culture, execution and performance of specific duties, obligations and governance.

The performance of the Board was evaluated on the basis of various criteria such as composition of the Board, information flow to the board and its dynamism, strategic issues, roles and functions of the Board, relationship with the management, engagement with the Board and external stakeholders and other development areas.

The performance of the Committees was evaluated after seeking the inputs of committee members on the criteria such as understanding the terms of reference, Committee composition, Independence, contributions to Board decisions, etc.

The performance of the individual Directors was evaluated after seeking inputs from all the Directors other than the one who is being evaluated. The evaluation was based on the criteria such as Director's knowledge and understanding of their role, Company's vision and mission, market potential, Director's Commitment, qualification, skill and experience, openness in communication, fulfillment of the independence criteria as specified in these regulations and their independence from the management (in case of Independent Directors) etc.

The performance of the Board Chairperson was evaluated after seeking the inputs from all the Directors other than the Board Chairperson, on the basis of the criteria such as Chairperson's role, accountability and responsibilities, promotion of effective relationship and open communication, positive and appropriate working relationship with other executive directors, commitment, etc.

The Board evaluation report was submitted to the Board Chairperson and the Chairperson of Nomination and Remuneration Committee. The Board Chairperson discussed the outcome of evaluation of the individual Directors separately with them in detail.

The evaluation report contains an executive summary of findings and several key recommendations from the evaluation process. The report of the Board evaluation was adopted at the NRC and the Board meetings.

**2.B.3. STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee oversees the following:

- redressal of security holder's complaints relating to share transfers/ transmission, non-receipt of annual reports, non-receipt of declared dividend, issue of new/ duplicate share certificates, general meeting etc.
- Review of measure taken for effective exercise of voting rights of shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar.
- Review of various measures and initiative taken by the listed entity for reducing quantum of unclaimed dividend and ensuring timely receipt of dividend warrants/ annual Report/ statutory notices to the shareholders by the Company.

This Committee consists of 4 Directors viz., Mr. K. L. V. Narayanan as Chairman, Mr. Sabu M. Jacob, Mr. Benni Joseph and Mrs. Sindhu Chandrasekharan as the members.

Mr. Mithun B Shenoy, Company Secretary shall act as Compliance Officer of the Committee.

During the year, the Committee met on 2 times viz., May 20, 2019 and August 14, 2019. Your Company's shares are

compulsorily traded in the de-materialized form. To expedite transfers in the physical segment, necessary authority has been delegated to the Share Transfer committee to approve transfers/ transmissions of shares. Details of share transfers/ transmissions approved by the Directors and Officers are placed before the Board.

Attendance at Stakeholders' Relationship Committee meetings is as below:

Composition	Mr. K.L.V. Narayanan	Mr. Sabu M. Jacob	Mrs. Sindhu Chandrasekharan	Benni Joseph
No. of Meetings attended	2	2	2	2

Status of investor complaints is as below:

No. of investor queries/ complaints received from April 01, 2019 to March 31, 2020	No. of complaints not solved to the satisfaction of shareholders
Nil	Nil

As on March 31, 2020, there was no pending investor complaint.

#### 2.B.4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

The Committee comprises Mr. Sabu M. Jacob as the Chairman, Mr. K. L. V. Narayanan, Mr. Benni Joseph and Mr. C. P. Philipose as the members. The Company Secretary acts as the Secretary to the Committee.

##### Key Responsibilities of the CSR Committee:

- Formulate, monitor and recommend to the Board CSR Policy and the activities to be undertaken by the Company.
- Recommend the amount of expenditure to be incurred on the activities undertaken.
- Review the Company's performance in the area of CSR.
- Evaluate the social impact of the Company's CSR activities.
- Review the Company's disclosure of CSR matters, including any annual social responsibility report.
- Review the CSR Report, with the Management, before submission to the Board for approval.
- Formulate and implement the BR policies in consultation with the respective stakeholders.
- Establish a monitoring mechanism to ensure that the funds contributed by the Company are spent for the intended purpose only.

The CSR Policy intends to strive for economic development that positively impacts the society at large with minimal resource footprints. The Policy is available on the Company's website at <http://www.kitexgarments.com>.

During the year, the Committee met 2 times viz., May 20, 2019 and November 9, 2019. Attendance at CSR Committee meetings is as below:

Composition	Mr. Sabu M. Jacob	Mr. Benni Joseph	Mr. K. L. V. Narayanan	Mr. C. P. Philipose
No. of Meeting attended	2	2	2	2

#### 2.B.5. INDEPENDENT DIRECTORS' MEETING

During the year under review, the Independent Directors met on February 11, 2020 inter-alia to:

- Evaluate performance of Non-Independent Directors and the Board of Directors as a whole;
- Evaluate performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors;
- Evaluation of the quality, content and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors except Prof. E. M. Paulose were present at this meeting.

### 3. GENERAL BODY MEETING

Location, date and time of the last three Annual General Meetings held:

SI No.	AGM	Year	Date	Time	Details of special resolutions passed	Location
1	27th	2019	28.08.2019	10.00 A.M	<ul style="list-style-type: none"> <li>Re-appointment of Mr. Benni Joseph (DIN: 01219476) as an Independent Director</li> <li>Re-appointment of Prof. E. M. Paulose (DIN: 03563106) as an Independent Director.</li> <li>Re-appointment of Prof. E. M. Paulose, Independent Director who has attained the age of above 75 years.</li> </ul>	Building No. 9/536 A, Kizhakkambalam, Kochi 683 562. Kerala
2	26th	2018	28.07.2018	10.00 A.M	Nil	
3	25th	2017	19.06.2017	10.00 A.M		

All resolutions as set out in the respective notices were duly passed by the shareholders in the meeting.

#### POSTAL BALLOT

The Company conducted a postal ballot for approval of a resolutions on "Continuation of directorship of Mr. E. M. Paulose & Mr. C. P. Philipose, non executive directors of the Company who have attained the age of 75 years on April 1, 2019. The details of the results were published in the leading newspapers and is available on the company's website [www.kitexgarments.com](http://www.kitexgarments.com)

Date of Postal Ballot Notice : 14.02.2019

Voting period : March 1, 2019 to March 31, 2019

Date of declaration of result . : 01.04.2019

Date of Approval : 01.04.2019

Name of the resolution	Type of resolution	No of votes polled	Votes cast in favor		Votes cast against	
			No of votes	%	No of votes	%
Continuation of directorship of Mr. E. M. Paulose, Non Executive Independent director who has attained the age of 75 years	Special Resolution	37117768	36840640	99.25	277128	0.75
Continuation of directorship of Mr. C. P. Philipose, Non Executive Independent director who has attained the age of 75 years	Special Resolution	37117438	36840310	99.25	277128	0.75

Mr. P. D. Vincent, Managing Partner of M/s. SVJS & Associates, Company Secretaries was appointed as the scrutinizer for carrying out the postal ballot process in a fair and transparent manner.

No special resolution is proposed to be passed through postal ballot as on the date of this report.

#### PROCEDURE FOR POSTAL BALLOT

In compliance with Section 108 and 110 and other applicable provisions of Companies Act, 2013 read with respective Rules, the Company provides e-voting facility in addition to physical ballot, to all its members. For this purpose, the Company engaged CDSL. Postal Ballot Notices and forms are dispatched, along with postage prepaid business reply envelopes to registered shareholders/ beneficiaries. The same notice is sent by email to members who have opted for receiving communication through the electronic mode. The Company also publishes a notice in the newspaper declaring the details and requirements as mandated by the Act and applicable rules.

Voting rights are reckoned on the paid up value of shares registered in the name of members as on the cut off date. Members who want to exercise their votes by physical postal ballot are requested to return the forms, duly completed and signed, to the scrutinizer on or before close of the voting period. Those using the e-voting option are requested to vote before the close of business hours on the last date of e-voting.

Scrutinizer completes his scrutiny and submits his report to the Chairman and the consolidated results of voting are announced by the Chairman/ authorised officer. The results are also displayed on the Company website [www.kitexgarments.com](http://www.kitexgarments.com), besides being communicated to the stock exchanges, depository and registrar and share transfer agent.

#### 4. MEANS OF COMMUNICATION

The Un-audited Quarterly Results are announced within 45 days from the end of the quarter and the Audited Annual Results are announced within 60 days from the end of the financial year as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. The Company provides the information to the stock exchange where shares of the Company are listed. The results are also published in one English newspaper having national circulation and one Malayalam Newspaper.

The Financial Results of the Company are normally published in the following newspapers:

- The Hindu Business Line (English Language)
- Malayala Manorama (Malayalam Language)

The Financial Results of the Company are displayed on the Company's website <http://www.kitexgarments.com/>

Disclosure pursuant to various provisions of Listing Regulations, as applicable, are promptly communicated to the stock exchanges where the shares of your Company are listed, and are displayed by them on their websites.

#### PRESENTATIONS TO INSTITUTIONAL INVESTORS / ANALYSTS:

The Company also issues presentations made to the analysts after the declaration of the quarterly, half yearly and annual results are submitted to the BSE and NSE as well as uploaded on the Company's website. FAQ giving details about the company and its shares is uploaded on the Company's website.

#### 5. GENERAL SHAREHOLDER INFORMATION:

##### 5.1. ANNUAL GENERAL MEETING FOR THE FINANCIAL YEAR 2019-20

Day and Date	Wednesday, September 30, 2020
Time	10.00 A.M
Venue	Through Video conferencing (VC)/ Audio Visual Means (AVM)
Financial Year	April 1, 2019 to March 31, 2020
Book Closure	September 24, 2019 to September 30, 2019
Last date for Receipt of Proxy	Not Applicable this time due MCA circular.
E-voting starts	Sunday, September 27, 2020 at 9 A.M.
E-Voting ends on	Tuesday, September 29, 2020 at 5 P.M.
Results of E-Voting on	On or before October 2, 2020 at 10:00 AM
Dividend payment date	Not Applicable

##### 5.2. TENTATIVE CALENDAR FOR FINANCIAL YEAR ENDING MARCH 31, 2021

The Tentative dates for Board Meeting for consideration of quarterly financial results are as follows:

Un-audited Q1 ending 30.06.2020	on or before second week of September, 2020
Un-audited Q2 and half year ending 30.09.2020	on or before Second week of November, 2020
Un-audited Q3 and Nine months ending 31.12.2020	on or before second week of February, 2021
Audited Results for the year ending 31.03.2021	on or before Third week of May, 2021

##### 5.3. DETAILS OF STOCK EXCHANGES WHERE LISTED

Stock Exchanges	Stock Code
<b>BSE Ltd. (BSE)</b> Corporate Relationship Dept, 1st Floor, New Trading Ring, Rotunda Building, PJ Towers, Dalal Street, Fort Mumbai –400001, Maharashtra	521248
<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051, Maharashtra	KITEX

Listing fees have been paid for the Financial Year 2020-21.

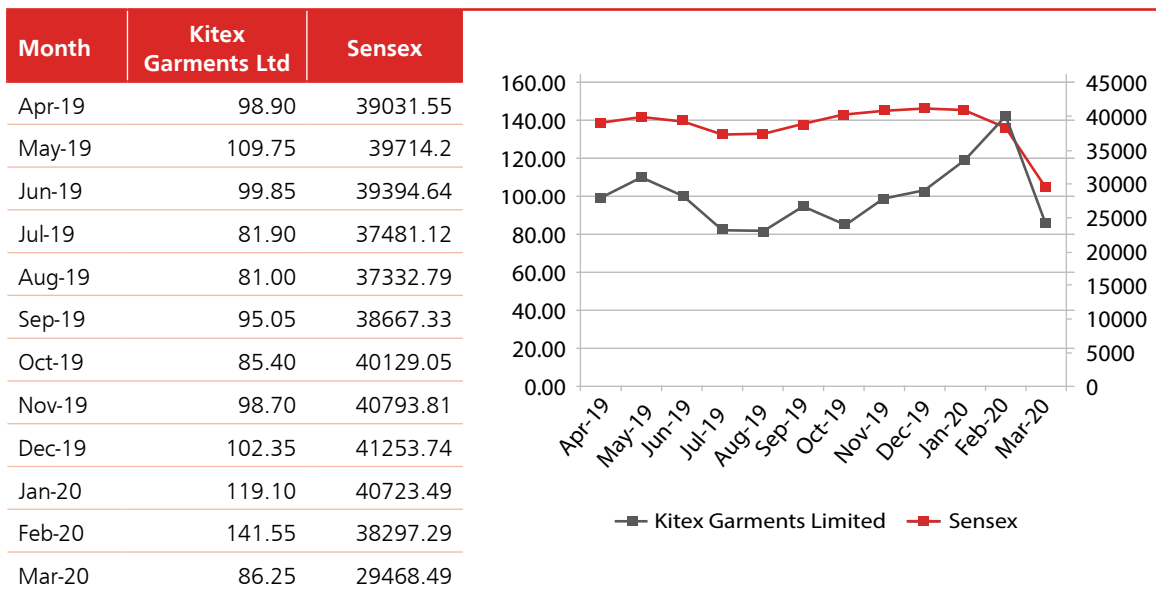
#### 5.4. MARKET PRICE DATA

Market Price and Volume of the Company's Shares of face value of Re. 1 each traded in the major stock exchanges where Company's shares are listed during the financial year 2019-20:

Year (2019-20)	BSE (Amount in ₹)		NSE (Amount in ₹)		Volume (nos.)	
	High	Low	High	Low	BSE	NSE
April	109.40	98.00	108.35	97.00	114609	962632
May	118.00	91.00	119.85	90.80	184202	2373826
June	118.00	94.70	118.40	94.65	98834	1351458
July	101.75	79.30	101.95	79.30	65235	798896
August	92.30	70.15	99.90	70.05	94258	956634
September	106.70	77.80	99.80	78.00	99619	1047613
October	97.95	84.00	98.30	83.95	140866	1077626
November	110.10	83.95	109.85	84.70	268200	3458266
December	108.00	89.90	108.00	88.00	102787	977993
January	132.15	104.45	132.00	102.95	489627	5685053
February	171.00	112.15	171.10	112.30	770885	10238038
March	148.60	77.15	149.15	74.20	457928	4154318

Source – Websites: BSE Ltd. (www.bseindia.com) and The National Stock Exchange of India Ltd. (www.nseindia.com)

#### 5.5. A PERFORMANCE CHART SHOWING SHARE PRICE OF THE COMPANY IN COMPARISON WITH BSE SENSEX DURING THE YEAR 2019-20 IS AS BELOW:



#### 5.6. SHARE TRANSFER PROCESS

Trading in equity shares of the Company through recognized stock exchanges can be done only in dematerialized form.

Share Transfer, Transmission and Duplicate issue of Shares in physical form are normally effected within a period of 15 days, 21 days (7 days if the transmission is in de-mat form) and 30 days respectively if receipt of documents complete in all respects. All share transfers are approved by the Share Transfer Committee with Mr. Sabu M Jacob as Chairman, Mrs. Sindhu Chandrasekharan, Woman Director and Mr. C P Philipose, Director as members, which meets at least once in fortnight, thus ensuring smooth processing and completion of dispatch of the share certificates within the aforesaid period from the lodgment of the documents. A summary of transactions so approved by the committee is placed at the Board Meeting held quarterly. The Company obtains a half-yearly certificate from Practicing Company Secretaries as per

the requirement of Regulation 40 (9) of Listing Regulations and the same is filed with the Stock Exchanges and available in the website of the Company. In terms of requirements to amendments to Regulation 40 of Listing Regulations w.e.f March 31, 2019, transfer of securities in physical form shall not be processed unless the securities are held in the dematerialized form with a depository.

#### 5.7. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2020

Range	No. of Shareholders	No. of Shares held	% of shareholding
1 and 5000	33477	9037714	13.59
5001 and 10000	210	1479860	2.23
10001 and 20000	96	1356566	2.04
20001 and 30000	24	582534	0.88
30001 and 40000	6	210100	0.31
40001 and 50000	4	181291	0.27
50001 and 10000	14	1003991	1.51
100001 and Above	31	52647944	79.17
<b>Total</b>	<b>33862</b>	<b>66500000</b>	<b>100</b>

#### 5.8. DE-MATERIALIZATION OF SHARES

The Company has entered into a tripartite agreement with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to provide trading of shares in dematerialized form. International Securities Identification Number (ISIN) allotted to the equity shares of the Company is INE602G01020. As on March 31, 2020, 64971020 shares of the company, constituting 97.70 % were in dematerialized form.

#### 5.9. CATEGORIES OF SHAREHOLDING AS ON MARCH 31, 2020:

Category	No. of Shareholders	No. of Shares held	% Shareholding
Resident	32,118	2,05,84,573	30.9542
Financial Institutions	1	77,109	0.1152
NRI	1372	10,81,246	1.6259
Corporate Body	281	1,74,90,615	26.3016
Clearing Member	75	3,67,428	0.5525
Foreign National	1	304	0.0004
Trusts	1	2800	0.0042
Bank	1	200	0.0003
FPI	3	72,040	0.1083
IEPF	1	452690	0.6807
Directors/ Relatives	8	26370995	39.6556
<b>Total</b>	<b>33862</b>	<b>66500000</b>	<b>100.00</b>

#### 5.10. OUTSTANDING GDRS/ ADRS/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS:

As of March 31, 2020, the Company does not have any outstanding convertible instruments, which are likely to have an impact on the equity of the Company.

#### 5.11. COMMODITY RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company is exposed to the risk of price fluctuation of raw materials as well as finished goods. The Company proactively manages its risk through forward booking Inventory management and proactive vendor development practices. The Company' reputation for quality, product differentiation and service, coupled with existence of powerful brand image mitigates the impact of price risk on finished goods. Business risk evaluation and Management is an ongoing process within the Company. The Assessment is periodically examined by the Board. Disclosure on risks is forming part of Management Discussion and Analysis Report during the period under review.



**5.12. PLANT LOCATION:** Kizhakkambalam, Aluva, Kochi 683 562

**5.13. ADDRESS FOR CORRESPONDENCE**

REGISTERED OFFICE	REGISTRAR AND SHARE TRANSFER AGENT
Kitex Garments Limited (CIN: L18101KL1992PLC006528) 9/536 A, Kizhakkambalam, Aluva, Kochi – 683562, Kerala Tel: 0484 4142310, Fax: 0484 2680604	M/s. Cameo Corporate Services Ltd. Subramanian Building No. 1, Club House Road, Chennai 600002, Tamil Nadu Tel No.044-28460390 Fax No.044-28460129
E-mails: sect@kitexgaments.com Website: www.kitexgarments.com	Email: cameo@cameoindia.com website: www.cameoindia.com

**5.14. CREDIT RATING**

The Company has obtained rating from ICRA during the year ended March 31, 2020.

Instruments	Current Rated Amount	Rating	outlook
Fund-based - Term Loans	3.31 Crs	AA-	Reaffirmed
Fund-based - Working Capital Facilities	117.00 Crs	A1+	Reaffirmed
Non-fund Based-Working Capital Facilities	20.00 Crs	A1+	Reaffirmed
Unallocated facilities	39.71 Crs	AA-	Reaffirmed

**6. OTHER DISCLOSURE**

**6. 1. RELATED PARTY TRANSACTIONS**

All Related Party Transactions were in the ordinary course of business and on arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013. Details of all such transactions placed before the Audit Committee was reviewed and approved through Omnibus approval route. The Board has approved a 'policy on materiality of related party transactions and on dealing with related party transactions' web link of which forms part of Director's report. The policy is available on the website of the Company viz., www.kitexgarments.com. The particulars of contract and arrangement with the Related Parties of your company referred to in Sec 188 (1) of the Companies Act, 2013 in prescribed "Form AoC-2" is appended to the Directors Report.

There were two materially significant transactions with related parties during the financial year, the details are as follows and do not have any potential conflict with the interest of listed entity at large:

Name of the party	Type of transaction	Limits upto which the amounts are approved	Sanction given by Shareholders through
M/s. Kitex Childrenswear Limited	Sale, purchase and service rendered	Rs. 300 Crores each financial year	Annual General meeting held on 28.08.2019
M/s. Kitex USA LLC	Sales of Garments	Rs.600 Crores each financial year	Annual General meeting held on 28.08.2019

**6. 2. SUBSIDIARY COMPANIES**

The Company has 6 wholly owned subsidiaries during the year under review. The minutes of all the subsidiaries of the Company are placed before the Board of Directors of the Company. The details of the policy for determining "material subsidiaries are made available on the website of the Company viz. [http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL\\_material\\_subsidiary\\_Policy.pdf](http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL_material_subsidiary_Policy.pdf).

**6. 3. STATUTORY COMPLIANCE, PENALTY AND STRICTURES**

The Company has complied with all the requirements specified under the listing regulations as well as other regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or Stock Exchanges or any statutory authorities for non-compliance of any matters related to the Capital Market during the last three financial years except as below:

On August 31, 2018, (received by us on September 14, 2018), the Company received the SEBI order imposing penalty of ₹ 11 Lakhs under Sections 15 HB and 15C of the SEBI Act, 1992 vide Adjudication Order dated 31.08.2018, for delaying settlement of investor grievances, for which company has filed an appeal before the Securities Appellate Tribunal, Mumbai. But appeal filed before Securities Appellate Tribunal, Mumbai was dismissed. The Company has since made payment of above penalty amount on June 21, 2019. Please note that on August 31, 2018, the Company had resolved the grievance of Mr. Madhubhai Patwa, shareholder by transferring 12000 shares plus 4800 bonus shares to his demat account no. and also by remitting an amount of ₹ 1,20,720/- to his bank account being the dividend for the period from 2005-06 to 2017-18. The aforesaid transfer of shares and payment of dividend amount is in consonance with the demand of the said shareholder.

#### **6. 4. VIGIL MECHANISM/WHISTLE BLOWER POLICY**

Pursuant to Section 177 (9) and (10) of the Companies Act, 2013, and Regulations 22 of the Listing Regulations, the Company has formulated Vigil Mechanism (Whistle Blower Policy) for Directors and employees to report to the management about the unethical behaviour, fraud or violation of Company's Code of conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provisions for direct access to the Chairman of the audit Committee in exceptional cases. None of the personnel of the company has been denied access to the Audit Committee. The whistle Blower Policy is displayed on the Company's website viz., [www.kitexgarments.com](http://www.kitexgarments.com)

#### **6. 5. DETAILS OF COMPLIANCE WITH THE MANDATORY REQUIREMENTS AND ADOPTION OF THE NON MANDATORY REQUIREMENTS**

The Company has fully complied with the mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SEBI listing regulations states that the non-mandatory requirements may be implemented as per the discretion of the Company. Details of compliance of non-mandatory requirements are listed below:

- **UN-MODIFIED OPINION IN AUDITORS REPORT**

During the year under review, there are no audit qualifications in the financial statements of the Company. The Company continues to adopt appropriate best practices in order to ensure unqualified financial statements.

#### **6. 6. POLICY FOR DETERMINING MATERIAL SUBSIDIARIES**

The policy for determining 'material' subsidiaries is available on the website of the Company at [http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL\\_material\\_subsiary\\_Policy.pdf](http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL_material_subsiary_Policy.pdf).

#### **6. 7. POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

The policy on materiality of and dealing with Related Party Transactions is available on the website of the Company at [http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL\\_RPT\\_policy\\_140219.pdf](http://www.kitexgarments.com/wp-content/uploads/2019/02/KGL_RPT_policy_140219.pdf)

#### **6. 8. DISCLOSURE OF ACCOUNTING TREATMENT**

In the preparation of the financial statements, the Company has followed the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable. The Significant accounting policies which are consistently applied are set out in the Notes to the Financial Statements and that the Company has not done a treatment different from that prescribed in the Standard.

#### **6. 9. AUDITORS' REMUNERATION**

The total fees for all services paid by Company and its subsidiaries, on a consolidated basis, to the statutory auditors and all entities in the network firm/ network entity of which the statutory auditor is a part of are as follows:

Particulars	Amount (₹ In lakhs)
Payment to Statutory Auditors	20.02
Payment to all the entities in the Statutory Auditors network firms	-
<b>Total</b>	<b>20.02</b>

#### **6.10. UTILIZATION OF FUNDS RAISED THROUGH PREFERENTIAL ALLOTMENT OR QUALIFIED INSTITUTIONAL PLACEMENT**

During the year under review, the Company has not raised any proceeds by way of preferential issue or qualified institutional placement.

### 6.11. REPORT ON CORPORATE GOVERNANCE

Your Company has obtained certificate affirming the Compliances with these regulations from Practising Company Secretary and forms part of this Report. The Company is fully compliant with all the provisions of Listing Regulations, as applicable to the Company.

### 6.12. CERTIFICATE FROM CEO/CFO

The CEO certification of the financial statements for the year has been submitted to the Board of Directors, in its meeting held on May 20, 2020 as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations.

### 6.13. OBSERVANCE OF THE SECRETARIAL STANDARDS ISSUED BY THE ICSI

The Institute of Company Secretaries of India (ICSI), one of the India's premier professional bodies has issued Secretarial Standards on important aspects like Board Meetings, and General Meetings under series SS-1 and SS-2 which came into force from 1st July, 2015 upon endorsement of the same by Ministry of Corporate Affairs by notification and your company adheres to these standards where ever applicable. The other standards like Payment of Dividend, Maintenance of Registers and Records, Transmission of Shares, Passing of resolutions by Circulation, Affixing of Common Seal and Board's report which are as on date of report Recommendatory in nature are also adhered to voluntarily.

### 6.14. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has constituted Internal Complaints Committee (POSH Committee) which looks into the complaints raised and resolves the same. The above Committee reports to the Audit Committee and Board. The shareholders may refer necessary disclosures as required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been disclosed in Directors' Report. The Audit Committee looks into matters reported on a quarterly basis and track matters to closure as per law.

No personnel have been denied access to the Audit Committee.

## 7. OTHER USEFUL SHAREHOLDERS INFORMATION

### 7.1 GREEN INITIATIVE

The Company's philosophy focuses on making the environment greener for the benefit of prosperity. To support the Green Initiative, members (holding shares in electronic form) who have not registered their email addresses, are requested to register the same with their Depository Participants. Members holding shares in physical mode are also requested to register their email ID with the Registrar and Share Transfer Agent of the Company.

### 7.2 CHANGE IN ADDRESS AND FURNISHING BANK DETAILS

Shareholders holding shares in physical form should notify to the Company's RTA, change in their address with PIN Code number and Bank Account details by written request under the signatures of sole/first joint holder.

Beneficial Owners of shares in de-mat form should send their instructions regarding change of address, bank details, nomination, power of attorney, change in E-mail address, etc., directly to their DP, as the said records are maintained by the DPs.

To prevent fraudulent encashment of dividend warrants, Shareholders, who hold shares in physical form, should provide their Bank Account details to the Company's RTA, while those Shareholders who hold shares in dematerialized form should provide their Bank Account details to their DP, for printing of the same on the dividend warrants.

### 7.3 REGISTERING OF EMAIL ADDRESS

Shareholders, who have not yet registered their E-mail address for availing the facility of E-communication, are requested to register the same with the Company's RTA (in case the shares are held in physical form) or their DP (in case the shares are held in dematerialized form) so as to enable the Company to serve them fast.

### 7.4 UNCLAIMED DIVIDEND/SHARES

Pursuant to Section 124(5) of the Companies Act, 2013, the Company has transferred all unclaimed/ unpaid dividends upto the financial year 2012-13 to the Investor Education and Protection Fund as applicable. Details of such unclaimed/ unpaid dividend transferred upto 2012-13 are available on the website of the Company viz., [www.kitexgarments.com](http://www.kitexgarments.com). Further Section 124(6) of the Companies Act, 2013 mandates transfer of all those shares in respect of which Unpaid or Unclaimed dividend have been transferred by the company to the IEPF.

Members who have either not received or have not en-cashed their dividend warrant(s) for the financial years 2013-14 to 2019-20, are requested to claim the unpaid dividend from the Company before transfer to the above mentioned fund. After transfer of unpaid/unclaimed dividend amount to the IEPF, the same can be claimed subsequently after following the procedure.

Further, dividend which has become unclaimed for the last 7 years since 2012-13 must be claimed by the concerned shareholders on or before June 18, 2020 for which Company had sent the reminder letter to them. Since due date for such transfer was elapsed on above date, the company had initiated and completed the process of transfer of such dividend to IEPF Authority on July 8, 2020. The details are provided in the Shareholder information section of this Annual Report and are also available on our website [www.kitexgarments.com](http://www.kitexgarments.com).

Details of the unclaimed dividend and the last date for claiming the same, prior to its transfer to the IEPF are given below:

Financial year	No. of Members show have not claimed their dividends	Unclaimed dividend as on 31.03.2019	Unclaimed dividend as % to total dividend	Date of declaration	Last dated for claiming the dividend prior to its transfer to IEPF
2013-14	972	9,20,148.00	1.94	15.05.2014	19.06.2021
2014-15	1088	10,38,592.50	2.19	04.06.2015	09.07.2022
2015-16 (interim)	1549	6,45,825.00	1.36	30.10.2015	04.12.2022
2015-16 (Final)	1185	6,46,350.00	1.36	10.06.2016	16.07.2023
2016-17 (Interim)	1201	6,64,140.00	1.40	31.10.2016	06.12.2023
2016-17 (Final)	1203	6,38,173.50	1.34	19.06.2017	24.07.2024
2017-18 (Interim)	1638	9,86,511.75	1.48	04.11.2017	09.12.2024
2017-18 (Final)	963	7,65,427.50	1.15	28.07.2018	01.09.2025
2018-19 (final)	881	1,156,410.00	1.16	28.08.2019	02.10.2026

Summary of equity shares transferred to IEPF account are given below:

Financial year	No. of shareholders whose shares were transferred	No. of shares transferred to demat Account in NSDL	No. of shares transferred to demat Account in CDSL	No. of shares transferred to Demat Account in Physical Form	Unclaimed dividend transferred
2008-09	257	1516	3359	2,44,500	6,06,753.75
2009-10	40	828	1932	12,700	2,77,817.00
2010-11	26	980	175	1,63,000	7,90,103.00
2011-12	38	1333	467	24000	6,68,905.00
2012-13	10	1381	200	1000	8,80,640.80

In terms of the said Regulation, voting rights on the equity shares lying in said demat accounts shall remain frozen till the rightful owner claims such shares. Further all corporate benefits in terms of securities accruing on the said shares viz., bonus shares, split etc if any shall also be credited to the said IEPF account.

The Concerned shareholder(s) can claim the dividend and /or shares that have been transferred to IEPF account after complying with the procedure prescribed by the Ministry of Corporate Affairs, Government of India. A brief outline of the procedure for claiming the dividend/shares from IEPF authority is listed for the benefit of the concerned Shareholders(s).

- Ø Submit the duly filled web form only at [www.iepf.gov.in](http://www.iepf.gov.in). On successful upload, download the acknowledgement that get generated automatically
- Ø Take a printout of the duly filled form IEPF-5 and the acknowledgement. Submit the same to the Nodal Officer (IEPF) of the Company at its registered office in an envelope marked as "claim for refund from IEPF Authority" along with the following documents:
  - o Indemnity in original with claimant's signature
  - o Advance Stamped receipt (in original)
  - o Copy of Aadhaar Card (for Indian citizens)
  - o Copy of Pass-port (for NRIs)
  - o Proof of entitlement (Share Certificate/Dividend Warrants etc)
  - o Cancelled cheque leaf and
  - o Other required documents.

- Ø The Company on receipt of the complete set of documents will submit its e-verification report to the IEPF Authority
- Ø Upon submission of the verification report by the Company, the corresponding action will solely be at the discretion of the IEPF Authority.

For more details, the concerned shareholder is requested to refer to the "Refund" section of [www.iepf.gov.in](http://www.iepf.gov.in).

### 7.5 DEMAT SUSPENSE ACCOUNT

Regulation 39(4) of the Listing Regulations inter alia requires every listed company to comply with certain procedures in respect of shares issued by it in physical form pursuant to a public issue or any other issue and which remained unclaimed for any reason whatsoever. In terms of the said Regulation, voting rights on the equity shares lying in the said Unclaimed Suspense Account shall remain frozen till the rightful owner claims such shares. Further, all corporate benefits in terms of securities accruing on the said unclaimed shares viz. bonus shares, split, etc., if any, shall also be credited to the said Unclaimed Suspense Account. The Company had sent the reminders to the shareholders whose share certificates were returned undelivered and lying unclaimed. In case your shares are lying unclaimed with the Company, you are requested to claim the same by writing a letter to the Company.

The status of the aforesaid unclaimed shares, as on March 31, 2020 is given below:

Particulars	No. of Shareholders	No. of Shares
Aggregate number of Shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on April 1, 2019	496	632380
Number of Shares transferred in favour of IEPF Authority from the Unclaimed Suspense Account during FY 2019-20	-	-
Number of shareholders who approached listed entity for transfer of shares from suspense account during the FY 2019-20	-	-
Number of Shareholders / legal heirs to whom the shares were transferred from the Unclaimed Suspense Account during FY 2019-20	-	-
Aggregate number of Shareholders and outstanding shares held in the Unclaimed Suspense Account as on March 31, 2020	496	632380

### 7.6 DISCLOSURES OF THE COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS SPECIFIED IN REGULATIONS 17 TO 27 AND CLAUSES (B) TO (I) OF SUB-REGULATION (2) OF REGULATION 46:

The Board of Directors quarterly reviews the compliance of all applicable laws. Your company has compliance framework for adherence to the mandatory requirements of Corporate Governance norms as specified in Regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the Listing Regulations to the extent applicable to the Company and has duly complied with.

### 7.7 ENCASH DIVIDEND PROMPTLY

The shareholders are advised to encash their dividend promptly to avoid hassles of revalidation or losing right to claim dividend owing to transfer of unclaimed dividends beyond 7 (Seven) years to the Investor Education and Protection Fund.

### 7.8 QUOTE FOLIO NO. / DP ID NO.

Shareholders/ Beneficial Owners are requested to quote their Folio Nos./ DP ID Nos., as the case may be, in all correspondence with the Company. Shareholders are also requested to quote their E-mail IDs, and Contact number for prompt reply to their correspondence.

## DECLARATION – CODE OF CONDUCT

I, Sabu M. Jacob, Managing Director of Kitex Garments Limited, declare that all the members of the Board of Directors and Senior Management have, for the year ended March 31, 2020 affirmed compliance with the Code of Conduct laid down for the Board of Directors and Senior Management in terms of Regulation 26(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

July 29, 2020  
Kizhakkambalam

For **Kitex Garments Limited**  
Sd/-  
**Sabu M. Jacob**  
Chairman & Managing Director  
(DIN: 00046016)

## CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Kitex Garments Limited

We have examined the compliance of conditions of Corporate Governance by **Kitex Garments Limited** [CIN: L18101KL1992PLC006528] having its registered office at P.B.No.5, Kizhakkambalam, Alwaye, Ernakulam-683562, for the year ended **31<sup>st</sup> March, 2020** as stipulated in Regulation 17 to 27 and clause (b) to (i) of Regulation 46 (2), Schedule V and Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated above. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on March 31, 2020.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Kochi  
29.07.2020

For **SVJS & Associates**  
Company Secretaries

Sd/-  
**CS. Vincent P. D.**  
Managing Partner  
FCS: 3067  
CP No: 7940  
UDIN: F003067B000523972

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C Clause (10)(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To  
The Members  
**Kitex Garments Limited**  
P.B.No.5, Kizhakkambalam  
Alwaye-683562, Kerala

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **Kitex Garments Limited** having CIN: **L18101KL1992PLC006528** and having registered office at P.B.No.5, Kizhakkambalam, Alwaye-683562, Kerala (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C Clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to us by the Company and 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 **31<sup>st</sup> March, 2020** have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such Statutory Authority.

Sl. No.	Name of Director	DIN	Date of appointment in Company
1.	Mr. Sabu Meckamkunel Jacob	00046016	16.08.1993
2.	Mr. Chenakkott Philipose Philipose	01125157	20.07.2015
3.	Mr. Benni Joseph	01219476	12.01.2015
4.	Mr. Kalpathy Lekshmi Venkitanarayanan Narayanan	01273573	04.04.2013
5.	Mr. Erumala Mathew Paulose	03563106	12.01.2015
6.	Mrs. Sindhu Chandrasekharan	06434415	16.03.2015

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

**For SVJS & Associates**  
Company Secretaries

Sd/-  
**CS. Vincent P. D.**  
Managing Partner  
FCS: 3067  
CP No: 7940  
UDIN: F003067B000523763

Kochi  
29.07.2020

## CEO'S/ CFO'S CERTIFICATE

I, Bobby Michael CFO of the Company, to the best of my knowledge and belief, certify that:

- a. I have reviewed the financial statements and the cash flow statement for the year ended March 31, 2020 and that to the best of my knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have disclosed, to the auditors and the Audit Committee, wherever applicable, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to be taken to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit Committee, wherever applicable,
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. Instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or any employee having a significant role in the Company's internal control system over financial reporting.

For **Kitex Garments Limited**

Sd/-

**Boby Michael**

Chief Financial Officer

July 29, 2020  
Kizhakkambalam



# BUSINESS RESPONSIBILITY REPORT

Your Company has pleasure in presenting Business Responsibility Report (BRR) for the FY 2019-20. The Company foresees to invest the fund effectively for the social and economic development of societies in which Company operates. Our Vision converges on CSR for Kizhakkambalam, where we dream to make this Panchayat the no. 1 in the state of Kerala. The Company targets to develop products and Services centered on driving Customer satisfaction while contributing to the overall objective of community development.

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1	CIN of the Company	L18101KL1992PLC006528						
2	Name of the Company	Kitex Garments Limited						
3	Registered address	P B No. 5, Kizhakkambalam, Aluva, Kochi Kerala 683 562						
4	Website	www.kitexgarments.com						
5	e-mail id	sect@kitexgarments.com						
6	Financial Year reported	2019-20						
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	<table border="1"> <thead> <tr> <th>Name of the Sector</th> <th>NIC Code</th> </tr> </thead> <tbody> <tr> <td>Garments</td> <td>2650</td> </tr> <tr> <td>Fabrics</td> <td>2650</td> </tr> </tbody> </table>	Name of the Sector	NIC Code	Garments	2650	Fabrics	2650
Name of the Sector		NIC Code						
Garments		2650						
Fabrics	2650							
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	Baby Suits, Sleepwear, Rompers, Bibs Burps etc..						
9	Total number of locations where business activity is undertaken by the Company							
	a. Number of International Locations (Provide details of major 5)	Nil						
	b. Number of National Locations	One						
10	Markets served by the Company – Local/ State/ National/ International/	USA and UK						

## SECTION B: FINANCIAL DETAILS OF THE COMPANY

1	Paid up Capital (INR)	Rs. 6,65,00,000
2	Total Turnover (INR)	Rs. 783.58 Crores
3	Total profit after taxes (INR)	Rs. 108.67 Crores
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Rs. 6.76 Crores (> 2% of Average Net Profit for the last 3 financial years)
5	List of activities in which expenditure in 4 above has been incurred.	<p>The major areas in which the CSR expenditure has been incurred include:</p> <ol style="list-style-type: none"> <li>1. Agriculture</li> <li>2. Housing</li> <li>3. Basic infrastructure (Road development)</li> </ol> <p>For more details, please refer Directors Report.</p>

## SECTION C: OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	Yes
2	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Yes. The CSR initiative (through Twenty20 Kizhakkambalam Association) is jointly promoted and monitored by the Company along with M/s. Kitex Childrenswear Limited, M/s. Kitex Limited and Anna Aluminum Co Pvt. Ltd, all of them are promoter group companies. The other group entities contribution is less than 50% of the overall contribution made to this initiative.

## SECTION D: BR INFORMATION

1	Details of Director/ Directors responsible for BR	
	(a) Details of the Director/ Directors responsible for implementation of the BR policy/policies	
	DIN Number	00046016
	Name	Mr. Sabu M Jacob
	Designation	Chairman & Managing Director
	(b) Details of the BR head	
	DIN Number (if applicable)	00046016
	Name	Mr. Sabu M Jacob
	Designation	Chairman & Managing Director
	Telephone number	0484 4142000
	e-mail id	sect@kitexgarments.com
2.	Principle-Wise (as per National Voluntary Guidelines) BR Policy/policies	
	P-1 Business should conduct and govern themselves with ethics, transparency and Accountability	
	P-2 Business should provide goods and services that are safe and contribute to sustainability through their life cycle.	
	P-3 Business should promote the wellbeing of all employees	
	P-4 Businesses should respect the interest of, and be responsive towards all stakeholders, specially those who are disadvantaged, vulnerable and marginalized	
	P-5 Business should respect and promote human rights	
	P-6 Business should respect, protect and make efforts to restore the environment	
	P-7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.	
	P-8 Business should support inclusive growth and equitable development	
	P-9 Business should engage with and provide value to their customers and consumers in a responsible manner.	

(a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies for BR	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify?	Y. WRAP (Worldwide Responsible Accredited Production, GSV(Global Security Verification), OEKO-TEX Standard 100 pertaining to Consumer Product Safety Commission by US in Class-1 and GOTS (Global Organic Textile Standard)								
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y. It has been signed by appropriate Director and placed before the Board.								
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Corporate Social Responsibility Policy: <a href="http://www.kitexgarments.com">www.kitexgarments.com</a> Code of conduct: <a href="http://www.kitexgarments.com">www.kitexgarments.com</a>								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	The policy has been communicated to key internal stakeholders. The communication is an ongoing process to cover all the internal and external stakeholders.								
8	Does the company have in-house structure to implement the policy/ policies.	Yes, the CSR Committee of the Board of Directors is responsible for the implementation of company's policies.								
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Yes. CSR Committee of the Board of Directors is responsible for addressing stakeholder concerns related to policies.								
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	The policy is evaluated internally. The Internal and External Auditors of the Company from time to time monitor the implementation of these policies.								

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	The Management along with the Board of Directors periodically assesses the BR performance of the Company every three months.
(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	The Company publishes its Business Responsibility report in their Annual Report which can be viewed in the company's website: <a href="http://www.kitextarments.com">www.kitextarments.com</a> or in the facebook page of twenty20 Kizhakkambalam

**SECTION E: PRINCIPLE-WISE PERFORMANCE**

**Principle 1: Business should conduct and govern themselves with ethics, transparency and Accountability**

1 Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?	The company's governance structure guides the organization keeping in mind its core values of Integrity, Commitment and Passion.  The Corporate Principles and the Code of Conduct cover the company and its associate companies and are applicable to all its employees.
2 How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	No stakeholder complaints were received during the year on the conduct of the business involving ethics, transparency and accountability.

**Principle 2: Business should provide goods and services that are safe and contribute to sustainability through their life cycle.**

1 List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	The Company is a responsible corporate citizen and is committed to sustainable development and looks at ways to preserve the environment and manage resources responsibly. The Company understands its obligations relating to social and environmental concerns and risks and opportunities. Accordingly the company has devised the manufacturing processes in these products and systems factoring social and environmental concerns. Your company's manufacturing facility at Kizhakkambalam is certified by WRAP(Worldwide Responsible Accredited Production) GSV(Global Security Verification) OEKO-TEX Standard 100, Global Organic Textile Standard and other standards
2 For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):	<p data-bbox="742 1549 1433 1670">(a) Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain? The Company has worked towards cost optimization, optimization of logistics and reduction in input consumption ratio in the processes and has reduced the consumption of major inputs including energy, water etc by adoption of new techniques and alternate methods.</p> <p data-bbox="742 1676 1433 1761">(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year? The Company has put considerable efforts in conservation of energy and reuse water which has resulted in reduced consumption since the previous year.  The products of the company are used by diverse consumer all of whom are outside India, hence it is not feasible to measure the usage of water, energy and consumers.  For more details, please refer directors report for FY 20.</p>
3 Does the company have procedures in place for sustainable sourcing (including transportation)?	Yes

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	<p>The Company has built up highly integrated horizontal and vertical integration processes in its operations. All the major inputs under the company's control are sourced most efficiently. The internal processes and procedures ensure adequate safety during transportation and optimization of logistics, which in turn help to mitigate climate change.</p> <p>With respect to yarn procurement which is one of the important inputs for the manufacture of garments, the company is continuously increasing the sourcing of yarns from well-known manufacturers who follow best quality and technology. The company is also continuously encouraging yarn manufacturers to install most modern equipments and technology.</p>
4 Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?	Yes
(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	<p>The Company fosters local and small suppliers for procurement of goods and services in the proximity to its plant location. First preference is given to local vendors for input material locally available has also encourage setting up of many ancillary units around its plant in Kizhakkambalam. Through various CSR programs training and technical support are being provided to them to improve and build their capability and to educate and raise their standards.</p>
5 Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.	<p>The Company follows the principle 3R (Reduce, Recycle and Reuse). It recycles products and waste in the range of around 10% in its factory. Further Waste Water Recycling is also being done at our factory. The company has installed Reverse Osmosis Plant for treating waste Water. More than 10% process has been reused in yarns.</p>

**Principle 3 : Business should promote the wellbeing of all employees**

1 Please indicate the Total number of employees.	5535
2 Please indicate the Total number of employees hired on temporary/ contractual/ casual basis.	Nil
3 Please indicate the Number of permanent women employees.	3151
4 Please indicate the Number of permanent employees with disabilities	Nil
5 Do you have an employee association that is recognized by management.	No
6 What percentage of your permanent employees is members of this recognized employee association?	Not Applicable
7 Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	<p>No cases of child labour, forced labour, involuntary labour, sexual harassment and discriminatory employment were reported during the reporting year. Statutorily, KGL has formed Prevention of Harassment and Abuse Committee where employees can register their complaints against sexual harassment. This is supported by the Sexual Harassment Policy which ensures a free and fair enquiry process with clear timelines.</p>

Sl. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
i	Child labour/ forced labour/ involuntary labour	Nil	Nil
ii	Sexual harassment	Nil	Nil
iii	Discriminatory employment	Nil	Nil

8	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?	Safety Training Skill Upgradation	
(a)	Permanent Employees	100%	100%
(b)	Permanent Women Employees	100%	100%
(c)	Casual/Temporary/Contractual Employees	Nil	Nil
(d)	Employees with Disabilities	Nil	Nil

**Principle 4: Businesses should respect the interest of, and be responsive towards all stakeholders, specially those who are disadvantaged, vulnerable and marginalized**

1 Has the company mapped its internal and external stakeholders? Yes/No

Yes. The company has identified its internal as well as external stakeholders.

Stakeholders	Medium of Engagements
Government and regulatory authorities	Industry bodies/ forums
Employees	Meetings, newsletters, employee satisfaction survey and trainings
Customers	Customer meets, customer satisfaction survey and web-based portals
Local community	Visits and camps
Investors and shareholders	Investor meets, annual general meeting and annual report
Suppliers	Site visits and personal/ telephonic interactions

2 Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

Yes. The Company has identified disadvantaged, vulnerable and marginalized stakeholders through baseline surveys.

3 Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

The Company's endeavors to bring in inclusive growth are channelised through the Twenty20 program in which the Company's Chairman & Managing Director, Shri. Sabu M. Jacob is the Chairperson.

Several programmes such as health care, education, infrastructure, safe drinking water and sanitation, sustainable livelihood, self-help groups and income generation programs etc are extended to the people living near the company's manufacturing unit.

The safety of the workers is of utmost importance and a culture of safety is brought in, not just for the Company's employees but also for other stakeholders.

**Principle 5: Business should respect and promote human rights**

1	Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?	The Company has been following the Human Rights as enshrined in the Constitution of India as the policy which is also made applicable to all its associate companies.
2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	NIL

**Principle 6 : Business should respect, protect and make efforts to restore the environment**

1	Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ others.	The company's Policy on Safety, Health and Environment extends to its associate companies. A common guidelines/frame work for the company is being framed by the Company's sustainability cell, incorporating key point from all of its businesses.
2	Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.	Yes, the Company is committed to address issues of global warming and reduction of emissions. The company has regularly opted for technology up gradation with the latest state-of-the-art generation technology that reduces energy consumption. Reduction of water consumption is being achieved through reuse, recycle and installation of condensate Pollution Unit. Please refer to the Sustainability report for the initiatives taken by the Company. The same is also available in Company's website <a href="http://www.kitexgarments.com">www.kitexgarments.com</a>
3	Does the company identify and assess potential environmental risks? Y/N	Yes, the Company regularly assesses the environmental risks emanating from its operations.  Environment/Safety management programmes are initiated for the mitigation of identified environment aspects as well as safety hazards. Organization-wide technology standards are developed for assessment of energy, carbon, waster water air emissions, solid waste disposal and also remediation of contaminated sites.
4	Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	The Company has undertaken various projects on Clean Development Mechanism (CDM) at its manufacturing Unit. The environmental compliance reports are filed periodically with the respective State Authorities. Company has also made arrangements with local authorities for disposing the ETP sludge to them in the normal course of operation.
5	Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.	Yes, the Company has taken several initiatives on clean technology, energy efficiency, renewable energy etc.  Clean Technology: New and latest technology including organic dyes is being used in the processing plant on a pilot scale and initiative to establish production at commercial scale is envisaged.  Energy Efficiency: This is a continuous exercise and adoption of energy efficient equipment for new projects, better utilization of waste head from main processing plant as well as ancillary units.  Renewable Energy: Currently, feasibility studies are being done to understand the viability of solar energy in production lines at both in processing and garmenting.  Please refer to the Board's Report in the Annual Report for Energy conservation initiatives. The same is also available on Company's website: <a href="http://www.kitexgarments.com">www.kitexgarments.com</a>
6	Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?	Yes, The emissions/Waste generated by the Company are within the permissible limits given by CPCB/SPCB and are reported on periodic basis.

7	Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.	Nil
<b>Principle 7 : Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner</b>		
1	Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:	The Company is a member of Apparel Export Promotion Council of India
2	Have you advocated/ lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	Yes the broad areas are Economic Reforms, Environment and Energy Issues and Sustainable Business Principles.
<b>Principle 8 : Business should support inclusive growth and equitable development.</b>		
1	Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.	Yes. The Company has formulated a well-defined CSR policy which focuses on the following major areas: <ol style="list-style-type: none"> <li>1. Education</li> <li>2. Health Care</li> <li>3. Environment and Livelihood</li> <li>4. Rural Development</li> <li>5. Social Empowerment</li> <li>6. Gender diversity</li> <li>7. Housing &amp; Sanitation</li> </ol>
2	Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organization?	The programmes/projects are undertaken through in-house teams/ our Twenty20 Kizhakkambalam as well as in partnership with non-governmental organizations and the Local Panchayath (in which 17 out of the 19 members have been elected from the Twenty20 initiative) to serve areas of community growth and sustainable development.
3	Have you done any impact assessment of your initiative?	Yes. The company has in general conducted impact assessment of its CSR initiatives and has seen positive outcomes and benefits for the people in and around the Company's location at Kizhakkambalam.
4	What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.	During the year under review, the Company has spent an amount of ₹ 6.75 Crores on CSR activities mainly on rural development, housing for all, Agriculture etc and to bring about a social change by advocating and supporting various social campaigns and programmes.
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	Yes. The Company has taken steps to ensure that the community initiatives benefit the community. Projects evolve out of the felt need of the communities and they are engaged in the implementation of the welfare driven initiatives, as well. The communities actively partner with the company and take ownership of the projects, eventually as its positive outcome benefits them hugely.



**Principle 9: Business should engage with and provide value to their customers and consumers in a responsible manner.**

1	What percentage of customer complaints/ consumer cases are pending as on the end of financial year.	The Company has a well-defined system of addressing customer complaints. All complaints are appropriately addressed and resolved. However, the Company manufactures garments on private labels, the same is fully adhered to the buyer terms and conditions from time to time.
2	Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ N.A. / Remarks (additional information)	The Company displays product information on the products' label. Since the company is an 100% export oriented Unit its products are labeled and packed according to the standards prescribed by those countries like USA and UK
3	Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.	No
4	Did your company carry out any consumer survey/ consumer satisfaction trends?	Yes. consumer satisfaction surveys are being conducted periodically to asses the consumer satisfaction levels. Since the company manufacture garments primarily for private labels the in-house facility is being used for the survey and feedback reviews.

**For Kitex Garments Limited**

Sd/-

**Sabu M. Jacob**

Chairman and Managing Director  
(DIN: 00046016)

July 29, 2020  
Kizhakkambalam

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KITEX GARMENTS LIMITED

### Report on the Audit of the Standalone Financial Statements

#### Opinion

We have audited the standalone financial statements of Kitex Garments Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

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

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Standalone 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 (ICAI) together with the ethical requirements that are relevant to our audit of the standalone 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 opinion.

#### Emphasis of Matter

We draw attention to Note 2.42 to the standalone financial statements which states that the management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that there is no impact which is required to be recognised in the standalone financial statements. Accordingly, no adjustments have been made to the standalone financial statements.

Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. This matter was addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Inventory: [Refer to Note 1.6 to Standalone financial statements]

The total value of inventory as of March 31, 2020 amounted to ₹ 13,032.87 lakhs representing 15.01% of the total assets (March 31, 2019: 12,888 Lakhs, 16.40% of the total assets). Inventories are measured the lower of cost and net realisable value.

The valuation of inventory is dependent on implementing appropriate controls w.r.t valuation. Management applies judgement in identification and determination of obsolete inventories and estimates the appropriateness of requisite provision. Allocation of indirect production costs is also estimated which is manually loaded to inventory cost. We considered this as a Key Audit Matter as these judgements are key elements in the valuation of inventories.

We have performed the following principal audit procedures in relation to Inventory valuation:

- Tested relevant internal controls that the Company uses to ensure proper valuation of inventory, including the procedures for write-down of obsolete inventory and the indirect production costs manually capitalized as inventory.
- Tested the adequacy of write-downs for excess and/or obsolete inventory by verifying future demand data, historical usage, historical accuracy of write-downs and management's plans to utilize the inventory.
- Evaluated the significant judgements and estimates made by Management in applying Company's accounting policy in relation to indirect production costs.
- Assessed the Company's disclosures in the financial statements in respect of inventory.

### Information Other than the Standalone Financial Statements and Auditors' Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, Chairman's statement, Director's report etc but does not include the standalone financial statements and our auditors' report thereon.

Our opinion on the standalone 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 standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone 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 and Those Charged with Governance for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. 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 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 standalone financial statements.

We give in "Annexure A" a detailed description of Auditors' responsibilities for Audit of the Standalone Financial Statements.

### Other Matter

1. Due to the restrictions and lock down laid by the government due to the COVID-19 pandemic it was impracticable for us to attend the physical verification of inventory carried out by the management subsequent to year end. Consequently, we have performed related alternative audit procedures and have obtained sufficient, appropriate audit evidence over the existence of inventory (amounting ₹ 13,082.37 Lakhs) as on March 31, 2020.

Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- (c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C".
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 standalone financial statements – Refer Note 2.39.1 to the standalone 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.
3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

**For MSKA & Associates**  
**Chartered Accountants**  
ICAI Firm Registration No. 105047W

Sd/-  
Geetha Jeyakumar  
**Partner**  
Membership No. 29409  
UDIN: 20029409AAAAFY3734

Place: Chennai  
Date: July 29, 2020

## ANNEXURE – A

### TO THE INDEPENDENT AUDITORS' REPORT ON EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KITEX GARMENTS LIMITED

#### Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

- Identify and assess the risks of material misstatement of the standalone 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 internal financial controls with reference to standalone 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 auditors' report to the related disclosures in the standalone 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 auditors' 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 standalone financial statements, including the disclosures, and whether the standalone 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 standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

**For MSKA & Associates**  
**Chartered Accountants**  
 ICAI Firm Registration No. 105047W

Sd/-  
 Geetha Jeyakumar  
**Partner**

Membership No. 29409  
 UDIN: 20029409AAAAFY3734

Place: Chennai  
 Date: July 29, 2020

## ANNEXURE – B

### TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KITEX GARMENTS LIMITED FOR THE YEAR ENDED MARCH 31, 2020

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

- i.(a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and Equipment).
- (b) Some of the fixed assets (Property, Plant and Equipment) were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) According to the information and explanation given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.  
Immovable properties of land and buildings whose title deeds have been pledged with banks as security for working capital loans, are held in the name of the Company based on the equitable mortgage deed executed between the bank and the Company for which confirmations have been obtained from respective bankers in year end.
- ii. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on verification between the physical stock and the book records.
- iii. The Company has granted loans, unsecured to six Companies covered in the register maintained under section 189 of the Act.
  - (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the rate of interest and other terms and conditions on which the loans have been granted to the Companies listed in the register maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company.
  - (b) In case of the loans granted to the Companies listed in the register maintained under section 189 of the Act, schedule of repayment of principal and payment of interest have not been stipulated. In the absence of stipulation of repayment terms are unable to comment on the regularity of repayment of principal and payment of interest.
  - (c) There are no amounts overdue remaining outstanding as at balance sheet date.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act, in respect of loans and investments. The company has not given any guarantees or securities.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under and hence reporting under clause (v) of the Order is not applicable.
- vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.
- vii.(a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and any other statutory dues applicable to it. There were no undisputed statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us and examination of records of the Company, the outstanding dues of income-tax, goods and service tax, customs duty, cess and any other statutory dues on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount ₹ In lakhs	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Customs Duty and interest	220.26	1996-97 to 1997-98	Honourable Supreme Court of India
The Customs Act, 1962	Customs Duty and interest	3,415.52	2010-11 to 2019-20	Honourable High Court of Kerala
Income Tax Act, 1961	Penalty	33.91	FY: 2010-11	Commissioner of Income tax (Appeals)
Income Tax Act, 1961	Income tax dues	678.89	FY: 2015-16 FY: 2016-17	Commissioner of Income tax (Appeals)

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The company does not have any loans or borrowings from financial Institutions and has not issued any debentures.
- ix. In our opinion, according to the information explanation provided to us, money raised by way of term loans during the year have been applied for the purpose for which they were raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.
- x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion, the Company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions stated in paragraph clause 3 (xvi) of the Order are not applicable to the Company.

**For MSKA & Associates**  
**Chartered Accountants**

ICAI Firm Registration No. 105047W

Sd/-

Geetha Jeyakumar

**Partner**

Membership No. 29409

UDIN: 20029409AAAAFY3734

Place: Chennai

Date: July 29, 2020

## **ANNEXURE – C**

### **TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF KITEX GARMENTS LIMITED FOR THE YEAR ENDED MARCH 31, 2020**

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]

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

We have audited the internal financial controls with reference to standalone financial statements of Kitex Garments Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone 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 with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 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 internal financial controls with reference to standalone 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 internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone 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 auditors' judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

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

#### **Meaning of Internal Financial Controls with Reference to Standalone Financial Statements**

A Company's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to standalone 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 standalone financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone financial statements.

#### **Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements**

Because of the inherent limitations of internal financial controls with reference to standalone 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 with reference to standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone 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, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to standalone financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

**For MSKA & Associates**  
**Chartered Accountants**  
ICAI Firm Registration No. 105047W

Sd/-  
Geetha Jeyakumar  
**Partner**  
Membership No. 29409  
UDIN: 20029409AAAAFY3734

Place: Chennai  
Date: July 29, 2020

# STANDALONE BALANCE SHEET

AS AT MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>I</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Property, plant and equipment	2.01A	16,924.64	16,387.65
	(b) Capital work-in-progress	2.01B	2,031.08	3,763.58
	(c) Other intangible assets	2.01C	19.74	49.93
	(d) Intangible assets under development	2.01D	32.39	223.25
	(e) Financial assets			
	(i) Investments	2.02	3,536.38	2,922.92
	(ii) Other financial assets	2.03	7,362.13	5,146.56
	(f) Non-current tax assets	2.04	512.83	275.93
	(g) Other non-current assets	2.05	940.68	716.90
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	2.06	13,032.87	12,888.02
	(b) Financial assets			
	(i) Trade receivables	2.07	25,156.79	16,531.54
	(ii) Cash and cash equivalents	2.08	9,380.17	9,406.27
	(iii) Bank balances other than (ii) above	2.09	1,274.77	457.46
	(iv) Other financial assets	2.10	3,691.14	1,470.36
	(c) Other current assets	2.11	2,941.25	8,321.80
	<b>TOTAL ASSETS</b>		<b>86,836.86</b>	<b>78,562.17</b>
<b>II</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Equity</b>			
	(a) Equity share capital	2.12	665.00	665.00
	(b) Other equity	2.13	66,851.27	58,478.68
	<b>Liabilities</b>			
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Provisions	2.14	1,006.63	777.92
	(b) Deferred tax liabilities (net)	2.15	684.50	1,338.94
	(c) Other non-current liabilities	2.16	579.87	669.59
<b>3</b>	<b>Current liabilities</b>			
	(a) Financial liabilities			
	(i) Borrowings	2.17	9,612.57	8,668.30
	(ii) Trade payables	2.18		
	- Total outstanding dues of micro enterprises and small enterprises		57.43	102.61
	- Total outstanding dues of creditors other than micro enterprises and small enterprises		4,674.27	4,107.98
	(iii) Other financial liabilities	2.19	570.53	747.30
	(b) Other current liabilities	2.20	397.20	401.72
	(c) Provisions	2.21	336.12	265.07
	(d) Current tax liabilities (net)	2.22	1,401.47	2,339.06
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>86,836.86</b>	<b>78,562.17</b>

Significant accounting policies and notes forming part of standalone financial statements See Note 1 - 2.43

As per our separate report of even date attached

**For MSKA Associates**  
Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**  
CIN: L18101KL1992PLC006258

Sd/-  
**Sabu M Jacob**  
Chairman &  
Managing Director  
DIN:00046016

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**Boby Michael**  
Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

Place : Chennai  
Date: July 29, 2020

# STANDALONE STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>I</b>	<b>Income</b>			
(a)	Revenue from operations	2.23	73,920.98	60,680.46
(b)	Other income	2.24	4,436.56	2,246.01
	<b>Total Income</b>		<b>78,357.54</b>	<b>62,926.47</b>
<b>II</b>	<b>Expenses</b>			
(a)	Cost of materials consumed	2.25	31,706.18	28,280.74
(b)	Changes in inventories of finished goods and work-in-progress	2.26	439.95	(3,644.54)
(c)	Employee benefits expense	2.27	12,148.57	10,508.83
(d)	Finance costs	2.28	702.49	388.00
(e)	Depreciation and amortization expense	2.29	2,645.23	2,726.25
(f)	Other expenses	2.30	16,398.00	11,648.18
	<b>Total Expenses</b>		<b>64,040.42</b>	<b>49,907.46</b>
<b>III</b>	<b>Profit before tax (I - II)</b>		<b>14,317.12</b>	<b>13,019.01</b>
<b>IV</b>	Tax expense:			
(a)	Current tax		4,104.17	5,107.00
(b)	Deferred tax	2.15	(654.44)	(233.54)
			<b>3,449.73</b>	<b>4,873.46</b>
<b>V</b>	<b>Profit for the year (III -IV)</b>		<b>10,867.39</b>	<b>8,145.55</b>
<b>VI</b>	<b>Other comprehensive income</b>			
<b>A</b>	Items that will not be reclassified to profit or loss			
(i)	Re-measurements of post employment benefit obligations		(115.47)	(21.61)
(ii)	Fair value changes on equity instruments carried through other comprehensive income		(4.41)	-
(iii)	Income tax relating to items that will not be reclassified to profit or loss		30.17	-
<b>VII</b>	<b>Total comprehensive income for the year (V+VI)</b>		<b>10,777.68</b>	<b>8,123.94</b>
<b>VIII</b>	<b>Earnings per equity share (Face value of Re. 1 each)</b>	2.31		
	Basic & Diluted in ₹		16.34	12.25

Significant accounting policies and notes forming part of standalone financial statements See Note 1 - 2.43

As per our separate report of even date attached

**For MSKA Associates**  
Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

Place : Chennai  
Date: July 29, 2020

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**  
CIN: L18101KL1992PLC006258

Sd/-  
**Sabu M Jacob**  
Chairman &  
Managing Director  
DIN:00046016

Sd/-  
**Boby Michael**  
Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

# STANDALONE CASH FLOW STATEMENT

## FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>A</b>	<b>Cash Flows from Operating Activities</b>		
	<b>Net Profit before tax</b>	<b>14,317.12</b>	<b>13,019.01</b>
	Adjustments for:		
	Depreciation and amortisation expense	2,645.23	2,726.25
	Unrealised foreign exchange (gain) / loss (net)	(1,375.40)	198.41
	Unrealised loss on foreign exchange forward contracts	210.62	-
	Interest income	(576.76)	(43.50)
	Deferred grant income	(154.97)	(154.97)
	Loss on sale of property, plant and equipment (net)	6.83	8.07
	Intangible asset under development written off	(195.67)	-
	Provision / sundry balances written off through profit and loss	(14.25)	(0.16)
	Provision for doubtful debts written back	-	(347.03)
	Interest expense	702.49	388.00
	Operating profit before working capital changes	15,565.24	15,794.08
	Changes in working capital:		
	(Increase) in trade and other receivables	(4,862.59)	(7,273.38)
	(Increase) in inventories	(144.85)	(4,105.58)
	Increase in trade, other payables and provisions	581.93	240.25
	Cash generated from operating activities before taxes	11,139.73	4,655.37
	Direct taxes paid (net of refunds)	(5,248.49)	(3,686.14)
	<b>Net cash generated from operating activities (A)</b>	<b>5,891.24</b>	<b>969.23</b>
<b>B</b>	<b>Cash Flows from Investing Activities</b>		
	Purchase of property, plant and equipment and intangible assets	(1,506.38)	(2,755.14)
	Proceeds from sale of property, plant and equipment	15.19	50.89
	Purchase of investment in wholly owned subsidiary	(100.00)	(269.97)
	Interest received	43.42	36.28
	Advances to wholly owned subsidiaries	-	(4,975.12)
	Loans to wholly owned subsidiaries	(2,160.87)	-
	<b>Net cash used in investing activities (B)</b>	<b>(3,708.64)</b>	<b>(7,913.06)</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Proceeds from bank borrowings (net)	611.57	8,198.92
	Interest paid	(705.48)	(391.78)
	Dividend / dividend distribution tax paid	(2,388.52)	(599.67)
	<b>Net cash flow from / (used in) financing activities (C)</b>	<b>(2,482.43)</b>	<b>7,207.47</b>
	<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(299.83)</b>	<b>263.64</b>
	Exchange difference on translation of foreign currency cash and cash equivalents	273.73	(125.40)
	Cash and cash equivalents at the beginning of the year	9,406.27	9,268.03
	Cash and cash equivalents at the end of the year [See note 2.08]	9,380.17	9,406.27
	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(299.83)</b>	<b>263.64</b>

Significant accounting policies and notes forming part of standalone financial statements See Note 1 - 2.43

Note:

- a) 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 per our separate report of even date attached

**For MSKA Associates**

Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**

CIN: L18101KL1992PLC006258

Sd/-  
**Sabu M Jacob**  
Chairman &  
Managing Director  
DIN:00046016

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**Boby Michael**  
Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

Place : Chennai  
Date: July 29, 2020

# STANDALONE STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED MARCH 31, 2020

### A Equity Share Capital

(Rupees in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the reporting year	665.00	665.00
Changes in equity share capital during the year	-	-
Balance at the end of the reporting year	665.00	665.00

### B Other Equity

Particulars	Reserves and surplus			Equity instrument through other comprehensive income	Total
	Capital reserve	General reserve	Retained earnings		
<b>Balance as at April 01, 2018</b>	<b>22.10</b>	<b>21,675.00</b>	<b>29,252.65</b>	<b>6.25</b>	<b>50,956.00</b>
Profit for the year	-	-	8,145.55	-	8,145.55
Re-measurements of post employment benefit obligations (net of tax)	-	-	(21.61)	-	(21.61)
Fair value changes on equity instruments carried through other comprehensive income (net of tax)	-	-	-	-	-
Dividends (including tax on dividend of ₹ 102.51 lakhs)	-	-	(601.26)	-	(601.26)
Transfer to reserves	-	1,000.00	(1,000.00)	-	-
<b>Balance as at March 31, 2019</b>	<b>22.10</b>	<b>22,675.00</b>	<b>35,775.33</b>	<b>6.25</b>	<b>58,478.68</b>
<b>Balance as at April 01, 2019</b>	<b>22.10</b>	<b>22,675.00</b>	<b>35,775.33</b>	<b>6.25</b>	<b>58,478.68</b>
Profit for the year (net of tax)	-	-	10,867.39	-	10,867.39
Re-measurements of post employment benefit obligations (net of tax)	-	-	(86.41)	-	(86.41)
Fair value changes on equity instruments carried through other comprehensive income (net of tax)	-	-	-	(3.30)	(3.30)
Dividends (including tax on dividend of ₹ 410.09 lakhs)	-	-	(2,405.09)	-	(2,405.09)
Transfer to reserves	-	2,000.00	(2,000.00)	-	-
<b>Balance as at March 31, 2020</b>	<b>22.10</b>	<b>24,675.00</b>	<b>42,151.22</b>	<b>2.95</b>	<b>66,851.27</b>

Significant accounting policies and notes forming part of standalone financial statements 1 - 2.43

As per our separate report of even date attached

**For MSKA Associates**  
Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

Place : Chennai  
Date: July 29, 2020

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**  
CIN: L18101KL1992PLC006258

Sd/-  
**Sabu M Jacob**  
Chairman &  
Managing Director  
DIN:00046016

Sd/-  
**Boby Michael**  
Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

# NOTES TO THE STANDALONE FINANCIAL STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020

## General Information

Kitex Garments Limited ('the Company') is a Public Company incorporated and domiciled in India having its registered office at Kizhakkambalam, Alwaye, Ernakulam- 683562, Kerala, India. The company is leading Indian apparel manufacturer and exporter of knitted garments for infants and kids. The Company was incorporated in the year 1992 under Companies Act; 1956. Its factory is located at Kizhakkambalam. It has 6 wholly owned subsidiaries and one overseas associate. The Company's equity shares are listed on the BSE Ltd. (formerly Bombay Stock Exchange) and The National Stock Exchange India Limited.

## 1. Significant Accounting Policies

### 1.1 Basis of Accounting and Preparation of Standalone Financial Statements

#### (i) Statement of compliance

The Standalone financial statements which comprise the Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement, and the Statement of Changes in Equity ("financial statements") have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Section 133 of the Companies Act, 2013 ("the Act"), Companies (Indian Accounting Standards) Rules, 2015, along with relevant amendment rules issued thereafter and other relevant provisions of the Act, as applicable. Accounting policies were consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

#### (ii) Basis of measurement

The standalone financial statements have been prepared on a historical cost basis on the accrual basis of accounting, except for the following -

- (a) Certain financial assets and liabilities (including derivative instruments) that is measured at fair value;
- (b) Defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

#### (iii) Rounding off amounts

All amounts disclosed in standalone financial statements and notes have been rounded off to the nearest thousands as per requirement of Schedule III of the Act, unless otherwise stated.

#### (iv) Use of estimates and judgement

In the preparation of standalone financial statements, the management makes estimates and assumptions in conformity with the Generally Accepted Accounting Principles in India. Such estimates and assumptions are made on reasonable and prudent basis taking into account all available information. However, actual results could differ from these estimates and assumptions and such differences are recognised in the period in which results are ascertained. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the standalone financial statements are disclosed in Note 1.21.

#### Amended standards adopted by the Company

Except for the changes mentioned below, the Company has consistently applied accounting policies to all periods.

- (i) The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 01, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company has evaluated the effect of this amendment on the standalone financial statements and concluded that there is no significant impact on recognition and measurement of leases in the standalone financial statements including the retained earnings as at April 01, 2019.
- (ii) Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments: On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application

and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective from April 01, 2019. The Company has evaluated the effect of this amendment on the standalone financial statements and concluded that there is no significant impact.

- (iii) Amendment to Ind AS 19 'Employee Benefits': On March 30, 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 19 'Employee Benefits' in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendment is effective from April 01, 2019. The Company has evaluated the effect of this amendment on the standalone financial statements and concluded that this amendment is currently not applicable.
- (iv) Amendment to Ind AS 12 'Income Taxes': On March 30, 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment is effective from April 01, 2019. The Company has evaluated the effect of this amendment on the standalone financial statements and concluded that there is no significant impact.

## 1.2 Current versus Non-Current Classification

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

- Expected to be realised or intended to be sold or consumed in 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 classified as current when:

- It is expected to be settled in 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.

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

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – noncurrent classification of assets and liabilities.

## 1.3 Property, Plant & Equipment

Property, plant and equipment (except freehold land) are stated at cost of acquisition less accumulated depreciation and impairment if any. Freehold land is carried at historical cost. The company is adopting the cost model for determining gross carrying amount. Cost comprises of purchase price, inward freight, duties, taxes and any attributable cost of bringing the assets to its working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed by the management at each financial year and adjusted prospectively, if appropriate.

Capital work-in-progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date.

On transition to Ind AS, the company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at April 01, 2016 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment, with corresponding adjustments to recognise the amount of unamortised deferred grant income as at the date of the transition.

#### **Depreciation methods, estimated useful lives**

Depreciation on property, plant and equipment is provided on Straight Line Method at the useful lives based on a review by the management at the year end as under:

- (a) Assets (other than capital spares) - based on useful lives prescribed under Schedule II of the Companies Act, 2013.
- (b) Capital spares - based on useful life of each replaced part (2 - 5 years).

Depreciation on addition to property plant and equipment is provided on pro-rata basis from the date of acquisition. Depreciation on sale/deduction from property plant and equipment is provided up to the date preceding the date of sale, deduction as the case may be. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Profit and Loss under 'Other Income'.

#### **1.4 Intangible Assets**

Cost of software is capitalised as intangible asset and amortised on a straight-line basis over the economic useful life of three years.

The residual values, useful lives and methods of depreciation of intangible assets are reviewed by the management at each financial year and adjusted prospectively, if appropriate.

#### **1.5 Investment in Subsidiaries and Associates**

Investment in subsidiaries and associate is measured at cost less provision for impairment.

#### **1.6 Inventories**

Inventories are valued at lower of cost or net realisable value. For this purpose, the cost of bought-out inventories comprises of the purchase cost of the items, net of applicable tax/duty credits and cost of bringing such items into the factory on First-In, First-Out (FIFO) basis. Cost of Inventory comprises Cost of Purchase, Cost of Conversion and other Costs incurred to bring them to their respective present location and condition. The net realisable value of bought-out inventories is taken at their current replacement value. The cost of manufactured inventories comprises of the direct cost of production plus appropriate fixed and variable production overheads.

Difference between the purchase price for normal credit terms and the amount paid for deferred settlement terms, if any, is recognised as an expense.

#### **1.7 Foreign Currency Transactions**

##### **(a) Functional and presentation currency**

Items included in the standalone financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The standalone financial statements are presented in Indian Rupees ("INR"), which is the functional currency and presentation currency of the Company.

##### **(b) Transactions and balances**

Foreign exchange transactions are recorded at the functional currency adopting the exchange rate prevailing on the dates of respective transactions. Monetary assets and liabilities denominated in foreign currencies existing as on the Balance Sheet date are translated at the functional currency exchange rate prevailing as at the Balance Sheet date. The exchange difference arising from the settlement of transactions during the period and effect of translations of assets and liabilities at the Balance Sheet date 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 translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit and loss are also recognised in Other Comprehensive Income or profit and loss, respectively).

### **(c) Derivative instruments and hedge accounting**

The company uses foreign currency derivative contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The company designates these as cash flow hedges applying the recognition and measurement principles set out in Ind AS 109 – Financial Instruments.

The use of foreign currency and derivative contracts is governed by the Company's policies approved by the Board of Directors which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The company does not use derivative financial instruments for speculative purposes.

Foreign currency derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income in the cash flow hedge reserve and later reclassified to profit and loss when the hedge item affects profit and loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

## **1.8 Leases**

The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 01, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

## **1.9 Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as expenditure in the period in which they are incurred.

## **1.10 Government Grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants shall be recognised in profit and loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to depreciable assets are presented in the Balance Sheet by setting up the grant as deferred income and are recognised in profit and loss over the periods and in the proportions in which depreciation expense on those assets is recognised and are presented under Other Income.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit and loss of the period in which it becomes receivable and are presented under Other Income/deducted from the related heads of expenditure.

## 1.11 Financial Instruments

### (a) Financial asset

#### (i) Initial recognition and measurement

At initial recognition, financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### (ii) Subsequent measurement

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

(a) at amortized cost; or

(b) at fair value through other comprehensive income; or at fair value through profit or loss.

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in Statement of Profit and Loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss (FVTPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

#### (iii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

### (b) Financial liabilities

Financial liabilities are initially recognised at fair value plus any transaction cost that are attributable to the acquisition of the financial liabilities except, financial liabilities at fair value through profit or loss which are initially measured at fair value.

After initial recognition at fair value net of directly attributable transaction costs, interest-bearing borrowings, finance lease liabilities, Trade payables and other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised as well as through the amortisation of effective interest.

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

#### Derivative financial instruments

Derivative instruments not designated as Cash flow hedges

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, like foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in the statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship and the nature of the hedged item.

### 1.12 Revenue Recognition

The Company derives revenues primarily from sale of manufactured fabric and readymade garments.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

**Other operating revenue - Export incentives:** Export Incentives under various schemes are accounted upon fulfilling the conditions established by respective regulations as applicable to the Company and as amended from time to time.

Income is recognised at the value or rate prescribed by respective regulations.

### 1.13 Taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the year computed in accordance with the provisions of the Income Tax Act, 1961. Taxable income differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in the Statement of Profit and Loss, except when they relate to items that are recognised in other comprehensive income or items related to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### 1.14 Employee Benefits

#### (a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

#### (b) Defined contribution plans

The company has defined contribution plans for employees comprising of Provident Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are recognised as employee benefit expense in the Statement of Profit and Loss for the year.

#### (c) Defined benefit plans: Gratuity

The net present value of the obligation for gratuity benefits are determined by independent actuarial valuation, conducted annually using the projected unit credit method.

The retirement benefit obligations recognised in the Balance Sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. All expenses represented by current service cost, past service cost, if any, and net interest on the defined benefits are recognised immediately in Statement of Profit and Loss as past service cost, if any, and net interest on the defined benefit liability/(asset) are recognised in the Statement of Profit and Loss.

Remeasurements of the net defined benefit liability/(asset) comprising actuarial gains and losses and the return on the plan assets (excluding amounts included in net interest), are recognised in Other Comprehensive Income. Such remeasurements are not reclassified to the Statement of Profit and Loss in the subsequent periods.

**(d) Long-term employee benefits: Compensated absences**

The company has a scheme for compensated absences for employees, the liability of which is determined based on an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

**1.15 Segment Reporting**

Operating Segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

**1.16 Earnings Per Share**

Basic/diluted earnings per share is calculated by dividing the net profit and loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares/diluted potential equity shares outstanding as at the end of the year, as the case may be.

**1.17 Impairment of Non-Financial Assets**

The Company assesses at each year end whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. An asset or a cash generating unit is treated as impaired, when the carrying value of assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Based on such assessment, impairment loss if any is recognised in the Statement of Profit and Loss for the period in which the asset is identified as impaired.

**1.18 Cash Flow Management**

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

**1.19 Cash and Cash Equivalents**

Cash and cash equivalent in the Balance Sheet comprise cash at banks, cash on hand and short-term deposits net of bank overdraft with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**1.20 Provisions and Contingent Liabilities**

Provisions are recognised when the company has a present obligation (legal or constructive) because of a past event, for which it is probable that a cash outflow will be required, and a reliable estimate can be made of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it's carrying amount is the present value of those cash flows (when the effect of time value of money is material). These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

When the company expects some or all the provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit and Loss net of any reimbursement.

Contingent liabilities are disclosed when the company has a possible obligation, or a present obligation and it is probable that an outflow of resources will not be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

**1.21 Significant Accounting Judgments, Estimates and Assumptions**

The preparation of standalone financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

(i) Useful lives of property, plant and equipment and intangible assets:

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

(ii) Actuarial valuation:

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income. Such valuation depends upon assumptions determined after considering inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to the standalone financial statements.

(iii) Impairment of assets:

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

(iv) Recoverability of advances/receivables:

Management reviews its receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics.

#### 1.22 Recent Accounting Pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2020.

# NOTES FORMING PART OF STANDALONE FINANCIAL STATEMENTS

## 2.01 A - Property, Plant and Equipment

(Rupees in Lakhs)

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2019	Additions during the year	Disposal / Adjustments	As at March 31, 2020	As at April 1, 2019	Disposal/ Adjustments	During the Year	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Freehold land	492.83	-	-	<b>492.83</b>	-	-	-	-	492.83	492.83
Buildings	4,780.49	1,965.32	-	<b>6,745.81</b>	514.92	-	205.06	<b>719.98</b>	6,025.83	4,265.57
Plant & machinery	16,196.10	591.26	44.43	<b>16,742.93</b>	5,559.26	22.41	2,051.58	<b>7,588.43</b>	9,154.50	10,636.84
Furniture & fixtures	207.46	23.78	-	<b>231.24</b>	96.67	-	21.79	<b>118.46</b>	112.78	110.79
Vehicles	536.21	154.26	-	<b>690.47</b>	194.97	-	80.02	<b>274.99</b>	415.48	341.24
Office equipment	202.06	362.27	-	<b>564.33</b>	101.36	-	89.42	<b>190.78</b>	373.55	100.70
Computers	549.03	58.74	-	<b>607.77</b>	252.63	-	126.24	<b>378.87</b>	228.90	296.40
Electrical equipment	307.02	18.42	-	<b>325.44</b>	163.74	-	40.93	<b>204.67</b>	120.77	143.28
<b>Total</b>	<b>23,271.20</b>	<b>3,174.05</b>	<b>44.43</b>	<b>26,400.82</b>	<b>6,883.55</b>	<b>22.41</b>	<b>2,615.04</b>	<b>9,476.18</b>	<b>16,924.64</b>	<b>16,387.65</b>

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2018	Additions during the year	Disposal / Adjustments	As at March 31, 2019	As at April 1, 2018	Disposal / Adjustments	During the Year	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Freehold land	492.83	-	-	<b>492.83</b>	-	-	-	-	492.83	492.83
Buildings	4,735.05	45.44	-	<b>4,780.49</b>	348.59	-	166.33	<b>514.92</b>	4,265.57	4,386.46
Plant & machinery	14,754.67	1,553.81	112.38	<b>16,196.10</b>	3,391.98	53.70	2,220.98	<b>5,559.26</b>	10,636.84	11,362.69
Furniture & fixtures	194.23	13.23	-	<b>207.46</b>	69.83	-	26.84	<b>96.67</b>	110.79	124.40
Vehicles	392.97	146.80	3.56	<b>536.21</b>	118.24	3.28	80.01	<b>194.97</b>	341.24	274.73
Office equipment	181.77	20.29	-	<b>202.06</b>	59.45	-	41.91	<b>101.36</b>	100.70	122.32
Computers	367.34	181.69	-	<b>549.03</b>	150.27	-	102.36	<b>252.63</b>	296.40	217.07
Electrical equipment	265.45	41.57	-	<b>307.02</b>	116.17	-	47.57	<b>163.74</b>	143.28	149.28
<b>Total</b>	<b>21,384.31</b>	<b>2,002.83</b>	<b>115.94</b>	<b>23,271.20</b>	<b>4,254.53</b>	<b>56.98</b>	<b>2,686.00</b>	<b>6,883.55</b>	<b>16,387.65</b>	<b>17,129.78</b>

## 2.01 B - Capital Work-in-Progress

(Rupees in Lakhs)

	GROSS BLOCK (at cost)			
	As at April 1, 2019	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2020
Buildings under construction	29.99	90.16	118.52	1.63
Plant and equipment under installation	3,733.59	1,191.16	2,895.30	2,029.45
<b>Total</b>	<b>3,763.58</b>	<b>1,281.32</b>	<b>3,013.82</b>	<b>2,031.08</b>

	GROSS BLOCK (at cost)			
	As at April 1, 2018	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2019
Buildings under construction	0.39	61.18	31.58	29.99
Plant and equipment under installation	3,200.97	2,347.90	1,815.28	3,733.59
<b>Total</b>	<b>3,201.36</b>	<b>2,409.08</b>	<b>1,846.86</b>	<b>3,763.58</b>

**2.01 C - Other Intangible Assets**

	GROSS BLOCK				AMORTIZATION			NET BLOCK		
	As at April 1, 2019	Additions during the year	Disposal / Adjustments	As at March 31, 2020	As at April 1, 2019	Disposal / Adjustments	During the Year	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer software	137.04	-	-	137.04	87.11	-	30.19	117.30	19.74	49.93
<b>Total</b>	<b>137.04</b>	<b>-</b>	<b>-</b>	<b>137.04</b>	<b>87.11</b>	<b>-</b>	<b>30.19</b>	<b>117.30</b>	<b>19.74</b>	<b>49.93</b>

	GROSS BLOCK				AMORTIZATION			NET BLOCK		
	As at April 1, 2018	Additions during the year	Disposal / Adjustments	As at March 31, 2019	As at April 1, 2018	Disposal / Adjustments	During the Year	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Computer software	81.37	55.67	-	137.04	46.86	-	40.25	87.11	49.93	34.51
<b>Total</b>	<b>81.37</b>	<b>55.67</b>	<b>-</b>	<b>137.04</b>	<b>46.86</b>	<b>-</b>	<b>40.25</b>	<b>87.11</b>	<b>49.93</b>	<b>34.51</b>

**2.01 D - Intangible Assets under Development**

	GROSS BLOCK			
	As at April 1, 2019	Additions/ Adjustments	Deductions/ Adjustments **	As at March 31, 2020
Software under development	223.25	9.65	200.51	32.39
<b>Total</b>	<b>223.25</b>	<b>9.65</b>	<b>200.51</b>	<b>32.39</b>

	GROSS BLOCK			
	As at April 1, 2018	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2019
Software under development	200.28	72.97	50.00	223.25
<b>Total</b>	<b>200.28</b>	<b>72.97</b>	<b>50.00</b>	<b>223.25</b>

\*\* Out of the above, ₹ 195.67 lakhs pertains to intangible asset under development written off.

**2.02 Investments [Non-Current]**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unquoted</b>		
<b>Investments carried at cost</b>		
<b>Investments in equity instruments of associate company</b>		
4,250,210.09 (4,250,210.09) fully paid-up membership units of USD 1 each in Kitex USA LLC	2,776.24	2,776.24
<b>Investments in equity instruments of subsidiaries</b> [See note 2.02.1]		
1,000,000 (1,000,000) fully paid-up equity shares of ₹ 10/- each in Kitex Littlewear Limited	353.62	100.00
1,000,000 (Nil) fully paid-up equity shares of ₹ 10/- each in Kitex Kidswear Limited	199.62	-
100,000 (100,000) fully paid-up equity shares of ₹ 10/- each in Kitex Knits Limited	76.92	10.00
100,000 (100,000) fully paid-up equity shares of ₹ 10/- each in Kitex Socks Limited	57.28	10.00
100,000 (100,000) fully paid-up equity shares of ₹ 10/- each in Kitex Packs Limited	31.54	10.00
100,000 (100,000) fully paid-up equity shares of ₹ 10/- each in Kitex Babywear Limited	38.91	10.00
<b>Quoted</b>		
<b>Investments carried at fair value through other comprehensive income</b>		
7,000 (7,000) fully paid-up equity shares of ₹ 2/- each in Punjab National Bank Limited	2.25	6.68
<b>Total</b>	<b>3,536.38</b>	<b>2,922.92</b>
Aggregate amount of unquoted investments	3,534.13	2,916.24
Aggregate amount of quoted investments and market value thereof; (The market value of quoted investments is equal to the carrying value)	2.25	6.68

**2.02.1** Cost of investment in subsidiaries include ₹ 517.89 lakhs (₹ Nil) on account of fair value of loans granted to them.

### 2.03 Other Financial Assets [Non-Current]

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Security deposit	226.14	171.44
Advances to wholly owned subsidiaries	-	4,975.12
Loans to wholly owned subsidiaries	6,667.45	-
Interest receivable on loans to wholly owned subsidiaries	468.54	-
<b>Total</b>	<b>7,362.13</b>	<b>5,146.56</b>

2.03.1 Deposit account represents deposits held as security which are not expected to be refunded next 12 months.

### 2.04 Non Current Tax Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Income tax (net)	512.83	275.93
<b>Total</b>	<b>512.83</b>	<b>275.93</b>

### 2.05 Other Non-Current Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Capital advances	615.63	560.49
Balances with government authorities	325.05	156.41
<b>Total</b>	<b>940.68</b>	<b>716.90</b>

### 2.06 Inventories

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials	3,219.56	2,540.83
Raw materials in transit	149.22	188.17
Work-in-progress	8,113.77	8,443.64
Finished goods [See note 2.06.2]	1,350.98	1,461.06
Stores and spares	187.15	248.04
Stores and spares in transit	12.19	6.28
<b>Total</b>	<b>13,032.87</b>	<b>12,888.02</b>

2.06.1 Method of valuation of inventories - See note 1.6 of significant accounting policies.

2.06.2 During the year ended March 31, 2020, ₹ 237.77 lakhs (March 31, 2019: ₹ Nil) was recognised as an expense for write down in value of inventories to their net realisable value.

### 2.07 Trade Receivables

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good [See note 2.07.1]	25,156.79	16,531.54
<b>Total</b>	<b>25,156.79</b>	<b>16,531.54</b>



- 2.07.1** (i) Trade receivables include amounts due from related parties ₹ 22,670.50 lakhs (₹ 14,966.78 lakhs). See note 2.36.3.  
(ii) Trade receivables are non-interest bearing and are generally on credit terms not exceeding 90 days.

**2.07.2** During 2017-18, TOYS "R" US, Inc., a customer of the Company had filed a petition in the Bankruptcy Court in the United States to wind down its US operation. Provision of ₹ 347.03 lakhs was made for the receivables towards loss, if any on recovery of receivables in the same year. After the hearings at the US Bankruptcy court on September 6, 2018 and November 13, 2018, Plan submitted under Chapter 11 was confirmed. The Claim allowed to the company aggregates to 9.17 Million US Dollars. Consequently, the provision carried in the books of ₹ 347.03 lakhs had been written back during the previous year. The Company has already received interim disbursement of 2.07 million dollars (2018-19: 1.60 million dollars) as on March 31, 2020.

## 2.08 Cash and Cash Equivalents

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks - In current accounts	9,376.22	9,404.91
Cash on hand	3.95	1.36
<b>Total</b>	<b>9,380.17</b>	<b>9,406.27</b>

## 2.09 Bank balances other than Cash and Cash Equivalents

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balance with banks - In deposit accounts [See note 2.09.1]	1,274.77	457.46
<b>Total</b>	<b>1,274.77</b>	<b>457.46</b>

**2.09.1** (i) Balances with banks in deposit accounts held as security against Letter of Credits/ Guarantee, with a maturity period of less than 12 months.

- (ii) Earmarked balance of unpaid dividend ₹ 94.23 lakhs (₹ 77.34 lakhs).

## 2.10 Other Financial Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Subsidy receivable	1,116.51	1,116.51
Duty drawback receivable	2,494.39	283.97
Other deposits	2.00	2.00
Rent deposits	38.18	43.28
Interest receivable on margin money deposit	40.06	24.60
<b>Total</b>	<b>3,691.14</b>	<b>1,470.36</b>

## 2.11 Other Current Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received.	496.32	426.84
Balances with government authorities	1,790.95	4,473.84
Advances to staff	31.66	32.64
Prepaid expenses	134.62	76.73
Export entitlements / rebates receivable on export	487.70	3,311.75
<b>Total</b>	<b>2,941.25</b>	<b>8,321.80</b>

## 2.12 Equity Share Capital

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Authorised</b>		
250,000,000 (250,000,000) equity shares of Re. 1/- each	2,500.00	2,500.00
<b>Issued, subscribed and fully paid-up</b>		
66,500,000 (66,500,000) equity shares of Re. 1/- each	665.00	665.00
<b>Total</b>	<b>665.00</b>	<b>665.00</b>

### 2.12.1 Terms / rights attached to equity shareholders

The Company has only one class of shares referred to as equity shares with a face value of Re. 1/- each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed / declared by the Board of Directors is subject to approval / regularisation of the shareholders in the Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

### 2.12.2 Reconciliation of equity shares with voting rights at the beginning and at the end of the financial year

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount (Rupees in lakhs)	No. of shares	Amount (Rupees in lakhs)
No. of shares as at the beginning of the financial year	66,500,000	665.00	66,500,000	665.00
Add: Issued during the year	-	-	-	-
No. of shares as at the end of the financial year	66,500,000	665.00	66,500,000	665.00

### 2.12.3 Particulars of shareholders holding more than 5% shares in the Company

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of total holding	No. of shares	% of total holding
Sabu M Jacob	22,015,606	33.11	22,015,606	33.11
Kitex Childrenswear Limited	10,585,822	15.92	10,385,507	15.62
Renjitha Joseph	4,328,100	6.51	4,328,100	6.51
C K G Super Market Limited	4,053,630	6.10	4,125,428	6.20
Gopinathan C K	4,961,444	7.46	4,069,000	6.12

As per records of the Company, including its Register of Members and other declarations received from them regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

### 2.12.4 Aggregate number of bonus shares Issued during the period of five years immediately preceding the reporting date

Particulars	No. of shares	Rupees in lakhs
Equity shares allotted as fully paid-up bonus shares		
Financial Year 2017-18	19,000,000	190.00

**2.13 Other Equity**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Capital reserve</b>		
Investment subsidy	22.10	22.10
<b>General reserve</b>		
Opening balance	22,675.00	21,675.00
Add: Transfer from retained earnings	2,000.00	1,000.00
Closing balance	24,675.00	22,675.00
<b>Retained earnings</b>		
Opening balance	35,775.33	29,252.65
Add: Profit for the year	10,867.39	8,145.55
Add: Re-measurements of post employment benefit obligations (net of tax)	(86.41)	(21.61)
	46,556.31	37,376.59
Less:		
Transfer to general reserve	2,000.00	1,000.00
Payment of dividends	1,995.00	498.75
Tax on dividends	410.09	102.51
Closing balance	42,151.22	35,775.33
<b>Equity instrument through other comprehensive income</b>		
Opening balance	6.25	6.25
Add : Fair value changes on equity instruments carried through other comprehensive income (net of tax)	(3.30)	-
Closing balance	2.95	6.25
<b>Total</b>	<b>66,851.27</b>	<b>58,478.68</b>

**2.13.1 Description of nature and purpose of each reserve**

- (i) **Capital reserve** : Capital reserve denotes investment subsidy received by the company amounting to ₹ 22.10 lakhs (₹ 22.10 lakhs).
- (ii) **General reserve** : General reserve is created from time to time by way of transfer of profits from retained earnings for appropriation purposes. General Reserve is created by a transfer from one component of equity to another and is not an item of comprehensive income.
- (iii) **Equity instruments through other comprehensive income**: This represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off.

**2.14 Provisions**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for gratuity [See note 2.14.2]	800.53	621.07
Provision for compensated absences [See note 2.14.2]	206.10	156.85
<b>Total</b>	<b>1,006.63</b>	<b>777.92</b>

2.14.1 Short-term provisions of employee benefits is disclosed in note 2.21.

## 2.14.2 Disclosures required under Ind AS 19 - "Employee Benefits"

### 2.14.2.a Defined contribution plans

During the year, the following amounts have been recognised in the statement of profit and loss on account of defined contribution plans:

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Employers contribution to provident fund	634.79	359.76
Employers contribution to employees' state insurance	169.05	194.03

### 2.14.2.b Defined benefit plans - gratuity: unfunded obligation

(Rupees in lakhs)

(i) Actuarial assumptions	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	5.55%	6.80%
Salary escalation rate*	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table

\*The assumption of future salary escalation takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

(Rupees in lakhs)

	As at March 31, 2020	As at March 31, 2019
<b>(ii) Reconciliation of present value of obligation</b>		
Present value of obligation at the beginning of the year	784.86	659.06
Current service cost	140.27	124.80
Past service cost	-	-
Interest cost	47.80	46.62
Actuarial (gain)/ loss - financial	71.14	42.39
Actuarial (gain)/ loss - demographic	-	(0.04)
Actuarial (gain)/ loss - experience	44.33	(20.74)
Benefits paid	(84.74)	(67.23)
Present value of obligation at the end of the year	1,003.66	784.86
Contributions by the employer	84.74	67.23
Benefits paid	(84.74)	(67.23)
Expected employers' contribution next year	203.13	163.78
<b>(iii) Expenses recognized in the statement profit and loss</b>		
Current service cost	140.27	124.80
Interest cost	47.80	46.62
Past service cost (if applicable)	-	-
Expected return on plan assets	-	-
Total expenses recognized in the statement of profit and loss for the year	188.07	171.42

	As at March 31, 2020	As at March 31, 2019
<b>(iv) Expenses recognized in other comprehensive income</b>		
Opening amount recognised in OCI outside profit and loss account	(84.44)	(106.05)
Re-measurements during the period due to		
Changes in financial assumptions	71.14	42.39
Changes in demographic assumptions	-	(0.04)
Experience adjustments	44.33	(20.74)
Total re-measurements included in other comprehensive income	115.47	21.61
Closing amount recognised in OCI outside profit and loss account	31.03	(84.44)
<b>(v) Sensitivity analysis</b>		
Discount rate +50 basis points	-2.96%	-2.78%
Discount rate -50 basis points	3.16%	2.95%
Salary increase rate +50 basis points	3.06%	2.92%
Salary increase rate -50 basis points	-2.91%	-2.77%
<b>(vi) Maturity Analysis of the Benefit payments</b>		
Year 1	203.13	163.78
Year 2	132.66	121.21
Year 3	123.88	101.48
Year 4	113.21	94.01
Year 5	93.38	84.93
Next 5 years and above	848.76	716.54

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

#### 2.14.2.c Long term employee benefits

Compensated absences (vesting and non-vesting): unfunded obligation

(Rupees in lakhs)

<b>(i) Actuarial Assumptions</b>	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	5.55%	6.80%
Salary escalation rate*	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table

\*The assumption of future salary escalation takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

#### 2.15 Deferred Tax Liabilities (Net)

(Rupees in lakhs)

<b>Particulars</b>	As at March 31, 2020	As at March 31, 2019
<b>A. Deferred tax liability</b>		
On excess of net book value over income tax written down value of property, plant and equipments	1,075.47	1,703.40
<b>B. Deferred tax assets</b>		
On provisions	337.95	364.46
On foreign exchange forward contracts	53.02	-
<b>Deferred tax liabilities (net) (A-B)</b>	<b>684.50</b>	<b>1,338.94</b>

**Movement in deferred tax liabilities / assets balances during the year ended March 31, 2020**

(Rupees in lakhs)

Particulars	As at April 01, 2019	Recognised in profit or loss	Recognised in other comprehensive income	As at March 31, 2020
<b>A. Deferred tax liability</b>				
On excess of net book value over income tax written down value of property, plant and equipment	1,703.40	(627.93)	-	1,075.47
<b>B. Deferred tax assets</b>				
On provisions	364.46	(26.51)	-	337.95
On foreign exchange forward contracts	-	53.02	-	53.02
<b>Deferred tax liabilities (net) (A-B)</b>	<b>1,338.94</b>	<b>(654.44)</b>	-	<b>684.50</b>

**Movement in deferred tax liabilities / assets balances during the year ended March 31, 2019**

(Rupees in lakhs)

Particulars	As at April 01, 2018	Recognised in profit or loss	Recognised in other comprehensive income	As at March 31, 2019
<b>A. Deferred tax liability</b>				
On excess of net book value over income tax written down value of property, plant and equipment	1,998.93	(295.53)	-	1,703.40
<b>B. Deferred tax assets</b>				
On provisions	426.45	(61.99)	-	364.46
On foreign exchange forward contracts	-	-	-	-
<b>Deferred tax liabilities (net) (A-B)</b>	<b>1,572.48</b>	<b>(233.54)</b>	-	<b>1,338.94</b>

**Reconciliation of effective tax rate**

The income tax expense for the year can be reconciled to the accounting profit as follows:

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Profit before tax</b>	<b>14,317.11</b>	<b>13,019.03</b>
<b>Income tax expense calculated at 25.168% (34.944%)</b>	<b>3,603.33</b>	<b>4,549.37</b>
Tax effect on non-deductible expenses	220.99	802.76
Tax effect on eligible deductions	-	(463.40)
Effect on deferred tax balances due to change in income tax rate	(374.59)	(15.27)
<b>Total</b>	<b>3,449.73</b>	<b>4,873.46</b>
<b>Tax expense as per statement of profit and loss</b>	<b>3,449.73</b>	<b>4,873.46</b>

The tax rate used for reconciliation above is the corporate tax rate of 25.168% (34.944%) payable on taxable profit under the Income Tax Act, 1961.

**2.15.1** The company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019.

**2.16 Other Non-Current Liabilities**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred Government grant related to assets	579.87	669.59
<b>Total</b>	<b>579.87</b>	<b>669.59</b>

**2.17 Borrowings**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans repayable on demand from Banks (Secured)	9,612.57	8,668.30
<b>Total</b>	<b>9,612.57</b>	<b>8,668.30</b>

- (i) The Company has availed working capital and PCFC loans from banks which are secured by first charge over the entire current assets of the Company, both present and future, second charge over moveable fixed assets, equitable mortgage over 25.44 acres of the land and building belonging to the Company and by personal guarantee of the Managing Director. The loans are repayable on demand.
- (ii) The interest rate varies from 5.40% to 6.10% per annum (5.70%).

**2.18 Trade Payables**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade payables		
(i) Total outstanding dues of micro enterprises and small enterprises	57.43	102.61
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,674.27	4,107.98
<b>Total</b>	<b>4,731.70</b>	<b>4,210.59</b>

**2.18.1** The company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Intimations have been received from some of the suppliers regarding their status under the said Act as at March 31, 2020, based on which, principal amount unpaid to such suppliers as at the year end aggregating to ₹ 57.43 lakhs (₹ 102.61 lakhs) has been included under trade payables. In the opinion of the management, the impact of interest, if any, which may be payable in accordance with the provisions of the Act, is not expected to be material.

**Disclosures required under the Micro, Small and Medium Enterprises Development Act 2006 are as follows:**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
a. Principal amount remaining unpaid but not due as at the year end.	57.43	102.61
b. Interest due thereon and remaining unpaid as at the year end.	-	-
c. Interest paid by the Company in terms of Section 16 of Micro, Small & Medium Enterprises Development Act 2006 along with the amount of payment made to the supplier beyond the appointed day during the year.	-	-
d. 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 Enterprises Development Act, 2006.	-	-
e. Interest accrued and remaining unpaid as at the year end.	-	-
f. Further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
<b>Total</b>	<b>57.43</b>	<b>102.61</b>

## 2.19 Other Financial Liabilities

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors for capital goods	42.40	71.08
Retention money	2.87	35.67
Current maturities of long term borrowings	-	332.70
Unpaid dividend	93.90	77.34
Foreign exchange forward contracts	210.62	-
Grants received in advance [see note 2.19.1]	220.74	227.52
Interest accrued on borrowings	-	2.99
<b>Total</b>	<b>570.53</b>	<b>747.30</b>

**2.19.1** The Company undertakes programmes under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), the skilling and placement initiative of the Ministry of Rural Development (MoRD), Government of India. The grants received in advance are spent over the life of the project as per the notified Guidelines and Standard Operating Procedures (SOP) to be followed while implementing the programme.

## 2.20 Other Current Liabilities

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory dues	221.45	166.04
Deferred Government grant related to assets	154.97	154.97
Advance from customers	20.78	80.71
<b>Total</b>	<b>397.20</b>	<b>401.72</b>

## 2.21 Short-Term Provisions

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for gratuity [See note 2.14.2]	203.13	163.79
Provision for compensated absences [See note 2.14.2]	132.99	101.28
<b>Total</b>	<b>336.12</b>	<b>265.07</b>

## 2.22 Current Tax Liabilities (Net)

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Current tax payable [net of advance tax ₹ 7,410.16 lakhs (₹ 7,505.57 lakhs)]	1,401.47	2,339.06
<b>Total</b>	<b>1,401.47</b>	<b>2,339.06</b>

## 2.23 Revenue from Operations

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Sale of products</b>	69,451.97	56,322.26
<b>A</b>	<b>69,451.97</b>	<b>56,322.26</b>
<b>Other operating revenues</b>		
Export entitlements	3,570.97	3,374.48
Job work charges	803.04	863.51
Scrap sales	46.53	40.67
Others	48.47	79.54
<b>B</b>	<b>4,469.01</b>	<b>4,358.20</b>
<b>Revenue from operations (A+B)</b>	<b>73,920.98</b>	<b>60,680.46</b>



**2.24 Other Income**

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income	576.76	38.92
Subsidy income - TUFs	-	4.59
Rent received	35.89	26.03
Net gain on foreign currency transactions and translations	3,643.12	1,668.59
Deferred grant income	154.97	154.97
Provision no longer required written back	2.55	347.03
Other non-operating incomes	23.27	5.88
<b>Total</b>	<b>4,436.56</b>	<b>2,246.01</b>

**2.24.1** The company is in receipt of the Government Grant/Assistance as defined under Ind AS 20 – ‘Accounting for Government Grants and Disclosure of Government Assistance’ as under:

- (i) Grants in the nature of Merchandise Export Incentive Scheme, Rebate of State & Central Taxes and Levies and Duty Drawback are disclosed under the head ‘Export Entitlements’ in other operating revenue.
- (ii) Grants in the nature of Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) Scheme being re-imbursement of employer’s contribution to employee provident fund is deducted in the employee benefit expense amounting to ₹ 129.53 lakhs (₹ 205.88 lakhs).
- (iii) Grants in the nature of re-imbursement of cost towards capital asset under the Technology Upgradation Fund Scheme (TUFs) and Integrated Skill Development Scheme (ISDS) Project which is disclosed as deferred grant. The amount is disclosed under the head ‘Other Income’ in the proportions in which depreciation expense on those assets is recognised.
- (iv) Grants in the nature of re-imbursement of interest cost on borrowings under the TUFs is disclosed under the head ‘Other Income’.
- (v) EPCG authorisation is obtained by the Company from Directorate General of Trade as import duty waiver over procurement of capital goods defined in Foreign Trade Policy 2015-20. The company has deferred the grant in the books and it will be amortised in the books as and when the conditions attached (export obligation) to authorisations are fulfilled.

**2.25 Cost of Materials Consumed**

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Inventory at the beginning of the year	2,729.00	2,306.08
Add: Purchases	32,345.96	28,703.66
Less: Inventory at the end of the year	3,368.78	2,729.00
<b>Total</b>	<b>31,706.18</b>	<b>28,280.74</b>

**2.26 Changes in Inventories of Finished Goods and Work-in-Progress**

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Inventories at the beginning of the year		
Finished goods	1,461.06	1,093.70
Work-in-progress	8,443.64	5,166.46
	<b>9,904.70</b>	<b>6,260.16</b>
Less: Inventories at the end of the year		
Finished goods	1,350.98	1,461.06
Work-in-progress	8,113.77	8,443.64
	<b>9,464.75</b>	<b>9,904.70</b>
<b>Net decrease / (increase)</b>	<b>439.95</b>	<b>(3,644.54)</b>

## 2.27 Employee Benefits Expense

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries & wages	10,026.45	8,776.87
Contribution to provident and other funds [ Refer note 2.14.2.a]	803.84	553.79
Gratuity expenses [ refer note 2.14.2.b ]	188.07	171.42
Staff welfare expenses	1,130.21	1,006.75
<b>Total</b>	<b>12,148.57</b>	<b>10,508.83</b>

## 2.28 Finance Costs

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest on borrowing	593.53	321.44
Other borrowing cost	34.14	65.46
Interest on delay in payment of taxes	74.82	1.10
<b>Total</b>	<b>702.49</b>	<b>388.00</b>

## 2.29 Depreciation and amortisation expense

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment [See note 2.01A]	2,615.04	2,686.00
Amortisation of intangible assets [See note 2.01C]	30.19	40.25
<b>Total</b>	<b>2,645.23</b>	<b>2,726.25</b>

## 2.30 Other Expenses

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Processing charges	6,238.06	3,272.53
Consumption of stores and spares	984.14	905.31
Power and fuel	2,689.48	2,556.97
Repairs	-	-
- Building	20.53	27.36
- Plant & machinery	359.16	316.39
- Others	323.42	270.30
Other production expenses	130.86	181.90
Testing charges	125.42	128.72
Forwarding and transport on sales	2,301.11	1,799.44
Insurance	148.93	73.39
Rent	142.02	141.51
Rates and taxes	113.68	85.10
Travelling and conveyance	121.97	104.41
Payments to auditors [See note 2.30.2]	20.02	18.44

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Advertisement and sales promotion	165.73	120.76
Professional and consultancy charges	105.16	135.18
Loss on sale of fixed assets	6.83	8.07
Intangible asset under development written off	195.67	-
Donation [See note 2.30.1]	692.10	714.16
Expenses on corporate social responsibility activities [See note 2.30.3]	675.57	557.69
Miscellaneous expenses	627.52	230.55
Loss on foreign exchange forward contracts	210.62	-
<b>Total</b>	<b>16,398.00</b>	<b>11,648.18</b>

**2.30.1** Donations made to political parties during the year amounts to ₹ 35.50 lakhs (₹ 13.50 lakhs)

**2.30.2 Payments to auditors**

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Statutory audit fees	19.50	18.00
(b) Other services	-	-
- Taxation matters	-	-
- Others	0.25	0.10
- Reimbursement of expenses	0.27	0.34
<b>Total</b>	<b>20.02</b>	<b>18.44</b>

**2.30.3 Details of expenses on corporate social responsibility activities**

(a) Gross amount required to be spent by the Company during the year ₹ 253.92 lakhs (₹ 280.83 lakhs) towards CSR compliance as per Companies Act.

(b) Amount spent during the financial year on :

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	675.57	557.69
<b>Total</b>	<b>675.57</b>	<b>557.69</b>

**2.31 Earnings per equity share**

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit for the year	10,867.39	8,145.55
Weighted average number of equity shares of Re. 1/- each (fully paid-up)	66,500,000	66,500,000
<b>Earnings per equity share - Basic &amp; Diluted in ₹</b>	<b>16.34</b>	<b>12.25</b>

## 2.32 Segment Reporting

The Company's operations predominantly relate to one operating segment i.e. Textile – Infant / Kids Apparel manufacturing. The Chief Operating Decision Maker (CODM) reviews the operations of the Company as one operating segment. Hence, no separate segment information has been furnished herewith.

**2.32.1** Information about products and services: The Company earns revenue from only a single group of product and service viz. Textile Business comprising of sale of garments and fabrics products / services.

**2.32.2** Information regarding geographical revenue is as follows: (Rupees in lakhs)

Revenue from external customers	For the year ended March 31, 2020	For the year ended March 31, 2019
India	14,995.09	13,950.20
Outside India		
- The United States (US)	54,627.66	42,966.50
- Others	4,298.23	3,763.76
<b>Sale of products</b>	<b>73,920.98</b>	<b>60,680.46</b>

**2.32.3** All non-current assets of the company are located in India.

**2.32.4** The following table gives details in respect of percentage of revenue generated from the top customer and revenue from transactions with customers amounting to more than 10 percent or more of the Company's revenue.

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
No of customers who contribute to more than 10 percent of the Company's revenue	3	3
Revenue from top customer	36,810.91	30,417.82
Revenue from customers contributing to more than 10 percent of the Company's revenue	68,817.77	56,075.32

## 2.33 Fair Value Measurement

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature.

There were no transfers between Level 1 and Level 2 during the year.

Fair value hierarchy of financial instruments measured at fair value on a recurring basis is as follows: (Rupees in lakhs)

Particulars	Fair value hierarchy (level)	As at March 31, 2020	As at March 31, 2019
<b>Financial assets measured at fair value through other comprehensive income</b>			
Investments in equity shares - Quoted	1	2.25	6.68
<b>Financial liabilities measured at fair value through statement of profit and loss</b>			
Foreign exchange forward contracts	1	210.62	-

Category wise classification of financial instruments is as follows:

Rupees in lakhs)

Particulars	See note	As at March 31, 2020	As at March 31, 2019
<b>Financial assets measured at fair value through other comprehensive income</b>			
Investments in equity shares - Quoted	2.02	2.25	6.68
<b>Financial assets measured at amortised cost</b>			
Non current			
(i) Security deposits	2.03	226.14	171.44
(ii) Advances to wholly owned subsidiaries	2.03	-	4,975.12
(iii) Loans to wholly owned subsidiaries	2.03	6,667.45	-
(iv) Interest receivable on loans to wholly owned subsidiaries	2.03	468.54	-
Current			
(i) Trade receivables	2.07	25,156.79	16,531.54
(ii) Cash and cash equivalents	2.08	9,380.17	9,406.27
(iii) Bank balances other than (ii) above	2.09	1,274.77	457.46
(iv) Other financial assets	2.10	3,691.14	1,470.36
		46,867.25	33,018.87
<b>Financial assets measured at cost</b>			
Non current			
(i) Investments in equity shares - Unquoted	2.02	2,776.24	2,776.24
<b>Financial liabilities measured at fair value through statement of profit and loss</b>			
Foreign exchange forward contracts	2.19	210.62	-
<b>Financial Liabilities measured at amortised cost</b>			
Current			
(i) Borrowings	2.17	9,612.57	8,668.30
(ii) Trade payables	2.18	4,731.70	4,210.59
(iii) Other financial liabilities	2.19	359.91	747.30
		14,704.18	13,626.19

### 2.34 Financial Risk Management - Objectives and Policies

The Company has a well managed risk management framework, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as liquidity risk, market risk, credit risk and foreign currency risk) that may arise as a consequence of its business operations as well as its investing and financing activities.

Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable risk parameters in a disciplined and consistent manner and in compliance with applicable regulation.

#### 1) Liquidity risk

Liquidity risk is the risk that the Company will encounter due to difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The company has sound financial strength represented by its aggregate current assets as against aggregate current liabilities and its strong equity base and low working capital debt. In such circumstances, liquidity risk does not exist.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Maturities of financial liabilities As at March 31, 2020	Less than 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	9,612.57	-	-	9,612.57
Trade payable	4,731.70	-	-	4,731.70
Other financial liabilities	359.91	-	-	359.91
Maturities of financial liabilities As at March 31, 2019	Less than 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	8,668.30	-	-	8,668.30
Trade payable	4,210.59	-	-	4,210.59
Other financial liabilities	747.30	-	-	747.30

## 2) Market risk

As the Company is virtually debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible.

### a) Foreign currency risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, are also subject to reinstatement risks.

The Company uses forward exchange contracts to hedge its exposures in foreign currency arising from firm commitments and highly probable forecast transactions. The carrying amount of foreign currency denominated financial assets and liabilities including derivative contracts, are detailed in Note No.2.37.

The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecast transaction and market conditions. As the counterparty for such transactions are highly rated banks, the risk of their non-performance is considered to be insignificant.

- i) The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

(Amount in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Assets</b>		
EUR	0.00	0.95
USD	430.35	336.00
GBP	-	0.17
HKD	0.01	0.00
<b>Liabilities</b>		
EUR	3.12	3.95
USD	4.72	6.90
CHF	0.28	0.17

- ii) Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 1% increase and decrease in the rupee against the relevant foreign currencies net of forward contracts. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates, with all other variables held constant.

(Rupees in lakhs)

Particulars	Impact in statement of profit and loss for 1% change	Impact in statement of profit and loss for 1% change
	March 31, 2020	March 31, 2019
<b>Sensitivity</b>		
INR/USD ( Net receivable)	185.17	182.67
INR/EUR ( Net payable)	2.59	2.33
INR/CHF ( Net payable)	0.21	0.12

**b) Interest rate risk**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the loans and borrowings effected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows :

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Variable rate instruments</b>		
Financial liability - Loans repayable on demand from banks	9,612.57	8,668.30
<b>Financial liability</b>	9,612.57	8,668.30

**Cash flow sensitivity for variable rate instruments**

(Rupees in lakhs)

Particulars	Impact on Profit or (Loss )	
	March 31, 2020	March 31, 2019
<b>Sensitivity</b>		
50 BPS increase in rate	48.06	25.91
50 BPS decrease in rate	(48.06)	(25.91)

**3) Credit risk**

Credit risk refers to risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of the customers (including related parties) to which the Company grants credit terms in the normal course of the business.

(Rupees in lakhs)

Movement in expected credit loss allowance on trade receivables	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	-	347.03
Loss allowance reversed on measurement	-	(347.03)
Balance at the end of the year	-	-

## 2.35 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity shareholders of the Company. The primary objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value.

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Company funds its operations through internal accruals. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

As at March 31, 2020, the Company has only one class of equity shares and is virtually debt-free. The company is not subject to any externally imposed capital requirements.

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Equity attributable to share holders	67,516.27	59,143.68
Borrowings	9,612.57	9,001.00
Less: Cash and cash equivalents	9,380.17	9,406.27
Net debt	232.40	(405.27)
Total capital (equity + debt)	67,748.67	58,738.41
Net debt to capital ratio	0.003	(0.01)

## 2.36 Related Party Disclosure

Disclosure of transactions with related parties as required by Ind AS 24 - Related Party Disclosures for the year ended March 31, 2020.

### 2.36.1 Related parties with whom transactions have taken place during the year

#### A Key managerial personnel

- (i) Mr. Sabu M Jacob, Managing Director
- (ii) Mrs. Sindhu Chandrasekharan, Whole Time Director

#### B Enterprise owned or significantly influenced by key management personnel or their relatives

- (i) Kitex Childrenswear Limited
- (ii) Kitex Limited
- (iii) Anna Aluminium Company Private Limited
- (iv) Kitex Herbals Limited
- (v) Kitex Apparels Limited
- (vi) Kitex Infantswear Limited
- (vii) Twenty 20 Kizhakkambalam Association

#### C Associate enterprise

- (i) Kitex USA LLC

#### D Wholly owned subsidiary companies

- (i) Kitex Littlewear Limited
- (ii) Kitex Kidswear Limited
- (iii) Kitex Knits Limited
- (iv) Kitex Socks Limited
- (v) Kitex Packs Limited
- (vi) Kitex Babywear Limited



2.36.2 The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Rupees in lakhs)

A Enterprises owned or significantly influenced by key management personal or their relatives	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Kitex Childrenswear Limited</b>		
Revenue from sale of goods and services (including expenses recovered)	10,811.94	10,070.07
Purchases of goods and services (including reimbursements)	2,638.33	2,156.89
<b>(ii) Kitex Limited</b>		
Revenue from sale of goods and services	288.74	261.38
Purchases of goods and services (including reimbursements)	2,094.81	1,169.77
<b>(iii) Anna Aluminium Company Private Limited</b>		
Revenue from sale of goods and services	1.28	0.54
Purchases of goods and services	34.65	28.70
<b>(iv) Twenty 20 Kizhakkambalam Association</b>		
Donation paid	630.00	700.00
Payment towards corporate social responsibility activities	670.00	470.76

(Rupees in lakhs)

B Key management personnel	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Mr. Sabu M Jacob</b>		
Remuneration paid	500.00	685.01
<b>(ii) Mrs. Sindhu Chandrasekharan</b>		
Remuneration paid	18.80	17.81

(Rupees in lakhs)

C Associate enterprise	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Kitex USA LLC</b>		
Investment made	-	129.97
Sale of readymade garments	36,805.64	30,417.82
Sales commission expense	403.42	-

(Rupees in lakhs)

D Subsidiary companies	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Kitex Littlewear Limited</b>		
Investment made	-	100.00
Advances given	-	3,298.59
Loans given	2.35	-
Rent income (excluding taxes)	1.90	0.87
Interest income	253.62	-

<b>D Subsidiary companies</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>(ii) Kitex Kidswear Limited</b>		
Investment made	100.00	-
Advances given	-	33.86
Loans given	1,588.26	-
Rent income (excluding taxes)	1.90	0.80
Interest income	99.62	-
<b>(iii) Kitex Knits Limited</b>		
Investment made	-	10.00
Advances given	-	551.39
Loans given	376.77	-
Rent income (excluding taxes)	1.90	0.70
Interest income	66.92	-
<b>(iv) Kitex Socks Limited</b>		
Investment made	-	10.00
Advances given	-	551.03
Loans given	86.82	-
Rent income (excluding taxes)	1.90	0.70
Interest income	47.27	-
<b>(v) Kitex Packs Limited</b>		
Investment made	-	10.00
Advances given	-	157.24
Loans given	153.76	-
Rent income (excluding taxes)	1.90	0.70
Interest income	21.54	-
<b>(vi) Kitex Babywear Limited</b>		
Investment made	-	10.00
Advances given	-	383.01
Loans given	2.26	-
Rent income (excluding taxes)	1.90	0.70
Interest income	28.91	-

**Transaction with related parties on account of fair valuation adjustments under Ind AS**

**E Fair value (gain) / loss on recognition of unsecured loans to wholly owned subsidiaries** (Rupees in lakhs)

<b>Name of related party</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
Kitex Littlewear Limited	(52.94)	-
Kitex Kidswear Limited	75.56	-
Kitex Knits Limited	3.39	-
Kitex Socks Limited	(2.99)	-
Kitex Packs Limited	4.75	-
Kitex Babywear Limited	(3.28)	-

**F Additional investment on account of fair valuation of loans given to wholly owned subsidiaries** (Rupees in lakhs)

Name of related party	For the year ended March 31, 2020	For the year ended March 31, 2019
Kitex Littlewear Limited	253.62	-
Kitex Kidswear Limited	99.62	-
Kitex Knits Limited	66.92	-
Kitex Socks Limited	47.28	-
Kitex Packs Limited	21.54	-
Kitex Babywear Limited	28.91	-

**2.36.3 Outstanding amounts carried in the balance sheet as at March 31, 2020** (Rupees in lakhs)**A Enterprises owned or significantly influenced by key management personnel or their relatives:**

Name of related party	As at March 31, 2020	As at March 31, 2019
<b>(i) Kitex Childrenswear Limited</b>		
Trade receivables	1,065.15	1,803.35
<b>(ii) Kitex Limited</b>		
Trade payables	-	68.18
<b>(iii) Anna Aluminium Company Private Limited</b>		
Trade payables	3.86	0.54

**B Key management personnel** (Rupees in lakhs)

Name of related party	As at March 31, 2020	As at March 31, 2019
<b>(i) Mr. Sabu M Jacob</b>		
Remuneration payable	378.97	487.98
<b>(ii) Mrs. Sindhu Chandrasekharan</b>		
Remuneration payable	0.50	0.44

**C Associate enterprise** (Rupees in lakhs)

Name of related party	As at March 31, 2020	As at March 31, 2019
<b>(i) Kitex USA LLC</b>		
Trade receivables	21,605.35	13,163.43
Net carrying value of investment	2,776.24	2,776.24

**D Investment in wholly owned subsidiaries** (Rupees in lakhs)

Name of related party	As at March 31, 2020	As at March 31, 2019
Kitex Littlewear Limited	353.62	100.00
Kitex Kidswear Limited	199.62	-
Kitex Knits Limited	76.92	10.00
Kitex Socks Limited	57.28	10.00
Kitex Packs Limited	31.54	10.00
Kitex Babywear Limited	38.91	10.00

**E Advances receivable from wholly owned subsidiaries**

(Rupees in lakhs)

Name of related party	As at March 31, 2020	As at March 31, 2019
Kitex Littlewear Limited	-	3,298.59
Kitex Kidswear Limited	-	33.86
Kitex Knits Limited	-	551.39
Kitex Socks Limited	-	551.03
Kitex Packs Limited	-	157.24
Kitex Babywear Limited	-	383.01

Note: During the year, the Company converted advances given to its wholly owned subsidiaries into loans.

**F Unsecured loans receivable from wholly owned subsidiaries**

(Rupees in lakhs)

Name of related party	As at March 31, 2020	As at March 31, 2019
Kitex Littlewear Limited	3,047.32	-
Kitex Kidswear Limited	1,522.49	-
Kitex Knits Limited	861.24	-
Kitex Socks Limited	590.58	-
Kitex Packs Limited	289.46	-
Kitex Babywear Limited	356.36	-

**G Interest income receivable using government bond yield rate on loans to wholly owned subsidiaries**

(Rupees in lakhs)

Name of related party	For the year ended March 31, 2020	For the year ended March 31, 2019
Kitex Littlewear Limited	222.97	-
Kitex Kidswear Limited	97.22	-
Kitex Knits Limited	60.56	-
Kitex Socks Limited	42.25	-
Kitex Packs Limited	19.85	-
Kitex Babywear Limited	25.69	-

**2.37 As a part of Company's risk management policy, the exchange risks arising from foreign currency fluctuations are hedged by forward contracts.**

**2.37.1** The particulars of forward contracts entered into by the Company and outstanding as at Balance Sheet date is as under:

Currency	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Forward contracts (sell)</b>				
USD	180.00	13,569.46	65.00	4,496.82

2.37.2 The particulars of hedged export receivables as at balance sheet date is as under:

Currency	As at March 31, 2020		As at March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Export receivables</b>				
USD	180.00	13,569.46	65.00	4,496.82

2.37.3 The particulars of un hedged items as at Balance Sheet date is as under:

Particulars	As at March 31, 2020		As at March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Assets</b>				
EUR	-	0.25	0.95	74.04
USD	250.35	18,872.64	271.00	17,636.18
GBP	-	-	0.17	15.02
HKD	0.01	0.06	-	0.01
<b>Liabilities</b>				
EUR	3.12	259.43	3.95	306.87
USD	4.72	355.81	6.90	477.38
CHF	0.28	21.47	0.17	11.65

### 2.38 Lease Accounting

Operating Lease

Office premises, godown & equipment are hired on operating lease. The lease term is renewable every year at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Amount charged to statement of profit and loss account during the year		
Rent for premises	118.11	125.36
Rent for equipment	23.91	16.15
<b>Total</b>	<b>142.02</b>	<b>141.51</b>

2.39 The details of provisions, contingent liabilities and contingent assets are as required under Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets for the year ended March 31, 2020.

**2.39.1 Contingent liabilities not provided for:**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Claims against the Company not acknowledged as debts being demand raised against the Company, disputed on Appeal before various Appellate authorities.		
(i) PF and ESI	793.27	660.92
(ii) Income tax dues	257.88	257.88
(iii) Customs department	3,735.10	3,256.62
2. Other counter guarantees in favour of banks for guarantees issued by banks	127.49	128.21
3. Letters of credit	6.63	-
<b>Total</b>	<b>4,920.37</b>	<b>4,303.63</b>

The above demands are disputed by the company and matters pending in appeal before appellate authorities in various stages. In the opinion of the management and based on legal advice received the company is hopeful of getting full relief and hence no provision has been made thereof.

**2.40 Capital & Other Commitments**

Estimated amount of contract remaining to be executed on capital account (net of advances): ₹ 619.97 lakhs (₹ 580.04 lakhs).

**2.41** In the opinion of the Directors, short term loans and advances and other current assets, have the value at which they are stated in the balance sheet, if realised in the ordinary course of business.

**2.42** COVID 19 was declared a global pandemic on March 11, 2020 and consequently the Government of India declared lockdown on March 23, 2020 until May 2020. The pandemic and lockdown impacted normal operations by way of interruption in production, supply chain disruption, customer order deferrals, unavailability of personnel, etc. Manufacturing and exports commenced by first week of May 2020 based on permissions from relevant authorities. The Management has made a detailed assessment on recoverability and carrying value of its assets comprising of plant, property and equipment, intangible assets, investments, inventory, trade receivables and other financial assets. Based on current visibility of future business environment, economic conditions and liquidity position of the company, the company expects to recover the carrying amount of these assets. The actual impact may be different from that estimated as at the date of approval of these financial statements, as it will depend upon future developments and future actions to contain or treat the disease and mitigate its impact on the economy. Accordingly, no adjustments have been made to the financial statements.

**2.43** Previous year figures, unless otherwise stated are given within brackets and have been re-grouped and recast wherever necessary to be in conformity with current year's disclosure.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KITEX GARMENTS LIMITED

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying Consolidated Financial Statements of **Kitex Garments Limited** (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), and its associate, which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on consideration of report of other auditor on separate financial statements of the associate, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Group, and its associate as at March 31, 2020, of consolidated profit (including Other Comprehensive Income), consolidated changes in equity and its consolidated cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associate in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by Institute of Chartered Accountant of India ("ICAI"), and the relevant provisions of the Act and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to Note 2.43 to the consolidated financial statements which states that the management has made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020 and has concluded that there is no impact which is required to be recognised in the consolidated financial statements. Accordingly, no adjustments have been made to the consolidated financial statements.

**Our opinion is not modified in respect of this matter.**

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Inventory: [Refer to Note 1.6 to Consolidated financial statements]

The total value of inventory as of March 31, 2020 amounted to ₹ 13,032.87 lakhs representing 15.61% of the total assets (March 31, 2019: 12,888 Lakhs, 16.40% of the total assets). Inventories are measured the lower of cost and net realisable value.

The valuation of inventory is dependent on implementing appropriate controls w.r.t valuation. Management applies judgement in identification and determination of obsolete inventories and estimates the appropriateness of requisite provision. Allocation of indirect production costs is also estimated which is manually loaded to inventory cost. We considered this as a Key Audit Matter as these judgements are key elements in the valuation of inventories.

We have performed the following principal audit procedures in relation to Inventory valuation:

- Tested relevant internal controls that the Company uses to ensure proper valuation of inventory, including the procedures for write-down of obsolete inventory and the indirect production costs manually capitalized as inventory.
- Tested the adequacy of write-downs for excess and/or obsolete inventory by verifying future demand data, historical usage, historical accuracy of write-downs and management's plans to utilize the inventory.
- Evaluated the significant judgements and estimates made by Management in applying Company's accounting policy in relation to indirect production costs.
- Assessed the Company's disclosures in the financial statements in respect of inventory.

### **Information Other than the Consolidated Financial Statements and Auditors' Report Thereon**

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, Chairman's statement, Director's report etc but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 and Those Charged with Governance for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the 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 accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate are responsible for assessing the ability of the Group and of its associate to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate are responsible for overseeing the financial reporting process of the Group and of its associate.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Standards on Auditing ("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 consolidated financial statements.

We give in "Annexure A" a detailed description of Auditors' responsibilities for Audit of the Consolidated Financial Statements.

### **Other Matter**

1. The consolidated financial statements include the Group's share of net loss of ₹ Nil for the year ended March 31, 2020 (March 31, 2019: ₹ 982.34 Lakhs) and other comprehensive loss of ₹ Nil for the year ended March 31, 2020 (March 31, 2019: ₹ 42.70 Lakhs), as considered in the consolidated financial statements, in respect of one associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid associate, is based solely on the report of the other auditor.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

2. Due to the restrictions and lock down laid by the government due to the COVID-19 pandemic it was impracticable for us to attend the physical verification of inventory carried out by the management subsequent to year end. Consequently, we have performed related alternative audit procedures and have obtained sufficient, appropriate audit evidence over the existence of inventory (amounting ₹ 13,032.87 Lakhs) as on March 31, 2020.

Our opinion is not modified in respect of the above matter.



**Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
  - b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditor.
  - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of the written representations received from the directors of the Holding Company as on March, 31 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies none of the directors of the Group companies is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. With respect to the adequacy of internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
  - g. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group– Refer Note 2.40.1 to the consolidated financial statements.
    - ii. The Group and its associates did not have any material foreseeable losses on long-term contracts including derivative contracts;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Group.
2. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Holding Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

**For MSKA & Associates**  
**Chartered Accountants**

ICAI Firm Registration No. 105047W

Sd/-

Geetha Jeyakumar

**Partner**

Membership No. 29409

UDIN: 20029409AAAAFZ8265

Place: Chennai

Date: July 29, 2020

# ANNEXURE – A

## TO THE INDEPENDENT AUDITORS' REPORT ON EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KITEX GARMENTS LIMITED

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 ability of the Group and its associate to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group and its associate to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entity included in the consolidated financial statements, which have been audited by other auditor, such other auditor remains responsible for the direction, supervision and performance of the audit carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

**For MSKA & Associates  
Chartered Accountants**

ICAI Firm Registration No. 105047W

Sd/-

Geetha Jeyakumar

**Partner**

Membership No. 29409

UDIN: 20029409AAAAFZ8265

Place: Chennai

Date: July 29, 2020

## ANNEXURE – B

### TO THE INDEPENDENT AUDITORS' REPORT ON EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KITEX GARMENTS LIMITED

[Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Kitex Garments Limited on the consolidated Financial Statements for the year ended March 31, 2020]

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to consolidated financial statements of Kitex Garments Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies, which are companies incorporated in India, as of that date.

#### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the 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 respective 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements of the Holding company and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing prescribed under section 143(10) of the Act, 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 internal financial controls with reference to consolidated 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 internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements of the Holding company and its subsidiary companies, which are companies incorporated in India.

#### Meaning of Internal Financial Controls with reference to Consolidated Financial Statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated 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 consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

## **Inherent Limitations of Internal Financial Controls with reference to Consolidated Financial Statements**

Because of the inherent limitations of internal financial controls with reference to consolidated 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 with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control with reference to consolidated 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, and to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For MSKA & Associates**

**Chartered Accountants**

ICAI Firm Registration No. 105047W

Sd/-

Geetha Jeyakumar

**Partner**

Membership No. 29409

UDIN: 20029409AAAAFZ8265

Place: Chennai

Date: July 29, 2020

# CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	Note No.	As at March 31, 2020	As at March 31, 2019
<b>I</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Property, plant and equipment	2.01A	23,340.76	21,389.13
	(b) Capital work-in-progress	2.01B	2,031.08	3,763.58
	(c) Other intangible assets	2.01C	19.74	49.93
	(d) Intangible assets under development	2.01D	32.39	223.25
	(e) Financial assets			
	(i) Investments	2.02	2.25	6.68
	(ii) Other financial assets	2.03	226.14	225.13
	(f) Non-current tax assets	2.04	512.83	275.93
	(g) Other non-current assets	2.05	1,793.01	716.90
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	2.06	13,032.87	12,888.02
	(b) Financial assets			
	(i) Trade receivables	2.07	25,156.79	16,531.54
	(ii) Cash and cash equivalents	2.08	9,454.30	9,406.27
	(iii) Bank balances other than (ii) above	2.09	1,274.77	489.00
	(iv) Other financial assets	2.10	3,691.14	1,470.36
	(c) Other current assets	2.11	2,941.25	8,331.80
	<b>TOTAL ASSETS</b>		<b>83,509.32</b>	<b>75,767.52</b>
<b>II</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Equity</b>			
	(a) Equity share capital	2.12	665.00	665.00
	(b) Other equity	2.13	63,472.62	55,684.02
	<b>Liabilities</b>			
<b>2</b>	<b>Non-current liabilities</b>			
	(a) Provisions	2.14	1,006.63	777.92
	(b) Deferred tax liabilities (net)	2.15	684.50	1,338.94
	(c) Other non-current liabilities	2.16	579.87	669.59
<b>3</b>	<b>Current liabilities</b>			
	(a) Financial liabilities			
	(i) Borrowings	2.17	9,612.57	8,668.30
	(ii) Trade payables	2.18		
	- Total outstanding dues of micro enterprises and small enterprises		57.43	102.61
	- Total outstanding dues of creditors other than micro enterprises and small enterprises		4,674.27	4,107.98
	(iii) Other financial liabilities	2.19	570.53	747.30
	(b) Other current liabilities	2.20	448.31	401.73
	(c) Provisions	2.21	336.12	265.07
	(d) Current tax liabilities (net)	2.22	1,401.47	2,339.06
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>83,509.32</b>	<b>75,767.52</b>

Significant accounting policies and notes forming part of consolidated financial statements See Note 1 - 2.44

As per our separate report of even date attached

**For MSKA Associates**  
Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

Place : Chennai  
Date: July 29, 2020

**For and on behalf of the Board of Directors of  
KiteX Garments Limited**  
CIN: L18101KL1992PLC006258

Sd/-  
**Sabu M Jacob**  
Chairman &  
Managing Director  
DIN:00046016

Sd/-  
**Boby Michael**  
Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	Note No.	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>I</b>	<b>Income</b>			
(a)	Revenue from operations	2.23	73,920.98	60,680.46
(b)	Other income	2.24	3,918.79	2,247.12
	<b>Total Income</b>		<b>77,839.77</b>	<b>62,927.58</b>
<b>II</b>	<b>Expenses</b>			
(a)	Cost of materials consumed	2.25	31,706.18	28,280.74
(b)	Changes in inventories of finished goods and work-in-progress	2.26	439.95	(3,644.54)
(c)	Employee benefits expense	2.27	12,148.57	10,508.83
(d)	Finance costs	2.28	702.49	388.00
(e)	Depreciation and amortization expense	2.29	2,645.23	2,726.25
(f)	Other expenses	2.30	16,410.53	11,667.95
	<b>Total Expenses</b>		<b>64,052.95</b>	<b>49,927.23</b>
<b>III</b>	<b>Profit before tax (I - II)</b>		<b>13,786.82</b>	<b>13,000.35</b>
<b>IV</b>	Tax expense:			
(a)	Current tax		4,104.17	5,107.00
(b)	Deferred tax	2.15	(654.44)	(233.54)
			<b>3,449.73</b>	<b>4,873.46</b>
<b>V</b>	<b>Profit for the year (III - IV)</b>		<b>10,337.09</b>	<b>8,126.89</b>
(i)	Share of loss in associate		-	814.71
(ii)	Share of unrealised profit on transaction with associate (net of reversal)		-	167.63
	<b>Net profit for the year after share of loss of associate</b>		<b>10,337.09</b>	<b>7,144.55</b>
<b>VI</b>	<b>Other comprehensive income</b>			
<b>A</b>	Items that will not be reclassified to profit or loss			
(i)	Re-measurements of post employment benefit obligations		(115.47)	(21.61)
(ii)	Fair value changes on equity instruments carried through other comprehensive income		(4.41)	-
(iii)	Income tax relating to items that will not be reclassified to profit or loss		30.17	-
<b>B</b>	Items that will not be reclassified to profit or loss			
(i)	Exchange difference on translating the share of accumulated reserve of the associate		-	(42.70)
<b>VII</b>	<b>Total comprehensive income for the year (V+VI)</b>		<b>10,247.38</b>	<b>7,080.24</b>
<b>VIII</b>	<b>Earnings per equity share (Face value of Re. 1 each)</b>	2.31		
	Basic & Diluted in ₹		15.54	10.74

Significant accounting policies and notes forming part of consolidated financial statements See Note 1 - 2.44

As per our separate report of even date attached

**For MSKA Associates**  
Chartered Accountants  
Firm Registration No. 105047W

Sd/-  
**Geetha Jeyakumar**  
Partner  
Membership No. 029409

Place : Chennai  
Date: July 29, 2020

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**  
CIN: L18101KL1992PLC006258

Sd/-  
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Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-  
**CA Benni Joseph**  
Director  
DIN: 01219476

Sd/-  
**CS Mithun B Shenoy**  
Company Secretary

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2020

(Rupees in Lakhs)

SI No.	Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>A</b>	<b>Cash Flows from Operating Activities</b>		
	<b>Net Profit before tax</b>	<b>13,786.82</b>	<b>13,000.35</b>
	Adjustments for:		
	Depreciation and amortisation expense	2,645.23	2,726.25
	Unrealised foreign exchange (gain) / loss (net)	(1,375.40)	198.41
	Unrealised loss on foreign exchange forward contracts	210.62	-
	Interest income	(58.89)	(43.50)
	Deferred grant income	(154.97)	(154.97)
	Loss on sale of property, plant and equipment (net)	6.83	8.07
	Intangible asset under development written off	(195.67)	-
	Provision / sundry balances written off through profit and loss	(14.25)	(0.16)
	Provision for doubtful debts written back	-	(347.03)
	Interest expense	702.49	388.00
	Operating profit before working capital changes	15,552.81	15,775.42
	Changes in working capital:		
	(Increase) in trade and other receivables	(5,673.37)	(7,368.34)
	(Increase) in inventories	(144.85)	(4,105.58)
	Increase in trade, other payables and provisions	633.03	240.26
	Cash generated from operating activities before taxes	10,367.62	4,541.76
	Direct taxes paid (net of refunds)	(5,248.49)	(3,686.14)
	<b>Net cash generated from operating activities (A)</b>	<b>5,119.13</b>	<b>855.62</b>
<b>B</b>	<b>Cash Flows from Investing Activities</b>		
	Purchase of property, plant and equipment and intangible assets	(2,921.01)	(7,756.62)
	Proceeds from sale of property, plant and equipment	15.19	50.89
	Purchase of investments	-	(129.97)
	Interest received	43.42	36.25
	<b>Net cash used in investing activities (B)</b>	<b>(2,862.40)</b>	<b>(7,799.45)</b>
<b>C</b>	<b>Cash Flow from Financing Activities</b>		
	Proceeds from bank borrowings (net)	611.57	8,198.92
	Interest paid	(705.48)	(391.78)
	Dividend / dividend distribution tax paid	(2,388.52)	(599.67)
	<b>Net cash flow from / (used in) financing activities (C)</b>	<b>(2,482.43)</b>	<b>7,207.47</b>
	<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(225.70)</b>	<b>263.64</b>
	Exchange difference on translation of foreign currency cash and cash equivalents	273.73	(125.40)
	Cash and cash equivalents at the beginning of the year	9,406.27	9,268.03
	Cash and cash equivalents at the end of the year [See note 2.08]	9,454.30	9,406.27
	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(225.70)</b>	<b>263.64</b>

Significant accounting policies and notes forming part of consolidated financial statements See Note 1 - 2.44

Note:

a) 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 per our separate report of even date attached

**For MSKA Associates**

Chartered Accountants  
Firm Registration No. 105047W

Sd/-

**Geetha Jeyakumar**

Partner

Membership No. 029409

**For and on behalf of the Board of Directors of  
Kitex Garments Limited**

CIN: L18101KL1992PLC006258

Sd/-

**Sabu M Jacob**

Chairman &  
Managing Director  
DIN:00046016

Sd/-

**CA Benni Joseph**

Director  
DIN: 01219476

Sd/-

**Boby Michael**

Chief Financial Officer  
Place : Kizhakkambalam  
Date: July 29, 2020

Sd/-

**CS Mithun B Shenoy**

Company Secretary

Place : Chennai

Date: July 29, 2020

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2020

## A Equity Share Capital

(Rupees in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the reporting year	665.00	665.00
Changes in equity share capital during the year	-	-
Balance at the end of the reporting year	665.00	665.00

## B Other Equity

Particulars	Reserves and surplus			Exchange difference on translating the share of accumulated reserves of the associate	Equity instrument through other comprehensive income	Total
	Capital reserve	General reserve	Retained earnings			
<b>Balance as at April 01, 2018</b>	<b>22.10</b>	<b>21,675.00</b>	<b>27,489.37</b>	<b>12.33</b>	<b>6.25</b>	<b>49,205.05</b>
Profit for the year	-	-	7,144.55	-	-	7,144.55
Re-measurements of post employment benefit obligations (net of tax)	-	-	(21.61)	-	-	(21.61)
Fair value changes on equity instruments carried through other comprehensive income (net of tax)	-	-	-	-	-	-
Exchange differences on translating for the year	-	-	-	(42.70)	-	(42.70)
Dividends (including tax on dividend of ₹ 102.52 lakhs)	-	-	(601.27)	-	-	(601.27)
Transfer to reserves	-	1,000.00	(1,000.00)	-	-	-
<b>Balance as at March 31, 2019</b>	<b>22.10</b>	<b>22,675.00</b>	<b>33,011.04</b>	<b>(30.37)</b>	<b>6.25</b>	<b>55,684.02</b>
<b>Balance as at April 01, 2019</b>	<b>22.10</b>	<b>22,675.00</b>	<b>33,011.04</b>	<b>(30.37)</b>	<b>6.25</b>	<b>55,684.02</b>
Profit for the year (net of tax)	-	-	10,337.09	-	-	10,337.09
Re-measurements of post employment benefit obligations (net of tax)	-	-	(86.41)	-	-	(86.41)
Adjustment relating to subsidiaries	-	-	(53.69)	-	-	(53.69)
Fair value changes on equity instruments carried through other comprehensive income (net of tax)	-	-	-	-	(3.30)	(3.30)
Dividends (including tax on dividend of ₹ 410.09 lakhs)	-	-	(2,405.09)	-	-	(2,405.09)
Transfer to reserves	-	2,000.00	(2,000.00)	-	-	-
<b>Balance as at March 31, 2020</b>	<b>22.10</b>	<b>24,675.00</b>	<b>38,802.95</b>	<b>(30.37)</b>	<b>2.95</b>	<b>63,472.62</b>

Significant accounting policies and notes forming part of consolidated financial statements See Note 1 - 2.44

As per our separate report of even date attached

### For MSKA Associates

Chartered Accountants  
Firm Registration No. 105047W

Sd/-

**Geetha Jeyakumar**

Partner

Membership No. 029409

### For and on behalf of the Board of Directors of Kitex Garments Limited

CIN: L18101KL1992PLC006258

Sd/-

**Sabu M Jacob**

Chairman &

Managing Director

DIN:00046016

Sd/-

**Boby Michael**

Chief Financial Officer

Place : Kizhakkambalam

Date: July 29, 2020

Sd/-

**CA Benni Joseph**

Director

DIN: 01219476

Sd/-

**CS Mithun B Shenoy**

Company Secretary

Place : Chennai

Date: July 29, 2020



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020

## General Information

Kitex Garments Limited ('the Company') and its subsidiaries (collectively, "the Group"), associate is primarily involved in manufacturer and export of knitted garments for infants and kids. The Company is a Public Company incorporated and domiciled in India having its registered office at Kizhakkambalam, Alwaye, Ernakulam- 683562, Kerala, India. The Company has been incorporated under the provisions of Companies Act; 1956 and its equity shares are listed on the BSE Ltd. (formerly Bombay Stock Exchange) and The National Stock Exchange India Limited in India.

## 1. Significant Accounting Policies

### 1.1 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The consolidated financial statements of the Company and its subsidiaries have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and unrealised profit or losses. These financial statements are prepared by applying uniform accounting policies in use at the Group. The excess of the Company's portion of equity of the subsidiaries as at the date of its investment over the cost of its investment is treated as Capital Reserve on consolidation. The excess of cost to the Company of its investment over the Company's portion of equity as at the date of investment is treated as Goodwill on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the company's accounting policies.

### Investments in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over the subsidiaries.

The Company's investments in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit and loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the consolidated statement of profit and loss.

Entities controlled by the Company are consolidated from the date the control commences until the date control ceases. The subsidiary companies which are included in the consolidation and the Company's holdings therein are as under:

Name of the Company	Relationship	Country of incorporation	Ownership interest March 31, 2020	Ownership interest March 31, 2019
Kitex Babywear Limited	Subsidiary	India	100%	100%
Kitex Kidswear Limited	Subsidiary	India	100%	100%
Kitex Knits Limited	Subsidiary	India	100%	100%
Kitex Littlewear Limited	Subsidiary	India	100%	100%
Kitex Packs Limited	Subsidiary	India	100%	100%
Kitex Socks Limited	Subsidiary	India	100%	100%

The associate company which are included in the Consolidation and the Company's holding therein are as under

Name of the body corporate	Relationship	Country of incorporation	Ownership interest March 31, 2020	Ownership interest March 31, 2019
Kitex USA LLC	Associate	United States	50%	50%

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

## 1.2 Basis of Preparation of Consolidated Financial Statements

### (i) Statement of compliance

The Consolidated Financial Statements of the Group and its associate have been prepared in accordance with Indian Accounting Standard ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015, as amended read with section 133 of the Companies Act ("the Act") and other relevant provisions of the Act.

### (ii) Basis of measurement

Accounting policies were consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Consolidated financial statements have been prepared on a historical cost basis on the accrual basis of accounting, except for the following -

- Financial assets and liabilities that is measured at fair value;
- defined benefit plans - plan assets measured at fair value;

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

### (iii) Rounding off amounts

All amounts disclosed in consolidated financial statements and notes have been rounded off to the nearest thousands as per requirement of Schedule III of the Act, unless otherwise stated.

**(iv) Use of estimates**

In the preparation of consolidated financial statements, the management makes estimates and assumptions in conformity with the Generally Accepted Accounting Principles in India. Such estimates and assumptions are made on reasonable and prudent basis taking into account all available information. However actual results could differ from these estimates and assumptions and such differences are recognised in the period in which results are ascertained. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.21.

**1.3 Current versus Non-Current Classification**

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

- Expected to be realised or intended to be sold or consumed in 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 classified as current when:

- It is expected to be settled in 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

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

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current – noncurrent classification of assets and liabilities.

**1.4 Property, Plant & Equipment**

Property, plant and equipment (except freehold land) are stated at cost of acquisition less accumulated depreciation and impairment if any. Freehold land is carried at historical cost. The company is adopting the cost model for determining gross carrying amount. Cost comprises of purchase price, inward freight, duties, taxes and any attributable cost of bringing the assets to its working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed by the management at each financial year and adjusted prospectively, if appropriate.

Capital work in progress comprises of the cost of fixed assets that are not yet ready for their intended use at the reporting date.

**Depreciation methods, estimated useful lives**

Depreciation on Property, plant and equipment is provided on Straight Line Method at the useful lives based on a review by the management at the year-end as under:

- (a) Assets (other than capital spares) - based on useful lives prescribed under Schedule II of the Companies Act, 2013
- (b) Capital spares- based on useful life of each replaced part (2 - 5 years).

Depreciation on addition to property plant and equipment is provided on pro-rata basis from the date of acquisition. Depreciation on sale/deduction from property plant and equipment is provided up to the date preceding the date of sale, deduction as the case may be. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Profit and Loss under 'Other Income'.

## 1.5 Intangible Assets

Cost of software is capitalised as intangible asset and amortised on a straight-line basis over the economic useful life of three years.

The residual values, useful lives and methods of depreciation of intangible assets are reviewed by the management at each financial year and adjusted prospectively, if appropriate.

## 1.6 Inventories

Inventories are valued at lower of cost or net realisable value. For this purpose, the cost of bought-out inventories comprises of the purchase cost of the items, net of applicable tax/duty credits and cost of bringing such items into the factory on First-In, First-Out (FIFO) basis. Cost of Inventory comprises Cost of Purchase, Cost of Conversion and other Costs incurred to bring them to their respective present location and condition. The net realisable value of bought out inventories is taken at their current replacement value. The cost of manufactured inventories comprises of the direct cost of production plus appropriate fixed and variable production overheads.

Difference between the purchase price for normal credit terms and the amount paid for deferred settlement terms, if any, is recognised as an expense.

## 1.7 Foreign Currency Transactions

### (a) Functional and presentation currency

Items included in the consolidated financial statements of the entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Indian Rupees ("INR"), which is the functional currency and presentation currency of the Company.

### (b) Transactions and balances

Foreign exchange transactions are recorded at the functional currency adopting the exchange rate prevailing on the dates of respective transactions. Monetary assets and liabilities denominated in foreign currencies existing as on the Balance Sheet date are translated at the functional currency exchange rate prevailing as at the Balance Sheet date. The exchange difference arising from the settlement of transactions during the period and effect of translations of assets and liabilities at the Balance Sheet date 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 translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or profit and loss are also recognised in Other Comprehensive Income or profit and loss, respectively).

### (c) Derivative instruments and hedge accounting

The company uses foreign currency derivative contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The company designates these as cash flow hedges applying the recognition and measurement principles set out in Ind AS 109–Financial Instruments.

The use of foreign currency and derivative contracts is governed by the Company's policies approved by the Board of directors which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The company does not use derivative financial instruments for speculative purposes.

Foreign currency derivative instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit and loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income in the cash flow hedge reserve and later reclassified to profit and loss when the hedge item affects profit and loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

## 1.8 Leases

The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 01, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

## 1.9 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as expenditure in the period in which they are incurred.

## 1.10 Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants shall be recognised in profit and loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to depreciable assets are presented in the balance sheet by setting up the grant as deferred income and are recognised in profit and loss over the periods and in the proportions in which depreciation expense on those assets is recognised and are presented under Other Income.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit and loss of the period in which it becomes receivable and are presented under Other Income/ deducted from the related heads of expenditure.

## 1.11 Financial Instruments

### (a) Financial asset

#### (i) Initial recognition and measurement

At initial recognition, financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### (ii) Subsequent measurement

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

(a) at amortized cost; or

(b) at fair value through other comprehensive income; or at fair value through profit or loss.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method (EIR).

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in Statement of Profit and Loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Profit and Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

(iii) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

**(b) Financial liabilities**

Financial liabilities are initially recognised at fair value plus any transaction cost that are attributable to the acquisition of the financial liabilities except, financial liabilities at fair value through profit or loss which are initially measured at fair value.

After initial recognition at fair value net of directly attributable transaction costs, interest-bearing borrowings, finance lease liabilities, Trade payables and other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised as well as through the amortisation of effective interest.

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

**Derivative financial instruments**

Derivative instruments not designated as Cash flow hedges

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, like foreign exchange forward contracts. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship and the nature of the hedged item.

**1.12 Revenue Recognition**

The Company derives revenues primarily from sale of manufactured fabric and readymade garments.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

**Other operating revenue - Export incentives:** Export Incentives under various schemes are accounted upon fulfilling the conditions established by respective regulations as applicable to the Company and as amended from time to time.

Income is recognised at the value or rate prescribed by respective regulations.

**1.13 Taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year computed in accordance with the provisions of the Income Tax Act, 1961. Taxable income differs from 'profit before tax' as

reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognised in the Statement of Profit and Loss, except when they relate to items that are recognised in other comprehensive income or items related to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### 1.14 Employee Benefits

##### (a) Short-term obligations

Liabilities for wages and salaries, including nonmonetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

##### (b) Defined contribution plans

The company has defined contribution plans for employees comprising of Provident Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are recognised as employee benefit expense in the Statement of Profit and Loss for the year.

##### (c) Defined benefit plans: Gratuity

The net present value of the obligation for gratuity benefits are determined by independent actuarial valuation, conducted annually using the projected unit credit method.

The retirement benefit obligations recognised in the Balance Sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. All expenses represented by current service cost, past service cost, if any, and net interest on the defined benefits are recognised immediately in Statement of Profit and Loss as past service cost, if any, and net interest on the defined benefit liability/(asset) are recognised in the Statement of Profit and Loss.

Remeasurements of the net defined benefit liability/(asset) comprising actuarial gains and losses and the return on the plan assets (excluding amounts included in net interest), are recognised in Other Comprehensive Income. Such remeasurements are not reclassified to the Statement of Profit and Loss in the subsequent periods.

##### (d) Long-term employee benefits: Compensated absences

The company has a scheme for compensated absences for employees, the liability of which is determined based on an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

#### 1.15 Segment Reporting

Operating Segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

#### 1.16 Earnings Per Share

Basic/diluted earnings per share is calculated by dividing the net profit and loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares/diluted potential equity shares outstanding as at the end of the year, as the case may be.

### 1.17 Impairment of Non-financial Assets

The Company assesses at each year end whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. An asset or a cash generating unit is treated as impaired, when the carrying value of assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Based on such assessment, impairment loss if any is recognised in the Statement of Profit and Loss for the period in which the asset is identified as impaired.

### 1.18 Consolidated Cash Flow Statement

#### 1.19 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks, cash on hand and short-term deposits net of bank overdraft with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### 1.20 Provisions and Contingent Liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) because of a past event, for which it is probable that a cash outflow will be required, and a reliable estimate can be made of the amount of the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it's carrying amount is the present value of those cash flows (when the effect of time value of money is material). These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

When the company expects some or all the provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Contingent Liabilities are disclosed when the company has a possible obligation, or a present obligation and it is probable that an outflow of resources will not be required to settle the obligation, or the amount of obligation cannot be measured with sufficient reliability.

#### 1.21 Significant Accounting Judgments Estimates and Assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

- (i) Useful lives of property, plant and equipment and intangible assets:

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period.

- (ii) Actuarial valuation:

The determination of Company's liability towards defined benefit obligation to employees is made through independent actuarial valuation including determination of amounts to be recognised in the Statement of Profit and Loss and in other comprehensive income. Such valuation depends upon assumptions determined after considering inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information about such valuation is provided in notes to the consolidated financial statements.

- (iii) Impairment of assets:

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

- (iv) Recoverability of advances/receivables:

Management reviews its receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics.

#### 1.22 Recent Accounting Pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 01, 2020.



## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.01 A - Property, Plant and Equipment

(Rupees in Lakhs)

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2019	Additions during the year	Disposal / Adjustments	As at March 31, 2020	As at April 1, 2019	Disposal/ Adjustments	During the Year	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Freehold land	5,494.31	1,414.64	-	<b>6,908.95</b>	-	-	-	-	6,908.95	5,494.31
Buildings	4,780.49	1,965.32	-	<b>6,745.81</b>	514.92	-	205.06	<b>719.98</b>	6,025.83	4,265.57
Plant & machinery	16,196.10	591.26	44.43	<b>16,742.93</b>	5,559.26	22.41	2,051.58	<b>7,588.43</b>	9,154.50	10,636.84
Furniture & fixtures	207.46	23.78	-	<b>231.24</b>	96.67	-	21.79	<b>118.46</b>	112.78	110.79
Vehicles	536.21	154.26	-	<b>690.47</b>	194.97	-	80.02	<b>274.99</b>	415.48	341.24
Office equipment	202.06	362.27	-	<b>564.33</b>	101.36	-	89.42	<b>190.78</b>	373.55	100.70
Computers	549.03	58.74	-	<b>607.77</b>	252.63	-	126.24	<b>378.87</b>	228.90	296.40
Electrical equipment	307.02	18.42	-	<b>325.44</b>	163.74	-	40.93	<b>204.67</b>	120.77	143.28
<b>Total</b>	<b>28,272.68</b>	<b>4,588.69</b>	<b>44.43</b>	<b>32,816.94</b>	<b>6,883.55</b>	<b>22.41</b>	<b>2,615.04</b>	<b>9,476.18</b>	<b>23,340.76</b>	<b>21,389.13</b>

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at April 1, 2018	Additions during the year	Disposal / Adjustments	As at March 31, 2019	As at April 1, 2018	Disposal / Adjustments	During the Year	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Freehold land	492.83	5,001.48	-	<b>5,494.31</b>	-	-	-	-	5,494.31	492.83
Buildings	4,735.05	45.44	-	<b>4,780.49</b>	348.59	-	166.33	<b>514.92</b>	4,265.57	4,386.46
Plant & machinery	14,754.67	1,553.81	112.38	<b>16,196.10</b>	3,391.98	53.70	2,220.98	<b>5,559.26</b>	10,636.84	11,362.69
Furniture & fixtures	194.23	13.23	-	<b>207.46</b>	69.83	-	26.84	<b>96.67</b>	110.79	124.40
Vehicles	392.97	146.80	3.56	<b>536.21</b>	118.24	3.28	80.01	<b>194.97</b>	341.24	274.73
Office equipment	181.77	20.29	-	<b>202.06</b>	59.45	-	41.91	<b>101.36</b>	100.70	122.32
Computers	367.34	181.69	-	<b>549.03</b>	150.27	-	102.36	<b>252.63</b>	296.40	217.07
Electrical equipment	265.45	41.57	-	<b>307.02</b>	116.17	-	47.57	<b>163.74</b>	143.28	149.28
<b>Total</b>	<b>21,384.31</b>	<b>7,004.31</b>	<b>115.94</b>	<b>28,272.68</b>	<b>4,254.53</b>	<b>56.98</b>	<b>2,686.00</b>	<b>6,883.55</b>	<b>21,389.13</b>	<b>17,129.78</b>

### 2.01 B - Capital Work-in-Progress

(Rupees in Lakhs)

GROSS BLOCK (at cost)				
	As at April 1, 2019	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2020
Buildings under construction	29.99	90.16	118.52	1.63
Plant and equipment under installation	3,733.59	1,191.16	2,895.30	2,029.45
<b>Total</b>	<b>3,763.58</b>	<b>1,281.32</b>	<b>3,013.82</b>	<b>2,031.08</b>

GROSS BLOCK (at cost)				
	As at April 1, 2018	Additions/ Adjustments	Deductions/ Adjustments	As at March 31, 2019
Buildings under construction	0.39	61.18	31.58	29.99
Plant and equipment under installation	3,200.97	2,347.90	1,815.28	3,733.59
<b>Total</b>	<b>3,201.36</b>	<b>2,409.08</b>	<b>1,846.86</b>	<b>3,763.58</b>

## 2.01 C - Other Intangible Assets

(Rupees in Lakhs)

	GROSS BLOCK			AMORTIZATION			NET BLOCK			
	As at April 1, 2019	Additions during the year	Disposal / Adjustments	As at March 31, 2020	As at April 1, 2019	Disposal / Adjustments	During the Year	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Computer software	137.04	-	-	137.04	87.11	-	30.19	117.30	19.74	49.93
<b>Total</b>	<b>137.04</b>	<b>-</b>	<b>-</b>	<b>137.04</b>	<b>87.11</b>	<b>-</b>	<b>30.19</b>	<b>117.30</b>	<b>19.74</b>	<b>49.93</b>

	GROSS BLOCK			AMORTIZATION			NET BLOCK			
	As at April 1, 2018	Additions during the year	Disposal / Adjustments	As at March 31, 2019	As at April 1, 2018	Disposal / Adjustments	During the Year	As at March 31, 2019	As at March 31, 2019	As at March 31, 2018
Computer software	81.37	55.67	-	137.04	46.86	-	40.25	87.11	49.93	34.51
<b>Total</b>	<b>81.37</b>	<b>55.67</b>	<b>-</b>	<b>137.04</b>	<b>46.86</b>	<b>-</b>	<b>40.25</b>	<b>87.11</b>	<b>49.93</b>	<b>34.51</b>

## 2.01 D - Intangible Assets under Development

(Rupees in Lakhs)

	GROSS BLOCK			As at March 31, 2020
	As at April 1, 2019	Additions/ Adjustments	Deductions/ Adjustments **	
Software under development	223.25	9.65	200.51	32.39
<b>Total</b>	<b>223.25</b>	<b>9.65</b>	<b>200.51</b>	<b>32.39</b>

	GROSS BLOCK			As at March 31, 2019
	As at April 1, 2018	Additions/ Adjustments	Deductions/ Adjustments	
Software under development	200.28	72.97	50.00	223.25
<b>Total</b>	<b>200.28</b>	<b>72.97</b>	<b>50.00</b>	<b>223.25</b>

\*\* Out of the above, ₹ 195.67 lakhs pertains to intangible asset under development written off.

## 2.02 Investments [Non-Current]

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unquoted</b>		
<b>Investments carried at cost</b>		
<b>Investments in equity instruments of associate company</b>		
4,250,210.09 (4,250,210.09) fully paid-up membership units of USD 1 each in Kitex USA LLC	2,776.24	2,776.24
Less:		
Share of accumulated reserve	2,776.24	1,751.20
Share of loss in associate [See Note 2.02.1]	-	814.71
Share of unrealised profit on transaction with associate (net of reversal)	-	167.63
Add: Foreign currency translation differences carried through OCI	-	(42.70)
	-	-
<b>Quoted</b>		
<b>Investments carried at fair value through other comprehensive income</b>		
7,000 (7,000) fully paid-up equity shares of ₹ 2/- each in Punjab National Bank Limited	2.25	6.68
<b>Total</b>	<b>2.25</b>	<b>6.68</b>
Aggregate amount of unquoted investments	-	-
Aggregate amount of quoted investments and market value thereof; (The market value of quoted investments is equal to the carrying value)	2.25	6.68

2.02.1 Loss of associate restricted to the investment available.

**2.03 Other Financial Assets [Non-Current]**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Security deposit	226.14	171.44
Other financial assets	-	53.69
<b>Total</b>	<b>226.14</b>	<b>225.13</b>

2.03.1 Deposit account represents deposits held as security which are not expected to be refunded next 12 months.

**2.04 Non Current Tax Assets**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Income tax (net)	512.83	275.93
<b>Total</b>	<b>512.83</b>	<b>275.93</b>

**2.05 Other Non-Current Assets**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Capital advances	1,467.96	560.49
Balances with government authorities	325.05	156.41
<b>Total</b>	<b>1,793.01</b>	<b>716.90</b>

**2.06 Inventories**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Raw materials	3,219.56	2,540.83
Raw materials in transit	149.22	188.17
Work-in-progress	8,113.77	8,443.64
Finished goods [See note 2.06.2]	1,350.98	1,461.06
Stores and spares	187.15	248.04
Stores and spares in transit	12.19	6.28
<b>Total</b>	<b>13,032.87</b>	<b>12,888.02</b>

2.06.1 Method of valuation of inventories - See note 1.7 of significant accounting policies.

2.06.2 During the year ended March 31, 2020, ₹ 237.77 lakhs (March 31, 2019: ₹ Nil) was recognised as an expense for write down in value of inventories to their net realisable value.

**2.07 Trade Receivables**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Unsecured, considered good [See note 2.07.1]	25,156.79	16,531.54
<b>Total</b>	<b>25,156.79</b>	<b>16,531.54</b>

- 2.07.1** (i) Trade receivables include amounts due from related parties ₹ 22,670.50 lakhs (₹ 14,966.78 lakhs). See note 2.37.3.  
(ii) Trade receivables are non-interest bearing and are generally on credit terms not exceeding 90 days.

**2.07.2** During 2017-18, TOYS "R" US, Inc., a customer of the Company had filed a petition in the Bankruptcy Court in the United States to wind down its US operation. Provision of ₹ 347.03 lakhs was made for the receivables towards loss, if any on recovery of receivables in the same year. After the hearings at the US Bankruptcy court on September 6, 2018 and November 13, 2018, Plan submitted under Chapter 11 was confirmed. The Claim allowed to the company aggregates to 9.17 Million US Dollars. Consequently, the provision carried in the books of ₹ 347.03 lakhs had been written back during the previous year. The Company has already received interim disbursement of 2.07 million dollars (2018-19: 1.60 million dollars) as on March 31, 2020.

## 2.08 Cash and Cash Equivalents

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balances with banks - In current accounts	9,450.35	9,404.91
Cash on hand	3.95	1.36
<b>Total</b>	<b>9,454.30</b>	<b>9,406.27</b>

## 2.09 Bank balances other than Cash and Cash Equivalents

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Balance with banks - In deposit accounts [See note 2.09.1]	1,274.77	489.00
<b>Total</b>	<b>1,274.77</b>	<b>489.00</b>

**2.09.1** (i) Balances with banks in deposit accounts held as security against Letter of Credits/ Guarantee, with a maturity period of less than 12 months.

(ii) Earmarked balance of unpaid dividend ₹ 94.23 lakhs (₹ 77.34 lakhs).

## 2.10 Other Financial Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Subsidy receivable	1,116.51	1,116.51
Duty drawback receivable	2,494.39	283.97
Other deposits	2.00	2.00
Rent deposits	38.18	43.28
Interest receivable on margin money deposit	40.06	24.60
<b>Total</b>	<b>3,691.14</b>	<b>1,470.36</b>

## 2.11 Other Current Assets

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Unsecured, considered good</b>		
Advances recoverable in cash or in kind or for value to be received.	496.32	436.84
Balances with government authorities	1,790.95	4,473.84
Advances to staff	31.66	32.64
Prepaid expenses	134.62	76.73
Export entitlements / rebates receivable on export	487.70	3,311.75
<b>Total</b>	<b>2,941.25</b>	<b>8,331.80</b>

**2.12 Equity Share Capital**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Authorised</b>		
250,000,000 (250,000,000) equity shares of Re. 1/- each	2,500.00	2,500.00
<b>Issued, subscribed and fully paid-up</b>		
66,500,000 (66,500,000) equity shares of Re. 1/- each	665.00	665.00
<b>Total</b>	<b>665.00</b>	<b>665.00</b>

**2.12.1 Terms / rights attached to equity shareholders**

The Company has only one class of shares referred to as equity shares with a face value of Re. 1/- each. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed / declared by the Board of Directors is subject to approval / regularisation of the shareholders in the Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

**2.12.2 Reconciliation of equity shares with voting rights at the beginning and at the end of the financial year**

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	Amount (Rupees in lakhs)	No. of shares	Amount (Rupees in lakhs)
No. of shares as at the beginning of the financial year	66,500,000	665.00	66,500,000	665.00
Add: Issued during the year	-	-	-	-
No. of shares as at the end of the financial year	66,500,000	665.00	66,500,000	665.00

**2.12.3 Particulars of shareholders holding more than 5% shares in the Company**

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% of total holding	No. of shares	% of total holding
Sabu M Jacob	22,015,606	33.11	22,015,606	33.11
Kitex Childrenswear Limited	10,585,822	15.92	10,385,507	15.62
Renjitha Joseph	4,328,100	6.51	4,328,100	6.51
C K G Super Market Limited	4,053,630	6.10	4,125,428	6.20
Gopinathan C K	4,961,444	7.46	4,069,000	6.12

As per records of the Company, including its Register of Members and other declarations received from them regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**2.12.4 Aggregate number of bonus shares Issued during the period of five years immediately preceding the reporting date**

Particulars	No. of shares	Rupees in lakhs
Equity shares allotted as fully paid-up bonus shares		
Financial Year 2017-18	19,000,000	190.00

## 2.13 Other Equity

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Capital reserve</b>		
Investment subsidy	22.10	22.10
<b>General reserve</b>		
Opening balance	22,675.00	21,675.00
Add: Transfer from retained earnings	2,000.00	1,000.00
Closing balance	24,675.00	22,675.00
<b>Retained earnings</b>		
Opening balance	33,011.04	27,489.37
Add: Profit for the year	10,337.09	7,144.55
Add: Re-measurements of post employment benefit obligations (net of tax)	(86.41)	(21.61)
Less: Adjustment relating to preliminary expenses of subsidiaries relating to 2018-19	53.69	-
	43,208.03	34,612.31
Less:		
Transfer to general reserve	2,000.00	1,000.00
Payment of dividends	1,995.00	498.75
Tax on dividends	410.09	102.52
Closing balance	38,802.94	33,011.04
<b>Equity instrument through other comprehensive income</b>		
Opening balance	6.25	6.25
Add : Fair value changes on equity instruments carried through other comprehensive income (net of tax)	(3.30)	-
Closing balance	2.95	6.25
<b>Exchange difference on translating the share of accumulated reserve of the associate</b>		
Opening balance	(30.37)	12.33
Add: Exchange differences on translation relating to associate	-	(42.70)
Closing balance	(30.37)	(30.37)
<b>Total</b>	<b>63,472.62</b>	<b>55,684.02</b>

### 2.13.1 Description of nature and purpose of each reserve

- (i) **Capital reserve** : Capital reserve denotes investment subsidy received by the company amounting to ₹ 22.10 lakhs (₹ 22.10 lakhs).
- (ii) **General reserve** : General reserve is created from time to time by way of transfer of profits from retained earnings for appropriation purposes. General Reserve is created by a transfer from one component of equity to another and is not an item of comprehensive income.
- (iii) **Equity instruments through other comprehensive income**: This represents the cumulative gains and losses arising on the revaluation of equity instruments measured at fair value through other comprehensive income, under an irrevocable option, net of amounts reclassified to retained earnings when such assets are disposed off.
- (iv) **Exchange differences on translating the share of accumulated reserve of the associate** : The exchange differences arising on translation of the share of accumulated reserve of the associate from functional currency to presentation currency in accordance with Ind AS - 21, the Effects of Changes in Foreign Exchange Rates

**2.14 Provisions**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for gratuity [See note 2.14.2]	800.53	621.07
Provision for compensated absences [See note 2.14.2]	206.10	156.85
<b>Total</b>	<b>1,006.63</b>	<b>777.92</b>

**2.14.1** Short-term provisions of employee benefits is disclosed in note 2.21.

**2.14.2 Disclosures required under Ind AS 19 - "Employee Benefits"**
**2.14.2.a Defined contribution plans**

During the year, the following amounts have been recognised in the statement of profit and loss on account of defined contribution plans:

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Employers contribution to provident fund	634.79	359.76
Employers contribution to employees' state insurance	169.05	194.03

**2.14.2.b Defined benefit plans - gratuity: unfunded obligation**

(Rupees in lakhs)

(i) Actuarial assumptions	As at March 31, 2020	As at March 31, 2019
Discount rate (per annum)	5.55%	6.80%
Salary escalation rate*	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table

\*The assumption of future salary escalation takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

	As at March 31, 2020	As at March 31, 2019
<b>(ii) Reconciliation of present value of obligation</b>		
Present value of obligation at the beginning of the year	784.86	659.06
Current service cost	140.27	124.80
Past service cost	-	-
Interest cost	47.80	46.62
Actuarial (gain)/ loss - financial	71.14	42.39
Actuarial (gain)/ loss - demographic	-	(0.04)
Actuarial (gain)/ loss - experience	44.33	(20.74)
Benefits paid	(84.74)	(67.23)
Present value of obligation at the end of the year	1,003.66	784.86
Contributions by the employer	84.74	67.23
Benefits paid	(84.74)	(67.23)
Expected employers' contribution next year	203.13	163.78

	As at March 31, 2020	As at March 31, 2019
<b>(iii) Expenses recognized in the statement profit and loss</b>		
Current service cost	140.27	124.80
Interest cost	47.80	46.62
Past service cost (if applicable)	-	-
Expected return on plan assets	-	-
Total expenses recognized in the statement of profit and loss for the year	188.07	171.42
<b>(iv) Expenses recognized in other comprehensive income</b>		
Opening amount recognised in OCI outside profit and loss account	(84.44)	(106.05)
Re-measurements during the period due to		
Changes in financial assumptions	71.14	42.39
Changes in demographic assumptions	0.00	(0.04)
Experience adjustments	44.33	(20.74)
Total re-measurements included in other comprehensive income	115.47	21.61
Closing amount recognised in OCI outside profit and loss account	31.03	(84.44)
<b>(v) Sensitivity analysis</b>		
Discount rate +50 basis points	-2.96%	-2.78%
Discount rate -50 basis points	3.16%	2.95%
Salary increase rate +50 basis points	3.06%	2.92%
Salary increase rate -50 basis points	-2.91%	-2.77%

	As at March 31, 2020	As at March 31, 2019
<b>(vi) Maturity Analysis of the Benefit payments</b>		
Year 1	203.13	163.78
Year 2	132.66	121.21
Year 3	123.88	101.48
Year 4	113.21	94.01
Year 5	93.38	84.93
Next 5 years and above	848.76	716.54

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

#### 2.14.2.c Long term employee benefits

Compensated absences (vesting and non-vesting): unfunded obligation

(Rupees in lakhs)

	As at March 31, 2020	As at March 31, 2019
<b>(i) Actuarial Assumptions</b>		
Discount rate (per annum)	5.55%	6.80%
Salary escalation rate*	7.00%	7.00%
Mortality rate	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table

\* The assumption of future salary escalation takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.



2.15 Deferred Tax Liabilities (Net)

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>A. Deferred tax liability</b>		
On excess of net book value over income tax written down value of property, plant and equipments	1,075.47	1,703.40
<b>B. Deferred tax assets</b>		
On provisions	337.95	364.46
On foreign exchange forward contracts	53.02	-
<b>Deferred tax liabilities (net) (A-B)</b>	<b>684.50</b>	<b>1,338.94</b>

Movement in deferred tax liabilities / assets balances during the year ended March 31, 2020

(Rupees in lakhs)

Particulars	As at April 01, 2019	Recognised in profit or loss	Recognised in other comprehensive income	As at March 31, 2020
<b>A. Deferred tax liability</b>				
On excess of net book value over income tax written down value of property, plant and equipment	1,703.40	(627.93)	-	1,075.47
<b>B. Deferred tax assets</b>				
On provisions	364.46	(26.51)	-	337.95
On foreign exchange forward contracts	-	53.02	-	53.02
<b>Deferred tax liabilities (net) (A-B)</b>	<b>1,338.94</b>	<b>(654.44)</b>	<b>-</b>	<b>684.50</b>

Movement in deferred tax liabilities / assets balances during the year ended March 31, 2019

(Rupees in lakhs)

Particulars	As at April 01, 2018	Recognised in profit or loss	Recognised in other comprehensive income	As at March 31, 2019
<b>A. Deferred tax liability</b>				
On excess of net book value over income tax written down value of property, plant and equipment	1998.93	(295.53)	-	1,703.40
<b>B. Deferred tax assets</b>				
On provisions	426.45	(61.99)	-	364.46
On foreign exchange forward contracts	-	-	-	-
<b>Deferred tax liabilities (net) (A-B)</b>	<b>1572.48</b>	<b>(233.54)</b>	<b>-</b>	<b>1,338.94</b>

## Reconciliation of effective tax rate

The income tax expense for the year can be reconciled to the accounting profit as follows:

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Profit before tax</b>	<b>13,786.82</b>	<b>13,000.35</b>
<b>Income tax expense calculated at 25.168% (34.944%)</b>	<b>3,469.87</b>	<b>4,542.84</b>
Effect due to tax losses of subsidiaries not recognised	133.46	6.53
Tax effect on non-deductible expenses	220.99	802.76
Tax effect on eligible deductions	-	(463.40)
Effect on deferred tax balances due to change in income tax rate	(374.59)	(15.27)
<b>Total</b>	<b>3,449.73</b>	<b>4,873.46</b>
<b>Tax expense as per statement of profit and loss</b>	<b>3,449.73</b>	<b>4,873.46</b>

The tax rate used for reconciliation above is the corporate tax rate of 25.168% (34.944%) payable on taxable profit under the Income Tax Act, 1961.

**2.15.1** The company elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019.

## 2.16 Other Non-Current Liabilities

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Deferred grant related to capital assets	579.87	669.59
<b>Total</b>	<b>579.87</b>	<b>669.59</b>

## 2.17 Borrowings

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Loans repayable on demand from Banks (Secured)	9,612.57	8,668.30
<b>Total</b>	<b>9,612.57</b>	<b>8,668.30</b>

(i) The Company has availed working capital and PCFC loans from banks which are secured by first charge over the entire current assets of the Company, both present and future, second charge over moveable fixed assets, equitable mortgage over 25.44 acres of the land and building belonging to the Company and by personal guarantee of the Managing Director. The loans are repayable on demand.

(ii) The interest rate varies from 5.40% to 6.10% per annum (5.70%).

## 2.18 Trade Payables

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Trade payables		
(i) Total outstanding dues of micro enterprises and small enterprises	57.43	102.61
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	4,674.27	4,107.98
<b>Total</b>	<b>4,731.70</b>	<b>4,210.59</b>

**2.18.1** The company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Intimations have been received from some of the suppliers regarding their status under the said Act as at March 31, 2020, based on which, principal amount unpaid to such suppliers as at the year end aggregating to ₹ 57.43 lakhs (₹ 102.61 lakhs) has been included under trade payables. In the opinion of the management, the impact of interest, if any, which may be payable in accordance with the provisions of the Act, is not expected to be material.

**Disclosures required under the Micro, Small and Medium Enterprises Development Act 2006 are as follows:**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
a. Principal amount remaining unpaid but not due as at the year end.	57.43	102.61
b. Interest due thereon and remaining unpaid as at the year end.	-	-
c. Interest paid by the Company in terms of Section 16 of Micro, Small & Medium Enterprises Development Act 2006 along with the amount of payment made to the supplier beyond the appointed day during the year.	-	-
d. 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 Enterprises Development Act, 2006.	-	-
e. Interest accrued and remaining unpaid as at the year end.	-	-
f. Further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
<b>Total</b>	<b>57.43</b>	<b>102.61</b>

**2.19 Other Financial Liabilities**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Creditors for capital goods	42.40	71.08
Retention money	2.87	35.67
Current maturities of long term borrowings	-	332.70
Unpaid dividend	93.90	77.34
Foreign exchange forward contracts	210.62	-
Grants received in advance [see note 2.19.1]	220.74	227.52
Interest accrued on borrowings	-	2.99
<b>Total</b>	<b>570.53</b>	<b>747.30</b>

**2.19.1** The Company undertakes programmes under Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), the skilling and placement initiative of the Ministry of Rural Development (MoRD), Government of India. The grants received in advance are spent over the life of the project as per the notified Guidelines and Standard Operating Procedures (SOP) to be followed while implementing the programme.

**2.20 Other Current Liabilities**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory dues	272.56	166.05
Deferred grant related to capital assets	154.97	154.97
Advance from customers	20.78	80.71
<b>Total</b>	<b>448.31</b>	<b>401.73</b>

## 2.21 Short-Term Provisions

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for gratuity [See note 2.14.2]	203.13	163.79
Provision for compensated absences [See note 2.14.2]	132.99	101.28
<b>Total</b>	<b>336.12</b>	<b>265.07</b>

## 2.22 Current Tax Liabilities (Net)

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Current tax payable [net of advance tax ₹ 7,410.16 lakhs (₹ 7,505.57 lakhs)]	1,401.47	2,339.06
<b>Total</b>	<b>1,401.47</b>	<b>2,339.06</b>

## 2.23 Revenue from Operations

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Sale of products</b>	69,451.97	56,322.26
<b>A</b>	<b>69,451.97</b>	<b>56,322.26</b>
<b>Other operating revenues</b>		
Export entitlements	3,570.97	3,374.48
Job work charges	803.04	863.51
Scrap sales	46.53	40.67
Others	48.47	79.54
<b>B</b>	<b>4,469.01</b>	<b>4,358.20</b>
<b>Revenue from operations (A+B)</b>	<b>73,920.98</b>	<b>60,680.46</b>

## 2.24 Other Income

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income	58.88	38.92
Subsidy income - TUFs	-	4.59
Rent received	24.49	26.03
Net gain on foreign currency transactions and translations	3,643.12	1,668.59
Deferred grant income	154.97	154.97
Provision no longer required written back	2.55	347.03
Other non-operating incomes	34.78	6.99
<b>Total</b>	<b>3,918.79</b>	<b>2,247.12</b>

**2.24.1** The company is in receipt of the Government Grant/Assistance as defined under Ind AS 20 – 'Accounting for Government Grants and Disclosure of Government Assistance' as under:

- Grants in the nature of Merchandise Export Incentive Scheme, Rebate of State & Central Taxes and Levies and Duty Drawback are disclosed under the head 'Export Entitlements' in other operating revenue.
- Grants in the nature of Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) Scheme being re-imbursement of employer's contribution to employee provident fund is deducted in the employee benefit expense amounting to ₹ 129.53 lakhs (₹ 205.88 lakhs).

- (iii) Grants in the nature of re-imbursement of cost towards capital asset under the Technology Upgradation Fund Scheme (TUFS) and Integrated Skill Development Scheme (ISDS) Project which is disclosed as deferred grant. The amount is disclosed under the head 'Other Income' in the proportions in which depreciation expense on those assets is recognised.
- (iv) Grants in the nature of re-imbursement of interest cost on borrowings under the TUFS is disclosed under the head 'Other Income'.
- (v) EPCG authorisation is obtained by the Company from Directorate General of Trade as import duty waiver over procurement of capital goods defined in Foreign Trade Policy 2015-20. The company has deferred the grant in the books and it will be amortised in the books as and when the conditions attached (export obligation) to authorisations are fulfilled.

### 2.25 Cost of Materials Consumed

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Inventory at the beginning of the year	2,729.00	2,306.08
Add: Purchases	32,345.96	28,703.66
Less: Inventory at the end of the year	3,368.78	2,729.00
<b>Total</b>	<b>31,706.18</b>	<b>28,280.74</b>

### 2.26 Changes in Inventories of Finished Goods and Work-in-Progress

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Inventories at the beginning of the year		
Finished goods	1,461.06	1,093.70
Work-in-progress	8,443.64	5,166.46
	<b>9,904.70</b>	<b>6,260.16</b>
Less: Inventories at the end of the year		
Finished goods	1,350.98	1,461.06
Work-in-progress	8,113.77	8,443.64
	<b>9,464.75</b>	<b>9,904.70</b>
<b>Net decrease / (increase)</b>	<b>439.95</b>	<b>(3,644.54)</b>

### 2.27 Employee Benefits Expense

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries & wages	10,026.45	8,776.87
Contribution to provident and other funds	803.84	553.79
Gratuity expenses	188.07	171.42
Staff welfare expenses	1,130.21	1,006.75
<b>Total</b>	<b>12,148.57</b>	<b>10,508.83</b>

## 2.28 Finance Costs

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest on borrowing	593.53	321.44
Other borrowing cost	34.14	65.46
Interest on delay in payment of taxes	74.82	1.10
<b>Total</b>	<b>702.49</b>	<b>388.00</b>

## 2.29 Depreciation and amortisation expense

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment [See note 2.01A]	2,615.04	2,686.00
Amortisation of intangible assets [See note 2.01C]	30.19	40.25
<b>Total</b>	<b>2,645.23</b>	<b>2,726.25</b>

## 2.30 Other Expenses

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Processing charges	6,238.06	3,272.53
Consumption of stores and spares	984.14	905.31
Power and fuel	2,689.48	2,556.97
Repairs		
- Building	20.53	27.36
- Plant & machinery	359.16	316.39
- Others	323.42	270.30
Other production expenses	130.86	181.90
Testing charges	125.42	128.72
Forwarding and transport on sales	2,301.11	1,799.44
Insurance	148.93	73.39
Rent	142.02	145.98
Rates and taxes	113.68	85.10
Travelling and conveyance	121.97	104.41
Payments to auditors [See note 2.30.2]	20.02	18.44
Advertisement and sales promotion	165.73	120.76
Professional and consultancy charges	105.16	135.18
Loss on sale of fixed assets	6.83	8.07
Intangible asset under development written off	195.67	-
Donation [See note 2.30.1]	692.10	714.16
Expenses on corporate social responsibility activities [See note 2.30.3]	675.57	557.69
Miscellaneous expenses	640.05	245.85
Loss on foreign exchange forward contracts	210.62	-
<b>Total</b>	<b>16,410.53</b>	<b>11,667.95</b>

2.30.1 Donations made to political parties during the year amounts to ₹ 35.50 lakhs (₹ 13.50 lakhs)

2.30.2 Payments to auditors

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Statutory audit fees	19.50	18.00
(b) Other services		
- Others	0.25	0.10
- Reimbursement of expenses	0.27	0.34
<b>Total</b>	<b>20.02</b>	<b>18.44</b>

2.30.3 Details of expenses on corporate social responsibility activities

(a) Gross amount required to be spent by the Company during the year ₹ 253.92 lakhs (₹ 280.83 lakhs) towards CSR compliance as per Companies Act.

(b) Amount spent during the financial year on :

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Construction / acquisition of any asset	-	-
(ii) On purposes other than (i) above	675.57	557.69
<b>Total</b>	<b>675.57</b>	<b>557.69</b>

2.31 Earnings per equity share

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Profit for the year	10,337.09	7,144.55
Weighted average number of equity shares of Re. 1/- each (fully paid-up)	66,500,000	66,500,000
<b>Earnings per equity share - Basic &amp; Diluted in ₹</b>	<b>15.54</b>	<b>10.74</b>

2.32 Segment Reporting

The Company's operations predominantly relate to one operating segment i.e. Textile – Infant / Kids Apparel manufacturing. The Chief Operating Decision Maker (CODM) reviews the operations of the Company as one operating segment. Hence, no separate segment information has been furnished herewith.

2.32.1 Information about products and services: The Company earns revenue from only a single group of product and service viz. Textile Business comprising of sale of garments and fabrics products / services.

2.32.2 Information regarding geographical revenue is as follows:

(Rupees in lakhs)

Revenue from external customers	For the year ended March 31, 2020	For the year ended March 31, 2019
India	14,995.09	13,950.20
Outside India		
- The United States (US)	54,627.66	42,966.50
- Others	4,298.23	3,763.76
<b>Sale of products</b>	<b>73,920.98</b>	<b>60,680.46</b>

**2.32.3** All non-current assets of the company are located in India.

**2.32.4** The following table gives details in respect of percentage of revenue generated from the top customer and revenue from transactions with customers amounting to more than 10 percent or more of the Company's revenue.

(Rupees in lakhs)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
No of customers who contribute to more than 10 percent of the Company's revenue	3	3
Revenue from top customer	36,810.91	30,417.82
Revenue from customers contributing to more than 10 percent of the Company's revenue	68,817.77	56,075.32

### 2.33 Fair Value Measurement

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of trade receivables, trade payables and other Current financial assets and liabilities is considered to be equal to the carrying amounts of these items due to their short-term nature.

There were no transfers between Level 1 and Level 2 during the year.

Fair value hierarchy of financial instruments measured at fair value on a recurring basis is as follows:

Particulars	Fair value hierarchy (level)	As at March 31, 2020	As at March 31, 2019
<b>Financial assets measured at fair value through other comprehensive income</b>			
Investments in equity shares - Quoted	1	2.25	6.68
<b>Financial liabilities measured at fair value through statement of profit and loss</b>			
Foreign exchange forward contracts	1	210.62	-

Category wise classification of financial instruments is as follows:

(Rupees in lakhs)

Particulars	See note	As at March 31, 2020	As at March 31, 2019
<b>Financial assets measured at fair value through other comprehensive income</b>			
Investments in equity shares - Quoted	2.02	2.25	6.68
<b>Financial assets measured at amortised cost</b>			
Non current			
(i) Security deposits	2.03	226.14	171.44
(ii) Other financial assets	2.03	-	53.69
Current			
(i) Trade receivables	2.07	25,156.79	16,531.54
(ii) Cash and cash equivalents	2.08	9,454.30	9,406.27
(iii) Bank balances other than (ii) above	2.09	1,274.77	489.00
(iv) Other financial assets	2.10	3,691.14	1,470.36
		39,805.39	28,128.98



Particulars	See note	As at March 31, 2020	As at March 31, 2019
<b>Financial liabilities measured at fair value through statement of profit and loss</b>			
Foreign exchange forward contracts	2.19	210.62	-
<b>Financial Liabilities measured at amortised cost</b>			
Current			
(i) Borrowings	2.17	9,612.57	8,668.30
(ii) Trade payables	2.18	4,731.70	4,210.59
(iii) Other financial liabilities	2.19	359.91	747.30
		14,704.18	13,626.19

### 2.34 Financial Risk Management - Objectives and Policies

The Company has a well managed risk management framework, anchored to policies and procedures and internal financial controls aimed at ensuring early identification, evaluation and management of key financial risks (such as liquidity risk, market risk, credit risk and foreign currency risk) that may arise as a consequence of its business operations as well as its investing and financing activities.

Accordingly, the Company's risk management framework has the objective of ensuring that such risks are managed within acceptable risk parameters in a disciplined and consistent manner and in compliance with applicable regulation.

#### 1) Liquidity risk

Liquidity risk is the risk that the Company will encounter due to difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The company has sound financial strength represented by its aggregate current assets as against aggregate current liabilities and its strong equity base and low working capital debt. In such circumstances, liquidity risk does not exist.

**The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.**

(Rupees in lakhs)

Maturities of financial liabilities As at March 31, 2020	Less than 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	9,612.57	-	-	9,612.57
Trade payable	4,731.70	-	-	4,731.70
Other financial liabilities	359.91	-	-	359.91
Maturities of financial liabilities As at March 31, 2019	Less than 1 year	1 year to 5 years	More than 5 years	Total
Borrowings	8,668.30	-	-	8,668.30
Trade payable	4,210.59	-	-	4,210.59
Other financial liabilities	747.30	-	-	747.30

#### 2) Market risk

As the Company is virtually debt-free and its deferred payment liabilities do not carry interest, the exposure to interest rate risk from the perspective of Financial Liabilities is negligible.

##### a) Foreign currency risk

The Company undertakes transactions denominated in foreign currency (mainly US Dollar) which are subject to the risk of exchange rate fluctuations. Financial assets and liabilities denominated in foreign currency, are also subject to reinstatement risks.

The Company uses forward exchange contracts to hedge its exposures in foreign currency arising from firm commitments and highly probable forecast transactions. The carrying amount of foreign currency denominated financial assets and liabilities including derivative contracts, are detailed in Note No.2.37.

The Company has established risk management policies to hedge the volatility arising from exchange rate fluctuations in respect of firm commitments and highly probable forecast transactions, through foreign exchange forward contracts. The proportion of forecast transactions that are to be hedged is decided based on the size of the forecast transaction and market conditions. As the counterparty for such transactions are highly rated banks, the risk of their non-performance is considered to be insignificant.

- i) The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

(Amount in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Assets</b>		
EUR	-	0.95
USD	430.35	336.00
GBP	-	0.17
HKD	0.01	-
<b>Liabilities</b>		
EUR	3.12	3.95
USD	4.72	6.90
CHF	0.28	0.17

- ii) Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 1% increase and decrease in the rupee against the relevant foreign currencies net of forward contracts. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 1% change in foreign currency rates, with all other variables held constant.

Particulars	Impact in statement of profit and loss for 1% change	Impact in statement of profit and loss for 1% change
Sensitivity	March 31, 2020	March 31, 2019
INR/USD ( Net receivable)	185.17	182.67
INR/EUR ( Net payable)	2.59	2.33
INR/CHF ( Net payable)	0.21	0.12

**b) Interest rate risk**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the loans and borrowings effected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows :

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Variable rate instruments</b>		
Financial liability - Loans repayable on demand from banks	9,612.57	8,668.30
<b>Financial liability</b>	9,612.57	8,668.30

**Cash flow sensitivity for variable rate instruments**

(Rupees in lakhs)

Particulars	Impact on Profit or (Loss )	
	March 31, 2020	March 31, 2019
<b>Sensitivity</b>		
50 BPS increase in rate	48.06	25.91
50 BPS decrease in rate	(48.06)	(25.91)

**3) Credit risk**

Credit risk refers to risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management considers that the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of the customers (including related parties) to which the Company grants credit terms in the normal course of the business.

(Rupees in lakhs)

Movement in expected credit loss allowance on trade receivables	As at March 31, 2020	As at March 31, 2019
Balance at the beginning of the year	-	347.03
Loss allowance reversed on measurement	-	(347.03)
Balance at the end of the year	-	-

**2.35 Capital Management**

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity shareholders of the Company. The primary objective of the Company when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value.

The Company's financial strategy aims to support its strategic priorities and provide adequate capital to its businesses for growth and creation of sustainable stakeholder value. The Company funds its operations through internal accruals. The Company aims at maintaining a strong capital base largely towards supporting the future growth of its businesses as a going concern.

As at March 31, 2020, the Company has only one class of equity shares and is virtually debt-free. The company is not subject to any externally imposed capital requirements.

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Equity attributable to share holders	64137.62	56349.02
Borrowings	9,612.57	9,001.00
Less: Cash and cash equivalents	9,454.30	9,406.27
Net debt	158.27	(405.27)
Total capital (equity + debt)	64,295.89	55,943.75
Net debt to capital ratio	0.00	(0.01)

**2.36 Additional information as required under the General Instructions for Preparation of Consolidated Financial Statements to Schedule III Division II to the Companies Act, 2013**

Name of the entity	As at March 31, 2020		As at March 31, 2019	
	Net assets, i.e., total assets - total liabilities		Net assets, i.e., total assets - total liabilities	
	As a % of consolidated net assets	Amount in lakhs	As a % of consolidated net assets	Amount in lakhs
Company	100.00%	64137.62	100.00%	56,349.02
Associate (Investment as per equity method):				
- Kitex USA LLC		2,776.24		2,776.24
Less: Share of loss and unrealised profit		2,776.24		2,776.24
	-	-	-	-
<b>Total</b>	<b>100.00%</b>	<b>64137.62</b>	<b>100.00%</b>	<b>56,349.02</b>

Name of the entity	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Share in profit or loss		Share in profit or loss	
	As a % of consolidated profit	Amount in lakhs	As a % of consolidated profit	Amount in lakhs
Company	100.00%	10,337.09	113.75%	8,126.89
Associate (Investment as per equity method):				
- Kitex USA LLC				
Share of loss and unrealised profit	-	-	-13.75%	982.34
<b>Total</b>	<b>100.00%</b>	<b>10,337.09</b>	<b>100.00%</b>	<b>7,144.55</b>

Name of the entity	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Share in other comprehensive income		Share in other comprehensive income	
	As a % of consolidated other comprehensive income	Amount in lakhs	As a % of consolidated other comprehensive income	Amount in lakhs
Company	100.00%	(89.71)	33.61%	(21.61)
Associate (Investment as per equity method):				
- Kitex USA LLC				
Share of other comprehensive income	-	-	66.39%	(42.70)
<b>Total</b>	<b>100.00%</b>	<b>(89.71)</b>	<b>100.00%</b>	<b>(64.31)</b>

**Summarised financial Information in respect of Kitex USA LLC**

(Rupees in lakhs)

Particulars	As at / For the year ended March 31, 2020	As at / For the year ended March 31, 2019
Current assets	20,600.19	12,732.52
Non current assets	602.87	641.09
Current liabilities	22,521.00	13,420.43
Revenue from operations	41,160.90	32,258.68
Loss	(1,191.14)	(2,071.36)
Other comprehensive income	(254.38)	(85.40)
Total comprehensive income	(1,445.52)	(2,156.76)

**2.37 Related Party Disclosure**

Disclosure of transactions with related parties as required by Ind AS 24 - Related Party Disclosures for the year ended March 31, 2020.

**2.37.1 Related parties with whom transactions have taken place during the year**

**A Key managerial personnel**

- (i) Mr. Sabu M Jacob, Managing Director
- (ii) Mrs. Sindhu Chandrasekharan, Whole Time Director

**B Enterprise owned or significantly influenced by key management personnel or their relatives**

- (i) Kitex Childrenswear Limited
- (ii) Kitex Limited
- (iii) Anna Aluminium Company Private Limited
- (iv) Kitex Herbals Limited
- (v) Kitex Apparels Limited
- (vi) Kitex Infantswear Limited
- (vii) Twenty 20 Kizhakkambalam Association

**C Associate enterprise**

- (i) Kitex USA LLC

**2.37.2 The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:**

(Rupees in lakhs)

A Enterprises owned or significantly influenced by key management personal or their relatives	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>(i) Kitex Childrenswear Limited</b>		
Revenue from sale of goods and services (including expenses recovered)	10,811.94	10,070.07
Purchases of goods and services (including reimbursements)	2,638.33	2,156.89
<b>(ii) Kitex Limited</b>		
Revenue from sale of goods and services (including expenses recovered)	288.74	261.38
Purchases of goods and services (including reimbursements)	2,094.81	1,169.77
<b>(iii) Anna Aluminium Company Private Limited</b>		
Revenue from sale of goods and services (including expenses recovered)	1.28	0.54
Purchases of goods and services (including reimbursements)	34.65	28.70
<b>(iv) Twenty 20 Kizhakkambalam Association</b>		
Donation paid	630.00	700.00
Payment towards corporate social responsibility activities	670.00	470.76

(Rupees in lakhs)

<b>B Key management personnel</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>(i) Mr. Sabu M Jacob</b>		
Remuneration paid	500.00	685.01
<b>(ii) Mrs. Sindhu Chandrasekharan</b>		
Remuneration paid	18.80	17.81

<b>C Associate enterprise</b>	<b>For the year ended March 31, 2020</b>	<b>For the year ended March 31, 2019</b>
<b>(i) Kitex USA LLC</b>		
Investment made	-	129.97
Sale of readymade garments	36,805.64	30,417.82
Sales commission expense	403.42	-

### 2.37.3 Outstanding amounts carried in the balance sheet as at March 31, 2020

#### A Enterprises owned or significantly influenced by key management personnel or their relatives:

(Rupees in lakhs)

<b>Name of related party</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>(i) Kitex Childrenswear Limited</b>		
Trade receivables	1,065.15	1,803.35
<b>(ii) Kitex Limited</b>		
Trade payables	9.25	68.18
<b>(iii) Anna Aluminium Company Private Limited</b>		
Trade payables	3.86	0.54

#### B Key management personnel

(Rupees in lakhs)

<b>Name of related party</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>(i) Mr. Sabu M Jacob</b>		
Remuneration payable	378.97	487.98
<b>(ii) Mrs. Sindhu Chandrasekharan</b>		
Remuneration payable	0.50	0.44

#### C Associate enterprise

(Rupees in lakhs)

<b>Name of related party</b>	<b>As at March 31, 2020</b>	<b>As at March 31, 2019</b>
<b>(i) Kitex USA LLC</b>		
Trade receivables	21,605.35	13,163.43

**2.38 As a part of Company's risk management policy, the exchange risks arising from foreign currency fluctuations are hedged by forward contracts.**

2.38.1 The particulars of forward contracts entered into by the Company and outstanding as at Balance Sheet date is as under:

(Amount in lakhs)

Currency	As at March 31, 2020		As at March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Forward contracts (sell)</b>				
USD	180.00	13,569.46	65.00	4,496.82

2.38.2 The particulars of hedged export receivables as at balance sheet date is as under:

(Amount in lakhs)

Currency	As at March 31, 2020		As at March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Export Receivables</b>				
USD	180.00	13,569.46	65.00	4,496.82

2.38.3 The particulars of un hedged items as at Balance Sheet date is as under:

(Amount in lakhs)

Particulars	As at March 31, 2020		As at March 31, 2019	
	Foreign currency	Rupees	Foreign currency	Rupees
<b>Assets</b>				
EUR	-	0.25	0.95	74.04
USD	250.35	18,872.64	271.00	17,636.18
GBP	-	-	0.17	15.02
HKD	0.01	0.06	-	0.01
<b>Liabilities</b>				
EUR	3.12	259.43	3.95	306.87
USD	4.72	355.81	6.90	477.38
CHF	0.28	21.47	0.17	11.65

**2.39 Lease Accounting**

Operating Lease

Office premises, godown & equipment are hired on operating lease. The lease term is renewable every year at the option of the Company. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no subleases.

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
Amount charged to statement of profit and loss account during the year		
Rent for premises	118.11	125.36
Rent for equipment	23.91	16.15
<b>Total</b>	<b>142.02</b>	<b>141.51</b>

**2.40** The details of provisions, contingent liabilities and contingent assets are as required under Ind AS 37 - Provisions, Contingent Liabilities and Contingent Assets for the year ended March 31, 2020.

**2.40.1 Contingent liabilities not provided for:**

(Rupees in lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Claims against the Company not acknowledged as debts being demand raised against the Company, disputed on Appeal before various Appellate authorities.		
(i) PF and ESI	793.27	660.92
(ii) Income tax dues	257.88	257.88
(iii) Customs department	3,735.10	3,256.62
2. Other counter guarantees in favour of banks for guarantees issued by banks	127.49	128.21
3. Letters of credit	6.63	-
<b>Total</b>	<b>4,920.37</b>	<b>4,303.63</b>

The above demands are disputed by the company and matters pending in appeal before appellate authorities in various stages. In the opinion of the management and based on legal advice received the company is hopeful of getting full relief and hence no provision has been made thereof.

**2.41 Capital & Other Commitments**

Estimated amount of contract remaining to be executed on capital account (net of advances): ₹ 619.97 lakhs (₹ 580.04 lakhs).

**2.42** In the opinion of the Directors, short term loans and advances and other current assets, have the value at which they are stated in the balance sheet, if realised in the ordinary course of business.

**2.43** COVID 19 was declared a global pandemic on March 11, 2020 and consequently the Government of India declared lockdown on March 23, 2020 until May 2020. The pandemic and lockdown impacted normal operations by way of interruption in production, supply chain disruption, customer order deferrals, unavailability of personnel, etc. Manufacturing and exports commenced by first week of May 2020 based on permissions from relevant authorities. The Management has made a detailed assessment on recoverability and carrying value of its assets comprising of plant, property and equipment, intangible assets, investments, inventory, trade receivables and other financial assets. Based on current visibility of future business environment, economic conditions and liquidity position of the company, the company expects to recover the carrying amount of these assets. The actual impact may be different from that estimated as at the date of approval of these financial statements, as it will depend upon future developments and future actions to contain or treat the disease and mitigate its impact on the economy. Accordingly, no adjustments have been made to the financial statements.

**2.44** Previous year figures, unless otherwise stated are given within brackets and have been re-grouped and recast wherever necessary to be in conformity with current year's disclosure.



**1. FORMAT FOR REGISTERING EMAIL ID**

DP/Client ID / Folio No:

Name of the sole / first holder:

Postal Address:

Email Address:

Signature

.....

**2. FORMAT OF MANDATE FOR PAYMENT OF DIVIDEND BY NECS / NEFT**

Folio No:

Name of the sole / first holder:

Postal Address:

Email Address:

I hereby authorize M/s Kitex Garments Limited to make payment of dividend by direct credit to my bank account the details of which are furnished below:

Bank Name

Branch Name:

Branch Address:

MICR code:

IFSC code:

Account Type:

Account No:

I enclose herewith the following documents in proof of the above details:

Photocopy of Bank Pass Book / Bank Statement

Photocopy of a Blank cheque leaf of the account

Signature

.....

**3. FORMAT FOR CLAIMING UNPAID DIVIDENDS OF PREVIOUS YEARS**

DP / Client ID / Folio No:

Name of the sole / first holder:

Postal Address:

Years for which dividend not received:

Signature

.....



**KITEX**

Registered Office

**Kitex Garments Limited**

(CIN: L18101KL1992PLC006528)

P. B. No. 5, Kizhakkambalam - 683562, Alwaye, Kochi, Kerala

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