



# Kandagiri Spinning Mills Ltd.

Ref: KSML/CS/ 028/2020-21

01-09-2020

To

The Listing Department,  
Bombay Stock Exchange Limited,  
Floor 25, P.J. Towers,  
Dalal Street,  
Mumbai - 400 001

Dear Sir,

**Sub: Enclosure of 44<sup>th</sup> Annual Report of the Company for the  
Financial Year 2019-20**  
**Ref: Regulation 34(1) of SEBI (Listing Obligations and Disclosure  
Requirements) Regulations, 2015**

In accordance with regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith enclosed 44<sup>th</sup> Annual Report of the Company for the financial year 2019-20.

Kindly take the same for your records.

Thanking you,

Yours faithfully,  
For Kandagiri Spinning Mills Limited

  
(J. Asifa)  
Company Secretary

Encl: 44<sup>th</sup> Annual Report of the Company – FY 2019-20



CIN : L17111TZ1976PLC000762

Regd. Off: Mill Premises, Udayapatti (P.O), P.B.No.3, Salem - 636 140. Phone : Mill 0427-2244400  
Fax:0427-2244422.Grams.SUPERSPINE. e-mail:sales@kandagirimills.com. Web.: www.kandagirimills.com



GSTIN: 33AABCK2694Q1Z1

# **KANDAGIRI SPINNING MILLS LIMITED**



**44<sup>th</sup> Annual Report  
2019 – 2020**



**CONTENTS**

	Page No.
Corporate Information	01
Notice	02
Directors' Report	11
CEO / CFO Certification	39
Corporate Governance Report	40
Standalone Financial Statements	57
Consolidated Financial Statements	97



<b>Board of Directors</b> (As on 30.07.2020)	<b>Mr. S. Gnanashekar</b> - Chairman and Non Executive Independent Director
	<b>Mr. R. Selvarajan</b> - Managing Director
	<b>Dr. (Mrs.) A. Sarayu</b> - Additional Director (Non Executive)
	<b>Mr. S. Sivakumar</b> - Non Executive Director
	<b>Mr. S. Elangovan</b> - Additional Director (Non Executive, Independent)
<b>Chief Financial Officer</b>	<b>Mr. S. Vijay Shankar</b>
<b>Company Secretary</b>	<b>Ms. J. Asifa</b>
<b>Statutory Auditors</b>	<b>M/s R. Sundararajan &amp; Associates</b>
<b>Secretarial Auditors</b>	<b>M/s B.K. Sundaram &amp; Associates</b>
<b>Cost Auditor</b>	<b>CMA K.M. Krishnamurthy</b>
<b>Registered Office</b>	<b>Post Box No. 3, Mill Premises, Udayapatti P.O., Salem 636 140, Tamil Nadu.</b>
<b>Corporate Identity No. (CIN)</b>	<b>: L17111TZ1976PLC000762</b>



## KANDAGIRI SPINNING MILLS LIMITED

Post Box No.3, Udayapatti, Salem 636 140.

Ph. 0427-2244400; Fax-0427-2244422, CIN : L17111TZ1976PLC000762

E mail: sales@kandagirimills.com; ksmcs@kandagirimills.com,

Website : www.kandagirimills.com

### NOTICE TO THE SHAREHOLDERS

Notice is hereby given that pursuant to section 96 and other applicable provisions of the Companies Act, 2013 that the Forty fourth (44<sup>th</sup>) Annual General Meeting of the Company will be held **on Wednesday, September 23, 2020 at 3.00 p.m.** through Video Conferencing (VC)/Other Audio Visual Means (OAVM) to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt
  - a. The Audited Financial Statements of the Company for the financial year ended March 31, 2020 together with the notes annexed thereto and the reports of the Board of Directors and the Auditors thereon.
  - b. The Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2020 together with the notes annexed thereto and the report of the Auditors thereon.
2. Non-Executive Director Sri S. Sivakumar (holding DIN 00002099) retires by rotation at this (44<sup>th</sup>) Annual General Meeting and not stand for re-election

[Since Non-Executive Director Sri S. Sivakumar not stand for re-election at this Annual General Meeting, resolution and voting option for this business item is not applicable]

#### 3. Remuneration of Statutory Auditors

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

RESOLVED THAT the remuneration of the Statutory auditors M/s. R. Sundararajan and Associates, Chartered accountants (firm registration no.008282S) who were appointed at the 42<sup>nd</sup> Annual General Meeting held on 11/08/2018 to hold the post of statutory auditors till the financial year 2021-22 be and is hereby fixed at Rs.75,000/- (rupees seventy five thousand only) excluding out of pocket expenses that may be incurred by them in connection with the audit and applicable GST for the financial year 2020-21.

#### SPECIAL BUSINESS

#### 4. Appointment of Dr. A. Sarayu as a Non-Executive Director of the Company

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

RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable provisions, if, any, Dr. A. Sarayu (holding DIN: 06953362), who was appointed as an Additional Director (Non-Executive) of the Company with effect from 09.02.2020 by the Board of Directors on the recommendation of Nomination and Remuneration Committee and shall hold office upto this (44<sup>th</sup>) Annual General Meeting of the Company in terms of section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing her candidature for the office of Director be and is hereby appointed as a Non-Executive Director of the Company, liable to retire by rotation.



**5. Appointment of Sri. S. Elangovan as a Non-Executive Independent Director of the Company**

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

RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Act and other applicable provisions if any, Sri S. Elangovan (holding DIN: 08765978), who was appointed as an Additional Director (Non-Executive, Independent) of the Company with effect from 18.06.2020 by the Board of Directors on the recommendation of Nomination and Remuneration Committee and shall hold office upto this (44<sup>th</sup>) Annual General Meeting of the Company in terms of section 161 of the Companies Act, 2013 and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Non-Executive Independent Director of the Company, not liable to retire by rotation to hold office upto the conclusion of the 48<sup>th</sup> Annual General Meeting of the Company with effect from 18.06.2020.

By order of the Board of Directors  
For **Kandagiri Spinning Mills Limited**

**J. Asifa**  
Company Secretary

Place : Salem  
Date : July 30, 2020

**NOTES :**

1. In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the Circular No. 14/2020 dated April 08, 2020, Circular No.17/2020 dated April 13, 2020 issued by the Ministry of Corporate Affairs followed by Circular No. 20/2020 dated May 05, 2020, physical attendance of the Members to the AGM venue is not required and annual general meeting (AGM) be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate in the ensuing AGM through VC/OAVM.
2. Pursuant to the Circular No. 14/2020 dated April 08, 2020, issued by the Ministry of Corporate Affairs, the facility to appoint proxy to attend and cast vote for the members is not available for this AGM. Accordingly, the proxy form and attendance slip are not annexed with this notice. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
3. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available for 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013
5. Since the AGM will be held through VC/OAVM, the Route Map is not annexed in this notice.
6. The explanatory statement of material facts pursuant to Section 102 of the Companies Act, 2013 in respect of business set out under Items No. 3 to 5 of the Notice is annexed hereto.
7. The Register of Members and the Share Transfer Books of the Company will remain closed from 17<sup>th</sup> September, 2020 to 23<sup>rd</sup> September, 2020 (both days inclusive).



8. Pursuant to Ministry of Corporate Affairs (MCA) General Circular No. 20/2020 dated May 05, 2020 and various circulars issued to provide relaxation to Companies in light of the pandemic situation in the country, the Notice for the 44<sup>th</sup> Annual General Meeting ("AGM") and Annual Report of FY 2019-20 is being sent only through electronic mode to the shareholders whose email addresses are registered with the depository participants / Registrar and Transfer Agent (RTA).
9. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at [www.kandagirimills.com](http://www.kandagirimills.com). The Notice can also be accessed from the website of the Stock Exchange BSE Limited at [www.bseindia.com](http://www.bseindia.com) and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
10. Members holding shares in physical form are requested to contact M/s Cameo Corporate Services Limited, Registrars and Share Transfer Agents of the Company, at 'Subramaniam Building', No. 1 Club House Road, Chennai – 600 002 for recording any change of address, bank mandate, or nominations and for redress of grievance or contact the Company Secretary at the Registered Office of the Company.  
  
In case of shareholders holding shares in demat form, all such intimations are to be sent to their respective Depository Participants (DP). Members can also submit their grievances direct to the Company at the following email ID: [sales@kandagirimills.com](mailto:sales@kandagirimills.com); [ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com)
11. As per the provisions of the Companies Act, facility for making nominations is available to individuals holding shares in the Company. The prescribed nomination form can be obtained from the RTA / Depository Participants.
12. Transfer of Unclaimed/Unpaid dividends along with underlying shares to IEPF  
  
Pursuant to Section 124 & 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 which came into effect from 07.09.2016 with subsequent amendments thereto, in addition to transfer of unpaid/unclaimed dividend of seven years to IEPF a/c, the underlying shares with respect to unpaid/unclaimed dividend of seven consecutive years has to be transferred by the company to the Investor Education and Protection Fund (IEPF) established by the Central Government.  
  
In accordance with the above statutory provisions, the dividends declared by the Company which remain unpaid and unclaimed for seven years and the underlying shares with respect to unpaid/unclaimed dividend of seven consecutive years were transferred to IEPF a/c by the Company as per the applicability. During the FY 2019-20, there was no transfer of dividends and underlying shares to IEPF a/c as there is no dividends declared and remain unpaid and unclaimed for seven years during the FY 2019-20  
  
Shareholders can claim the earlier transferred dividends and shares from IEPF by filing the requisite forms and following the procedures as stated in the IEPF rules.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market for registering transfers, transpositions, transmissions etc. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the RTA, Cameo Corporate Services Limited, at 'Subramaniam Building', No.1, Club House Road, Chennai – 600 002.
14. As per regulation 40 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, securities of listed companies can be transferred only in dematerialized form with effect from 1<sup>st</sup> April, 2019, except in case of request received for transmission or transposition of securities. Hence members holding shares in physical form are requested to consider converting their holdings to dematerialized form and shall contact the Company's RTA Cameo Corporate Services in this regard.
15. Additional information pursuant to regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards (SS-2) in respect of Directors seeking appointments at the AGM are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their appointment.



16. Members are requested to inform the Company their e-mail ID to facilitate quick response from the Company. Ministry of Corporate Affairs has recognised e-mail communication to share holders as effective and efficient means of communication from the Company and also member's communication to the Company. Members may register their e-mail id with the Company and also keep the Company informed of any changes in their e-mail ID.

17. Members who have not so far dematerialized their shares are advised to demat the shares held in Physical form which will ensure safety and security for their shares.

18. Instructions for remote e-voting, joining the AGM and voting during the AGM are as follows:

**19. VOTING THROUGH ELECTRONIC MEANS [Remote E-voting]**

Pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015 and regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to offer remote e-voting facility to the members to cast their votes electronically on all Resolutions set forth in the Notice convening the 44<sup>th</sup> AGM. The Company has engaged the services of National Securities Depository Limited (NSDL) for this purpose.

The remote e-voting period begins on **19.09.2020 at 9.15 a.m.** and ends on **22.09.2020 at 5.00 p.m.** The remote e-voting module shall be disabled by NSDL for voting thereafter. During the referred voting period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on **16.09.2020 (cut-off date)**, may cast their vote electronically.

**Steps to vote electronically using NSDL electronic voting system**

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

**Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>**

**Step 2: Cast your vote electronically on NSDL e-Voting system.**

**Details on Step 1 is mentioned below:**

**How to Log-in to NSDL e-Voting website?**

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to

**Step 2 i.e. Cast your vote electronically.**

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID  For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID  For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company  For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***





**5. Your password details are given below:**

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password
- c) How to retrieve your 'initial password'?
  - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
- d) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**

**6. If you are unable to retrieve or have not received the “ Initial password” or have forgotten your password:**

- a) Click on **“Forgot User Details/Password?”** (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsd.com](http://www.evoting.nsd.com).
- b) **Physical User Reset Password?”** (If you are holding shares in physical mode) option available on.
- c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number/folio number, your PAN, your name and your registered address.
- d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL

7. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.

8. Now, you will have to click on “Login” button.

9. After you click on the “Login” button, Home page of e-Voting will open

**Details on Step 2 is given below:**

**How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles
2. After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
3. Select “EVEN” of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
6. Upon confirmation, the message “Vote cast successfully” will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote



**General guidelines for Shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [bkksoffice@gmail.com](mailto:bkksoffice@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request to Ms. Pallavi Mhatre, Manager, at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)  
Further In case of any grievances connected with facility for e-voting, please contact Ms. Pallavi Mhatre, Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)<<mailto:evoting@nsdl.co.in>> Tel: 91 22 2499 4545/ 1800-222-990.

**Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice :**

1. In case shares are held in physical mode, send a request to Company's RTA at [investor@cameoindia.com](mailto:investor@cameoindia.com) providing 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) /visit the link <https://investors.cameoindia.com> for registering their email address.
2. In case shares are held in demat mode, please contact your DP to register your email address as advised by your DP

**THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF 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/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

**INSTRUCTIONS FOR MEMBERS FOR ATTENDING AGM THROUGH VC/OAVM ARE AS UNDER :**

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder / members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.
2. Members are encouraged to join the Meeting through Laptops for better experience.
3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. 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.



5. Members who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at [ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com) from September 16, 2020 (9.00 a.m. IST) to September 18, 2020 (5.00 p.m. IST). The same will be replied by the company suitably
6. Members who would like to express their views / ask questions during the meeting, may register themselves as a speaker by sending their request from their registered email address mentioning their name, demat account number / folio number, email id, mobile number at [ksmcs@kandagirimills.com](mailto:ksmcs@kandagirimills.com) from September 16, 2020 (9.00 a.m. IST) to September 18, 2020 (5.00 p.m. IST). Those members who have registered themselves as a speaker will only be allowed to express their views / ask questions during the meeting. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

**GENERAL INSTRUCTIONS**

1. The cut-off date for the purpose of e-voting has been fixed as September 16, 2020. Members holding shares as on this cut-off date be entitled to cast their vote in any one of the two modes (remoter e-voting or e-voting during the AGM).
2. In case of persons who have acquired shares and become Members of the Company after sending of the notice and holding shares as of cut-off date, may obtain the login ID and Password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if he / she is already registered with NSDL for remote e-voting then he / she can use his / her existing user ID and password for casting the vote.
3. The voting rights of the members shall be in proportion to their shares of the paid up Equity Share Capital of the Company as on the 'cut-off' date being **Wednesday, September 16, 2020**.
4. **SHRI B. KALYANASUNDARAM (MEMBERSHIP NO. 672) OF M/S B. K. SUNDARAM & ASSOCIATES, PRACTISING COMPANY SECRETARIES** has been appointed as the Scrutinizer to scrutinize the remote e-voting and e-voting at the AGM in a fair and transparent manner.
5. The Scrutinizer shall, immediately after the conclusion of the voting at the general meeting, will count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses not in the employment of the Company.
6. The Scrutinizer not later than 48 hours of the conclusion of the AGM shall submit a consolidated report of the total votes cast through remote e-voting process and votes cast at the AGM to the Chairman or any person authorised by him who shall countersign the same and declare the results of the voting forthwith.
7. The results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.kandagirimills.com](http://www.kandagirimills.com) and the website of the NSDL [www.evoting.nsdl.com](http://www.evoting.nsdl.com) immediately after the declaration of result and shall also be immediately forwarded to BSE Limited, where the Company's shares are listed.
8. All documents referred to in this notices will be available for inspection on all working days during business hours of the Company until the date of the Annual General Meeting of the Company

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

**Item No. 3 – Remuneration of Statutory Auditors**

At the 42<sup>nd</sup> Annual General Meeting of the Company held on 11.08.2018, M/s R. Sundararajan & Associates, Chartered Accountants, were reappointed as statutory Auditors of the Company for the financial years 2018- 2019 to 2021-2022. Statutory Auditors M/s R. Sundararajan & Associates, Chartered Accountants have confirmed their eligibility and willingness to continue their office. On the recommendation of the Audit Committee, Board herewith places the resolution for the remuneration payable to the statutory Auditors for conduct of the statutory audit for the FY 2020-21, before the member's for approval.



**Item No. 4 – Appointment of Dr. A. Sarayu as a Non-Executive Director of the Company**

As per the provisions of Companies Act, 2013 and SEBI Regulations, every listed Company should have at least one woman director on the Board of Directors of the Company. In accordance with these provisions, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors had appointed Dr. A. Sarayu as an Additional Director (Non-Executive) of the Company on 09.02.2020. Further the Nomination and Remuneration Committee and the Board of Directors had recommended for appointment of Dr. A. Sarayu as a Non-Executive Director of the Company liable to retire by rotation. The company has also received a notice from a member under section 160 of the Act proposing the appointment of Dr. A Sarayu as a Non-Executive Director of the Company. Dr. A. Sarayu has served as Non-executive Director of the Company from 28.09.2014 to 10.11.2019

The Board recommends passing of this Ordinary Resolution by the shareholders as set out under Item No: 4 of the Notice.

Except the Director to whom this resolution relates and Sri R. Selvarajan, Managing Director and Sri S. Vijay Shankar, Chief Financial Officer of the Company, being relatives to the appointee Director, none of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the accompanying Notice of the AGM.

**Item No. 5 - Appointment of Sri S. Elangovan as a Non-Executive Independent Director of the Company**

Based on the recommendation of the Nomination and Remuneration Committee, Board of Directors of the Company had appointed Sri. S. Elangovan as an Additional Director (Non-Executive, Independent) of the Company on 18.06.2020 and who shall hold office upto this (44<sup>th</sup>) AGM of the Company. Further the Nomination and Remuneration Committee and Board of Directors of the Company have recommended for appointment of Sri. S. Elangovan as a Non-Executive Independent Director of the Company, not liable to retire by rotation and who shall hold office upto the conclusion of 48<sup>th</sup> AGM of the Company with effect from 18.06.2020.

The Company has received a notice from the member under section 160 of the Act, proposing his candidature for the office of the Non-Executive Independent Director. The Company has also received a declaration from the director to the effect that he meets the criteria of Independence as provided under section 149(10) of the Companies Act, 2013

The Board recommends passing of this Ordinary Resolution by the shareholders as set out under Item No: 5 of the Notice.

Except the Director to whom this resolution relates, none of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the accompanying Notice of the AGM.

It is declared pursuant to Section 102 of the Companies Act, 2013 that none of the directors / relatives of directors / Key Managerial Personnel / Manager is interested, except to the extent stated in the explanatory statement for each of the special business in any respect, except in their capacity as Directors and/or shareholders of the Company. It is further declared with reference to the proviso to sub-section 2 of Section 102 of the Companies Act, 2013 that the proposed resolutions do not have any bearing with the business of any other Company. The documents relating to the subject matters under special business are open for inspection by the shareholders during office hours on all working days during business hours at the Registered Office of the Company till the date of the ensuing Annual General Meeting”

By order of the Board of Directors  
For **Kandagiri Spinning Mills Limited**

Place : Salem  
Date : July 30, 2020

**J. Asifa**  
**Company Secretary**

## Kandagiri Spinning Mills Limited



Name of the Director	Dr. (Mrs.) A. Sarayu	Sri. S. Elangovan
DIN	06953362	08765978
Date of birth	10-03-1976	01.06.1958
Date of Appointment	09-02-2020	18.06.2020
Qualification	M.B.B.S., M.S., (O & G)	B.Sc., F.C.A.,
Expertise in Specific Functional areas	She is a Medical Practitioner. She served as Non-Executive Director in the Company from 28.09.2014 to 10.11.2019.	He is a Practising Chartered Accountant having more decades of rich experience and conducts statutory audit of many Spinning mills. He is also specialised in the field of Income tax, Project finance, Income tax appeals, Companies Act and Bank Audit. Also has expertise knowledge in cost of production in Spinning Mills.
Directorship in other Companies	Nil	Nil
Committee Membership in other Companies	Committee Membership : Nil	Committee Membership : Nil
No. of shares in the Company	53,090	Nil
Inter-se relationship with any other directors	She is related to Managing Director Sri. R. Selvarajan and Chief Financial Officer Sri S. Vijay Shankar	Nil
Number of Board meetings attended during the FY 2019-20	Attended three out of three Board Meetings held during the year	Not Applicable
Terms and conditions of reappointment	Appointment of Dr. A. Sarayu as a Non-Executive Director, liable to retire by rotation	Appointment of Sri S. Elangovan as a Non-Executive Independent Director, not liable to retire by rotation to hold office upto the conclusion of the 48 <sup>th</sup> Annual General Meeting of the Company with effect from 18.06.2020.
Remuneration last drawn	Sitting fees as fixed by the Board for attending Committee/Board Meetings: i) For Audit Committee - Rs.25,000/- per meeting; ii) For Nomination and Remuneration Committee Meeting- Rs.15,000/- per meeting; iii) Board Meeting- Rs.15,000/- per meeting; However Dr. A. Sarayu had waived her sitting fees during the FY 2019-20 in view of financial situation of the Company	Sitting fees as fixed by the Board for attending Committee/Board Meetings: i) For Audit Committee- Rs.25,000/- per meeting; ii) For Nomination and Remuneration Committee Meeting- Rs.15,000/- per meeting; iii) Board Meeting- Rs.15,000/- per meeting;
Remuneration sought to be paid	Sitting fees for attending Board / Committee meetings, as may be decided by the Board from time to time, within the prescribed statutory limit.	Sitting fees for attending Board / Committee meetings, as may be decided by the Board from time to time, within the prescribed statutory limit.



## KANDAGIRI SPINNING MILLS LIMITED

### DIRECTORS' REPORT

Your directors hereunder submit their 44<sup>th</sup> Annual Report together with the audited accounts for the year ended March 31, 2020 (the year).

#### Performance Highlights

	2019-20	2018-19
	(Rupees in Lakhs)	
Export	-	-
- Direct	-	-
- Merchandise	-	-
Domestic	2657	6939
Other Operating income	-	16
Total Turnover	2657	6955
Gross profit/(Loss) (i.e., Profit/(Loss) before interest and depreciation)	(217)	(622)
Cash profit/(Loss) (i.e., Profit / (Loss) before depreciation)	(719)	(1262)
Profit/(Loss) before exceptional Item and tax	(989)	(1583)
Exceptional Item:		
Impairment loss on assets	-	(276)
Impairment loss on capital advances	(49)	-
Profit/(Loss) after exceptional Item (before tax) – PBT	(1038)	(1859)
Tax Expense:		
Current Tax	40	-
- MAT credit utilised	632	-
Deferred tax	(474)	-
Profit/(Loss) after exceptional Item and tax – PAT	(1236)	(1859)
Earnings per share - basic and diluted Rs.	(32.10)	(48.31)

#### Dividend

In view of the loss incurred during the year, no dividend is recommended by your Board of Directors for the financial year 2019-20.

#### Retained Earnings

The aggregate of current year loss of Rs 1235.61 lakhs and other comprehensive income of Rs 79.61 lakhs works out to Rs 1156.00 lakhs and had been added to the negative retaining earnings as at the beginning of the year of Rs 2563.60 lakhs and the negative retained earnings aggregates to Rs 3719.60 lakhs as at the end of the year.

#### Financial Performance with respect to Operational Performance:

During the financial year 2019-20 your Company's turnover was Rs 2657 lakhs as against the previous year turnover of Rs 6955 lakhs. The Company has incurred loss of Rs 989 lakhs in the financial year 2019-20 as against the previous year loss of Rs 1583 lakhs in the financial year 2018-19.

The impairment loss on capital advances of Rs 49 lakhs is added to the current year loss of Rs 989 lakhs and the loss before tax is Rs 1038 lakhs and loss after tax is Rs 1236 lakhs.

Because of continuous cash loss incurred over the past periods and adverse market situation of fluctuating and abnormal increase in cotton prices coupled with sluggish demand for yarn with lower sale prices, the Company had been incurring substantial operating losses from the past three to four years. The cash flow of the Company is affected and the working capital of the Company had been eroded and made difficult for funding the operations of the Company. Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters. Board tried at its best to find out the ways to overcome the financial strain and to pay back the bank loans. To overcome the financial crisis situation and to reduce nearly 50% of the bank debts, pursuant to approval earlier obtained from shareholders for authorizing the Board for sale of some of the assets of the Company vide postal Ballot resolution dated 10.11.2016, Company decided to sell part of its assets viz., Unit-II and partial land and building of Unit-I last year.



Further, the Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter of financial year 2019-20, the refusal of bankers to lend further loans and their pressure to settle their dues and prevalent economic conditions, the Board took strategic decision of closing the entire Bank debts and retire other liabilities to the extent possible by sale of plant and machineries of Unit-I of the Company in addition to referred proposal of sale of Unit-II and part of land and building of the Company and further to lease the land and building of Unit-I of the Company where the Plant and machinery is situated. Accordingly, by obtaining necessary approvals from shareholders through Postal Ballot resolution dt. 15.02.2020, in March 2020, the sale of Plant and Machinery and the referred assets were executed and the company ceased its yarn production and has let out the immovable property on lease.

Using the sale proceeds of all the referred assets (Unit-II, Unit-I part of land and building and Unit-I Plant and Machinery), the Company had closed its entire bank debts and retired the other liabilities to the extent possible. The lease is operational from the month of June, 2020 and the lease rent receivables is the main income for the Company. By closing all the Bank debts and with no operating expenditure and having a regular lease income, the Company has now become a risk-free and Bank debt-free unit.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### (a) Industry structure and developments and future outlook:

The Indian cotton spinning industry, which was already witnessing turbulent situation of fluctuating cotton prices coupled with lower demand for yarn is now confronted with yet another challenge of prevailing covid-19 pandemic situation. This has followed shutdown of manufacturing units and the Indian cotton yarn industry is likely to witness a extremely challenging situation of decline in revenue and lower demand in both the domestic and export markets. The prevailing covid-19 outbreak which has created a global pandemic situation as explained above has justified the decision of the Board in discharging the entire Bank and other liabilities to the extent possible by sale of assets and leasing its immoveable property to have a regular lease income and making the Company a risk-free and Bank debt free unit.

#### (b) Strategies and Future plans

The Company has now come out of the stress situation and been able to concentrate fully on the revival process. The cessation of Production of Yarn is to be viewed as an interim drastic measure to wipe out losses, protect shareholders` interests and retire all the bank liabilities. The quality of goods produced hitherto by company has generated goodwill and brand image that the Board of Directors hope to continue to use by engaging inter-alia in trading in Yarn. The Company is exploring all the possibilities to revive in the near future.

#### (d) Risks and Concerns

Your Company has devised risk management policy which involves identification of the business risks as well as the financial risks, its evaluation, monitoring, reporting and mitigation measures. The Audit Committee and Board of Directors of the Company periodically review the risk management policy of the Company so that management controls the risk through properly defined network. Head of Departments are responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee. The details of risk management mechanism and key risks faced by the Company are enumerated in the risk management policy. Risk management policy is uploaded in the company's website [www.kandagirimills.com](http://www.kandagirimills.com).

#### (e) Internal control systems

The Company has in place a well established internal control procedure covering various areas such as procurement of raw materials, production planning, quality control, maintenance planning, marketing, cost management and debt servicing. Necessary checks and balances have been instituted for timely correction with an effective internal audit system.

**(f) Human resources management**

Employees are your company's most valuable asset. Your Company continues to create a favourable environment at work place.

The company also recognises the importance of training and consequently deputed its work force to various work related courses/seminars including important areas like Total Quality Management (TQM), Technical skills etc. The fact that the relationship with the employees continued to be cordial is testimony to the company's ability to retain high quality workforce.

**(g) Environmental Protection, Health and Safety (EHS)**

EHS continues to receive the highest priority in all operational and functional areas at all locations of your Company. Systematic process safety analysis, audits, periodic safety inspections are carried out by expert agencies and suitable control measures adopted for ensuring safe operations at the site. Various processes as required for Pollution Control and Environmental Protection are strictly adhered to.

**(h) Corporate Social Responsibility**

Since the Company has no average net profit calculated in accordance with the provisions of the Companies Act, 2013, there was no CSR Obligation for the FY 2019-20. CSR Disclosure in prescribed format is annexed with this report and forms part of this report.

The Board of Directors had constituted CSR committee in the year 2014, devised CSR policy and spent CSR expenditure in accordance with the provisions of section 135 of the Companies Act, 2013. Eventhough the Company has come out attracting the specified turnover/networth/profit criteria in the subsequent years for CSR applicability as stated under the provisions of section 135 of the Companies Act, 2013 read with the rules framed thereunder, on the basis for continuation of applicability of CSR provisions for three consecutive years, the Company continued the existence and functioning of CSR committee upto the FY 2019-20. As the CSR provisions became inapplicable to the Company, the CSR Committee was dissolved by the Board with effect from 18.06.2020.

**(i) Changes in Key ratios**

Details of significant changes on following ratios (i.e., changes if 25 % or more as compared to immediately previous financial year

	<b>FY 2019-20</b>	<b>FY 2018-19</b>	<b>change</b>	<b>change%</b>
a. Debtors turnover ratio	8.78	24.20	(15.42)	(63.72%)
b. Inventory turnover ratio	33.51	4.59	28.92	(630.40%)
c. Interest coverage ratio	(0.43)	(0.97)	0.54	(55.49%)
d. Current ratio	0.36	0.38	(0.02)	(6.30%)
e. Debt equity ratio	3.86	0.93	2.93	314.67%
f. Operating profit margin %	(8.17%)	(8.93%)	0.76%	
g. Net profit margin %	(39.05%)	(26.74%)	(12.31%)	
h. Return on net worth	(222.15%)	(310.01%)	532.16%	

**Explanations**

By sale of assets of the Company, the Company has closed its entire Bank debts and other liabilities to the extent possible. Further the Company has ceased its spinning business activity and the extent possible has disposed of all inventories at available prices. Because of these reasons, there had been significant changes in the key ratios as compared to previous year.

**Change in nature of business**

As explained earlier, by obtaining requisite approvals, the Company on 16.03.2020 had sold the spinning plant and Machinery and ceased the yarn production activity and has let out the immovable property for lease and the Company will be having the lease rent receivables as its main business income. The object clause of the Memorandum of Association of the Company is suitably altered to include the leasing business clause. Further, having generated goodwill and brand image for the quality of goods produced hitherto by company that the Board of Directors hope to continue to use by engaging inter-alia in trading in Yarn.





### **Extract of Annual Return**

The extract of annual return in Form MGT – 9 has been annexed with this report and forms part of this report.

### **Number of Board Meetings**

The details pertaining to meetings of the Board has been explained under Corporate Governance Report annexed to the director's report and forms part of this report.

### **Establishment of Vigil Mechanism**

The Company has established a vigil mechanism for Directors and employees to report their genuine concerns. The policy has been uploaded on the Company's web site under the web link: <http://www.kandagirimills.com/investors/ksml2014-wbp.pdf>

### **Declaration by Independent Directors**

Independent directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Sub-Section (6) of Section 149 of the Act. Further, there has been no change in the circumstances which may affect their status as Independent director during the year.

### **Compliance with Secretarial Standards**

The Company has adhered compliance on applicable Secretarial Standards.

### **Audit Committee**

Details of Composition of Audit Committee are covered under Corporate Governance Report annexed with this report and forms part of this report. Further, during this year all the recommendations of the Audit Committee have been accepted by the Board.

### **Policy of Directors Appointment and Remuneration**

Company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under section 178(3) of the Act are covered under Nomination and Remuneration Policy and it is available in the web-link of the Company <http://www.kandagirimills.com/investors/ksml2015-nrp.pdf>. Further, information about elements of remuneration package of individual directors is provided in the extract of Annual Return as provided under Section 92(3) of the Act, in prescribed form MGT-9 annexed with this report and forms part of this Report.

### **Independent Auditors' Report and Secretarial Auditor Report**

Independent Auditor has pointed out delay in repayment of Bank term loan principal and interest dues to the Bankers. With respect to delay in repayment of Bank term loan principal and interest dues, your Directors wish to state that due to cash flow constraints there was delay in repayment of Bank dues which has been subsequently paid off. Further, the Company has settled its entire Bank liabilities.

Company has appointed M/s B. K. Sundaram & Associates, Practising Company Secretaries as Secretarial Auditors, to conduct Secretarial Audit particularly with reference to compliance with Companies Act, 2013, and relevant SEBI Regulations for the financial year 2019-20 The report of the Secretarial Audit for the financial year 2019-20 in FORM MR-3 is annexed to this report and forms part of this report.

The Independent Auditors report and Secretarial Audit report contains qualified opinion with respect to 'Material uncertainty related to going concern', the Management explanation provided is as follows:

"The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the yarn/textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further loans and their pressure to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals from the shareholders for disposal of assets had already been obtained.



Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.

The quality of goods produced hitherto by company has earned goodwill and brand image that the Board of Directors hope to continue to engage inter-alia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders` interests and retire all the bank liabilities to maintain the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same the lease rentals from lease of land and building and the assurance of infusion by the promoters of further interest free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly the Board of Directors deem it fit to continue adoption of going concern concept in preparation of the financial statements provided in note 45 of the notes to the Standalone financial statements and can be referred therewith.”

### **Particulars of Employees**

The information required under section 197 of the Act and rules made there-under, in respect of employees of as shown below:

- (a) Employed throughout the year and in receipt of remuneration aggregating to Rs.1,02,00,000 or more - Nil
- (b) Employed for part of the year and in receipt of remuneration of Rs.8,50,000 or more per month - Nil

Note : Remuneration includes salary and value of perquisites and nature of employment is contractual.

### **Managerial Remuneration**

Statistical Disclosures pursuant to Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with subsequent amendments thereto is annexed with this report and forms part of this report.

### **Related Party Transactions**

Transactions entered with related parties have been explained in Form AOC -2 annexed with this report and forms part of this report. Further, Policy on dealing with Related Party Transactions has been uploaded on the Company's website, under the web link: <http://www.kandagirimills.com/investors/ksml2014-rptp.pdf>

### **Board Evaluation**

In accordance with the provisions of Companies Act, 2013 and SEBI (LODR) Regulations, 2015 read with “Guidelines on Board Evaluation issued by SEBI vide its Circular dt. January 5, 2017, In the separate meeting of the Independent directors, performance of non-independent directors, performance of the board as a whole and performance of the Chairman was evaluated taking into account the views of executive directors and non-executive directors.

The same was discussed and noted by the Board at the subsequent Board Meeting. Further, Board carried out an annual evaluation of its own performance, Board committees and individual directors pursuant to the provisions of Companies Act, 2013 and SEBI (LODR) Regulations, 2015 read with “Guidelines on Board Evaluation issued by SEBI vide its Circular dt. January 5, 2017.

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of criteria such as the Board Composition and structure, effectiveness of the Board processes, information and functioning etc. The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings etc. The Independent Directors were evaluated without the presence of the director getting evaluated.

None of the Independent Directors has been proposed for reappointment this year.

### **Outcome of evaluation process**

Based on inputs received from the members, it emerged that the Board had a good mix of competency, experience, qualifications and diversity. Each Board member contributed in his/her own manner to the collective wisdom of the Board, keeping in mind his/her own background and experience. The necessary disclosures under SEBI Regulations are given hereunder



(i) Previous year observation and action taken:

- (a) To ensure availability of funds for the effective functioning of the Company
- (b) Need of strategy and performance evaluation of the Company
- (c) Recruitment of employees in all the key areas

The above are the previous year observations, the required actions were taken by the Company. Based on the above observations and other aspects as discussed in the Management Discussion and Analysis report, the following observations were made in the current year

(ii) Current year Observations of Board evaluation (based on previous year) and proposed actions to be carried out

Strategic action plan to close all the liabilities of the Company as suggested by the Board, need to be implemented.

The Company has closed the entire Bank liabilities and the other liabilities to the extent applicable as discussed in Management Discussion and Analysis Report

**Familiarisation Programme of the Independent Directors**

Periodic presentations are made by Senior Management, Statutory and Internal Auditors at the Board / Committee meetings on business and performance updates of the Company, global business environment, business risks and its mitigation strategy, impact of regulatory changes on strategy etc. Updates on relevant statutory changes encompassing important laws are regularly intimated to the Independent directors.

**Deposits**

The following are the details of fixed deposits accepted from the shareholders covered under Chapter V of the Act:

- i. Deposits at the beginning of the year on 01<sup>st</sup> April, 2019: Rs 58.44 lakhs
- ii. Deposits Accepted from shareholders during the year (2019 - 20): NIL
- iii. Deposits repaid during the year (2019-20): Rs 33.49 lakhs
- iv. Deposits outstanding at the end of the financial year on 31<sup>st</sup> March, 2020: Rs 24.95 lakhs
- v. Remained unpaid or unclaimed as at the end of the year : NIL
- vi. Any default in repayment of deposits or payment of interest thereon during the year: NIL

Company has duly complied with the provisions of section 73 of the Companies Act, 2013 read with relevant rules with respect to fixed deposits.

The following are the details of fixed deposits accepted from the directors:

- i. Deposits at the beginning of the year on 01<sup>st</sup> April, 2019: Rs 1443.33 lakhs
- ii. Deposits Accepted from shareholders during the year (2019 - 20): Rs 2360.45 lakhs
- iii. Deposits repaid during the year (2019-20): Rs 2296.81 lakhs
- iv. Deposits outstanding at the end of the financial year on 31<sup>st</sup> March, 2020: Rs 1506.97 lakhs

**Cost Audit Report**

Cost Audit Report for the FY 2018-19 in XBRL format was filed with MCA on 06.09.2019 vide SRN H87360665. CMA K.M. Krishnamurthy, Cost Accountants were appointed as Cost Auditor of the Company for the FY 2019-20 and the Cost Audit report for the year 2019-20 in XBRL format will be filed with MCA well within the due date. In accordance with the provisions of section 148 of the companies Act, 2013, the cost records are made and maintained by the Company.

The Company was under applicability of Cost Audit in accordance with the provisions of section 148 of the Companies Act, 2013 read with Cost Audit rules in accordance with the turnover requirements upto the FY 2015-16. Though the turnover of the Company was reduced to below Rs. 100 crore from the FY 2016-17, in accordance with the clarifications issued by Institute of Cost Accountants of India vide Frequently Asked Questions (FAQs) dt. 19.03.2015 on applicability of Maintenance of Cost Accounting Records and Cost Audit under Companies Act, 2013 by the Companies on continuous basis, the cost audit is carried out till the FY 2019-20. Now, since the Company has closed the spinning business operations w.e.f 16.03.2020 and also, the Company is already outside the ambit of applicability of cost audit based on the turnover requirements, on the recommendation of the Audit Committee, the Board has decided for non-continuance of cost audit from the FY 2020-21. Accordingly, the Company is not continuing the Cost Audit from the FY 2020-21.



### Directors

At the 43<sup>rd</sup> AGM of the Company held on 11.08.2019, Independent Directors Sri. S. Gnanashekar and Sri. Kameshwar M. Bhat were reappointed as Independent Directors for five consecutive years from 11.08.2019 to 10.08.2024. Independent Directors Dr. V. Sekar, Dr. R. Ramarathnam and Sri D. Balasundaram were appointed at the 41<sup>st</sup> AGM of the Company held on 12.08.2017 to hold office upto the conclusion of 45<sup>th</sup> AGM of the Company.

During the FY 2019-20, Independent Director Dr. R. Ramarathnam and Non-Executive Director Dr. A. Sarayu resigned from the Board with effect from 11.08.2019 and 10.11.2019 respectively, because of their preoccupation with other business affairs.

Further, since the Company has closed its core business activity of spinning business, settled all bank liabilities and the operations of the Company had become very minimal, the Independent Directors Sri Kameshwar M. Bhat, Dr. V. Sekar and Sri D. Balasundaram, Chairman Sri S. Devarajan and Non-Executive Director Sri S. Vijay Shankar resigned from the Board with effect from 18.06.2020 as they felt their contribution as Board of Directors of the Company is not much required for the Company at this stage. Accordingly, the Board of the Company is downsized. Sri S. Vijay Shankar is continuing as Chief Financial Officer of the Company.

The Board places on record its appreciation and gratitude for the invaluable contributions made by all the resigned directors during their tenure as a member of the Board of Directors.

In accordance with the provisions of Companies Act, 2013 and SEBI Regulations, to have mandatorily woman Director on the Board of the Company and by expressing willingness and consent to rejoin the Board of the company by Dr. A. Sarayu, based on the recommendation of the Nomination and Remuneration Committee, Board of Directors had appointed Dr. A. Sarayu as an Additional Director (Non-Executive) of the Company on 09.02.2020 and she shall hold office upto the conclusion of this ensuing 44<sup>th</sup> Annual General Meeting of the Company. On the recommendation of Nomination and Remuneration Committee, Board has placed the resolution in the notice of the 44<sup>th</sup> AGM of the Company for appointment of Dr. A. Sarayu as a Non-Executive Director of the Company, liable to retire by rotation for member's approval.

In accordance with the provisions of Companies Act, 2013 and SEBI Regulations, of necessary composition of Independent Directors on the Board of the Company, Sri S. Elangovan was appointed as an Additional Director (Non-Executive, Independent) by the Board on 18.06.2020 and shall hold office upto the conclusion of this ensuing 44<sup>th</sup> Annual General Meeting of the Company. On the recommendation of Nomination and Remuneration Committee, Board has placed the resolution in the notice of the 44<sup>th</sup> AGM of the Company for appointment of Sri S. Elangovan as a Non-Executive Independent Director of the Company for member's approval. In the opinion of the Board, Sri S. Elangovan fulfills the criteria of integrity, expertise and experience and is appearing for the online proficiency self-assessment test in accordance with the provisions of section 150(1) of the Companies Act, 2013

Non-Executive Director Sri S. Sivakumar retires by rotation at this ensuing (44<sup>th</sup>) Annual General Meeting of the Company and he has not opted for re-election. The vacancy proposed to be caused by the cessation of Non-Executive Director Sri S. Sivakumar at the ensuing (44<sup>th</sup>) AGM of the Company need not be filled up.

Company's Code of Conduct applicable to the board has been adopted by the board and all directors of the company have confirmed compliance with the Code of Conduct.

### Key Managerial Personnel

In view of the financial crisis of the Company, MD and CFO had waived their entire salary during the financial year 2019-20

### Auditors

At the 42<sup>nd</sup> Annual General Meeting held on 11.08.2018, M/s R. Sundararajan & Associates, Chartered Accountants, were reappointed as Statutory Auditors of the Company from the financial year 2018-2019 to 2021-2022. Statutory Auditors M/s R. Sundararajan & Associates, Chartered Accountants have confirmed their eligibility and willingness to continue their office. On the recommendation of the Audit Committee, Board is placing the resolution for the remuneration payable to the statutory Auditors for the FY 2020-2021 before the member's for approval.

### Particulars of Loans, Guarantees or Investments under Section 186 of the Companies Act, 2013

Details of loans, guarantees and investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in note 43 to the notes to the Standalone financial statements.



**Disclosure as per Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has set up a Committee for addressing issues related to women and during the financial year 2019-20, there were no complaints received on sexual harassment.

**Performance of Associate Company**

Your Company has an associate M/s SPMM Healthcare Services Private Limited within the meaning specified under Section 2 (6) of Companies Act, 2013. M/s SPMM Healthcare services private Limited has recorded a total revenue of Rs. 445.70 lakhs during the year 2019-20 as against Rs.457.27 lakhs in the previous year and profit after tax of Rs. 6.22 lakhs during the year 2019-20 as against Rs. 24.65 lakhs in the previous year. A separate statement containing the salient features of the financial statement of the associate in FORM AOC -1 has also been annexed with this report as per the requirements of provisions of section 129 of the Companies Act, 2013 and forms part of this report.

**Significant and Material Orders passed by the Courts or Tribunals impacting the Company: NIL**

**Material Changes and Commitments. if any, occurred between the end of the financial year and the date of this report.**

The covid-19 pandemic do not have any impact on the operations of the Company because of closure of spinning manufacturing activity on account of sale of spinning units and the company has let out the immovable property on lease. However, because of the lockdown implemented from the last week of March, 2020 upto the month of May, 2020, the lease is operational from the month of June, 2020. Accordingly, there were no material changes and commitments between the end of the period under review and the date of this report which could have an impact on the Company's operation in the future or its status as a "going concern".

**Annexures to this Report**

The following are the annexures to this report

1. Director's Responsibility Statement in Annexure 1
2. Conservation of energy, technology absorption, Research and development and foreign exchange earnings and outgo in Annexure 2
3. Statement containing salient features of the financial statement of associate company (Form AOC – 1) in Annexure 3
4. Form AOC – 2 in Annexure 4
5. Extract of Annual Report (Form MGT-9) in Annexure 5
6. Secretarial Audit Report (Form MR-3) in Annexure 6
7. Secretarial Compliance Report in Annexure 7
8. Details of CSR Expenditure in Annexure 8
9. Particulars of Remuneration in Annexure 9
10. CEO/CFO Certification in Annexure 10
11. Corporate Governance Report in Annexure 11
12. Non-disqualification of Directors in Annexure 12

**Cautionary Note**

Statements in the Directors' report and the Management discussion and analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Actual results might differ materially from those either expressed or implied in the statement. Important factors that could influence the Company's operations include global and domestic economic conditions, government regulations, tax laws, economic developments within the country and other related factors such as litigation and industrial relations.

**Acknowledgement**

Directors of your Company placed on record their sincere appreciation of the dedication and commitment of all employees. Your directors thank the Management, Shareholders, Customers, Suppliers, Bankers and other stakeholders for their continued support during the year. The directors of your company thank Central/State Governments and other government agencies for their support and look forward to their continued support in future.

For and on behalf of the Board

**S. Gnanashekar**  
Chairman  
(DIN: 06796817)

Salem  
July 30, 2020



**Annexure - 1**

**(i) Directors' Responsibility Statement as per section 134(5) of the Companies Act, 2013**

Pursuant to the requirement of Section 134(5) of the Act, and based on the representations received from the management, the directors hereby confirm that:

- i. in the preparation of the annual accounts for the financial year 2019-20, the applicable accounting standards have been followed and there are no material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year;
- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis;
- v. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
- vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Annexure - 2**

**(ii) Conservation of energy, technology absorption and research and development and foreign exchange earnings and outgo**

**A. Conservation of energy**

**(a) Power and fuel**

**1. Electricity**

		2019-20	2018-19
(i) Purchased units*	'000 KWH	<b>4468</b>	13830
Total cost	Rs. Lakhs	<b>364</b>	1048
Cost/unit	Rs.	<b>8.15</b>	7.58
* net of units generated through wind energy converters			
(ii) Own generation			
1) Through diesel generator			
Generated units	'000 KWH	<b>4</b>	6
Units per litre of diesel	KWH	<b>2.18</b>	2.23
Cost/unit	Rs.	<b>31.42</b>	32.81
2) Through steam turbine/generator		-	-
3) Through Wind energy converters	'000 KWH	-	-
Generated units (fed to TNEB Grid)			
Cost/unit	Rs.	-	-
* Cost includes maintenance charges, interest and depreciation			

**2. Coal**

**3. Furnace oil**

**4. Others**

**b) Consumption per unit of production**

Production (Yarn)	Kgs. Lakhs	<b>11.44</b>	33.54
Consumption of electricity	'000 KWH	<b>4472</b>	13836
Consumption Per kg. of Yarn	KWH	<b>3.91</b>	4.12

**B. Technology absorption and research and development**

**C. Foreign exchange earnings and outgo**

(a) Active relating to exports Yarn exports (including merchandise exports)	Rs. Lakhs	-	-
(b) Total Foreign exchange used and earned			
1) CIF value of Imports			
Spares for Capital goods*	Rs. Lakhs	-	-
Raw materials (cotton)*	Rs. Lakhs	-	-
*exclusive of net exchange difference			
2) Other expenditure in foreign Currency			
Interest	Rs. Lakhs	-	-
Other matters	Rs. Lakhs	-	-
3) Foreign exchange earned			
Yarn export	Rs. Lakhs	-	-



**FORM AOC - 1**  
**PART "A": SUBSIDIARIES**

Annexure - 3

Not Applicable since the Company does not have any subsidiary.

**PART "B": ASSOCIATES**

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

SI. No.	Name of Associate	SPMM Healthcare Services Private Limited	
1.	Latest audited Balance Sheet Date	31-03-2020	31-03-2019
2.	Shares of Associate held by the Company on the year end : Number of Shares Amount of Investment in Associates Extend of Holding %	20,00,000 Rs. 2,00,00,000 lakhs 50%	20,00,000 Rs. 2,00,00,000 lakhs 50%
3.	Description of how there is significant influence	Associate Company	Associate Company
4.	Reason why the associate / joint venture is not consolidated	Not Applicable	Not Applicable
5.	Networth attributable to Shareholding as per latest audited Balance Sheet	Rs. 129.54 lakhs	Rs. 126.43 lakhs
6.	Profit for the year	Rs. 6.22 lakhs	Rs. 24.65 lakhs
7.	Profit attributable to the Shareholding	Rs. 3.11 lakhs	Rs. 12.33 lakhs

- 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
- The Company does not have any joint venture.

For and on behalf of the Board

Salem,  
July 30, 2030

**R. Selvarajan**  
Managing Director  
(DIN : 00001703)

**A. Sarayu**  
Director  
(DIN : 06953362)

**J. Asifa**  
Company  
Secretary

**S. Vijay Shankar**  
Chief Financial  
Officer

Annexure - 4

**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**

- Details of contracts or arrangements or transactions not at arm's length basis : **NIL**

## Kandagiri Spinning Mills Limited



### 2. Details of material contracts or arrangement or transactions at arm's length basis (as on 31.03.2020):

Particulars	Details of contract /arrangements / transactions	Details of contract /arrangements / transactions
a) Name of the related party and nature of relationship	# M/s Sambandam Spinning Mills Limited Relationship: Sri S. Devarajan is Chairman and Managing Director of Sambandam Spinning Mills Limited	# M/s Sambandam Spinning Mills Limited Relationship: Sri S. Devarajan is Chairman and Managing Director of Sambandam Spinning Mills Limited
b) Nature of Contract /arrangements / transactions	Sale of Plant and Machinery of Unit-I of the Company	Lease of land, building, other infrastructural facilities of Unit-I of the Company and for providing management and supervision services
c) Salient terms of the contracts or arrangements or transactions including the value, if, any	Rs. 18.16 crore plus applicable GST	To provide lease of land and building for a period of six years at lease rent of not less than Rs. 15 lakhs per month plus applicable GST (with a lease rent deposit of Rs. 15 lakhs) and the following; a) Infrastructure charges for providing infrastructural facilities in the leased premises of not more than Rs. 1 lakh per month plus applicable GST; b) Management and supervision fees for providing management and supervision services for carrying out the business activity in leased premises of not more than Rs. 5 lakhs per month plus applicable GST
d) Date of approval by the Board	Though the above related party transaction is at arms length basis, because of the material nature, on the recommendation and approval of Audit Committee and Board at their respective meetings held on 05.01.2020, Company obtained shareholders approval vide Postal Ballot resolution dt. 15.02.2020	Though the above related party transaction is at arms length basis, because of the material nature, on the recommendation and approval of Audit Committee and Board at their respective meetings held on 05.01.2020, Company obtained shareholders approval vide Postal Ballot resolution dt. 15.02.2020
e) Amount paid as advances, if, any	Nil	Nil
f) Date of execution	16.03.2020	Lease deed executed on 16.03.2020, but the lease is operational only from 01.06.2020.

# On account of resignation of Chairman Non-Executive Director Sri S. Devarajan from the Board of the Company on 18.06.2020, Sambandam Spinning Mills Limited is ceased to be a related party w.e.f 18.06.2020

#### NOTE :

During the FY 2019-20, the Company entered into transactions with Related Parties which were in the ordinary course of business and at Arm's Length pricing basis and are repetitive in nature. The Audit Committee granted omnibus approval for these transactions and the same was reviewed by the Audit Committee and the Board of Directors. Details of above material related party transactions pursuant to the provisions of section 188 of the Companies Act, 2013 read with relevant rules along with material related party transactions under SEBI Regulations and the other related party transactions (which are of repetitive nature and does not fall under the purview of disclosure under Form AOC – 2) carried out during the FY 2019-20 by the Company are given under Note 35 of the Notes to the Standalone financial statements under AS-18 disclosures. There were no materially significant transactions with Related Parties during the financial year 2019-20 which were in conflict with the interest of the Company.

For and on behalf of the Board

**S. Gnanashekar**  
Chairman  
(DIN: 06796817)

Salem  
July 30, 2020





## FORM NO. MGT – 9

**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on 31.03.2020

[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:- L17111TZ1976PLC000762
- ii) Registration Date : 05-05-1976
- iii) Name of the Company : **M/s Kandagiri Spinning Mills Limited**
- iv) Category / Sub-Category of the Company : **Company having Share capital**
- v) Address of the registered office and contact details:  
**Post Box No.3, Udayapatti, Salem 636 140**
- vi) Whether listed company Yes / No : **Yes**
- vii) Name, Address and Contact details of Registrar and Transfer Agents :  
**M/s Cameo Corporate Services Limited**  
**'Subramanian Building' No.1, Club House Road,**  
**Chennai 600 002**

**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	Manufacture and Sale of Cotton Yarn	13111	100

\* - As per NIC 2008

**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	SPMM HEALTH CARE SERVICES PRIVATE LIMITED	U85110TZ2003PTC010761	ASSOCIATE	50%	Sec 2(6) of Companies Act, 2013


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

Category of Shareholders	No. of Shares held at the beginning of the year (01.04.2019)				No. of Shares held at the end of the year (31.03.2020)				% Change during the year
	Demat	Physi-cal	Total	% of Total Shares	Demat	Physi-cal	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF	2497909	0	2497909	64.89	2499509	0	2499509	64.93	+0.04
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (A) (1):-</b>	<b>2497909</b>	<b>0</b>	<b>2497909</b>	<b>64.89</b>	<b>2499509</b>	<b>0</b>	<b>2499509</b>	<b>64.93</b>	<b>+0.04</b>
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0	0	0	0	0	0
b) Bodies Corp.	0	0	0	0	0	0	0	0	0
c) Bank / FI	0	0	0	0	0	0	0	0	0
d) Qualified Institution	0	0	0	0	0	0	0	0	0
e) Any Other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	<b>2497909</b>	<b>0</b>	<b>2497909</b>	<b>64.89</b>	<b>2499509</b>	<b>0</b>	<b>2499509</b>	<b>64.93</b>	<b>+0.04</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds / UTI	0	0	0	0	0	0	0	0	0
b) Financial Institutions / Bank	0	0	0	0	0	0	0	0	0
c) Central Government / State Govt.	0	0	0	0	0	0	0	0	0
d) Venture Capital Funds.	0	0	0	0	0	0	0	0	0
e) Insurance Companies	0	0	0	0	0	0	0	0	0
f) Foreign Institutional Investors	0	0	0	0	0	0	0	0	0
g) Foreign Venture Capital Investors	0	0	0	0	0	0	0	0	0
h) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
i) Any other	0	0	0	0	0	0	0	0	0
<b>Sub - Total (B) (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Category of Shareholders	No. of Shares held at the beginning of the year (01.04.2019)				No. of Shares held at the end of the year (31.03.2020)				% Change during the year
	Demat	Physi-cal	Total	% of Total Shares	Demat	Physi-cal	Total	% of Total Shares	
<b>(2) Non - Institutions</b>									
a) Bodies Corporate									
i. Indian	58634	91700	150334	3.90	56234	91700	147934	3.84	-0.06
ii. Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	474856	82630	557486	14.48	464854	80855	545709	14.17	-0.31
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	523615	0	523615	13.60	536485	0	536485	13.94	0.34
c) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
d) Any other									
Hindu Undivided Families	76158	10	76168	1.98	75865	10	75875	1.97	-0.01
IEPF	42254	0	42254	1.10	42254	0	42254	1.10	0
Non resident Indians	1484	0	1484	0.04	1484	0	1484	0.04	0
<b>Sub - Total (B) (2):-</b>	<b>1177001</b>	<b>174340</b>	<b>1351341</b>	<b>35.11</b>	<b>1177176</b>	<b>172565</b>	<b>1349741</b>	<b>35.07</b>	<b>-0.04</b>
<b>Total Shareholding (B) = (B) (1) + (B) (2)</b>	<b>1177001</b>	<b>174340</b>	<b>1351341</b>	<b>35.11</b>	<b>1177176</b>	<b>172565</b>	<b>1349741</b>	<b>35.07</b>	<b>-0.04</b>
C) Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
<b>Total (A) + (B) + (C)</b>	<b>3674910</b>	<b>174340</b>	<b>3849250</b>	<b>100.00</b>	<b>3676685</b>	<b>172565</b>	<b>3849250</b>	<b>100.00</b>	<b>0</b>



## ii). Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (01.04.2019)			Shareholding at the end of the year (31.03.2020)			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	R SELVARAJAN	778730	20.23	– Nil –	778730	20.23	20.00	–
2	S VIJAY SHANKAR	409582	10.64	– Nil –	409582	10.64	10.00	–
3	S SIVAKUMAR	278033	7.22	– Nil –	278033	7.22	– Nil –	–
4	S DINAKARAN	116466	3.03	– Nil –	117716	3.06	– Nil –	+0.03
5	S NIRMALA	113040	2.94	– Nil –	113040	2.94	– Nil –	–
6	S JEGARAJAN	112057	2.91	– Nil –	113307	2.94	– Nil –	+0.03
7	S DEVARAJAN	95997	2.49	– Nil –	113867	2.95	– Nil –	+0.46
8	M RAJAMANI	122067	3.17	– Nil –	122067	3.17	– Nil –	–
9	S SWETHA	102567	2.66	– Nil –	102567	2.66	– Nil –	–
10	R SELVARAJAN (HUF)	65520	1.70	– Nil –	65520	1.70	– Nil –	–
11	A SARAYU	53090	1.38	– Nil –	53090	1.38	– Nil –	–
12	R SAKUNTHALA	38721	1.01	– Nil –	38721	1.01	– Nil –	–
13	KALAVATHI S	37930	0.99	– Nil –	37930	0.99	– Nil –	–
14	R MALARSELVI	35159	0.91	– Nil –	35159	0.91	– Nil –	–
15	S BALAMANI	30000	0.78	– Nil –	30000	0.78	– Nil –	–
16	D SARADHAMANI	25270	0.66	– Nil –	25270	0.66	– Nil –	–
17	S DEVARAJAN (HUF)	17870	0.46	– Nil –	–	–	– Nil –	-0.46
18	D SENTHILNATHAN	17220	0.45	– Nil –	18820	0.49	– Nil –	+0.04
19	PARAMESWARI JEGARAJAN	15300	0.40	– Nil –	15300	0.40	– Nil –	–
20	R JAYANTHI	10000	0.26	– Nil –	10000	0.26	– Nil –	–
21	D MANJULA	7650	0.20	– Nil –	7650	0.20	– Nil –	–
22	V ABHINAV	2800	0.07	– Nil –	2800	0.07	– Nil –	–
23	D SUDHARSAN	2000	0.05	– Nil –	2000	0.05	– Nil –	–
24	J SAKTHIVEL	2000	0.05	– Nil –	2000	0.05	– Nil –	–
25	S DINAKARAN (HUF)	1250	0.03	– Nil –	–	–	– Nil –	-0.03
26	S JEGARAJAN (HUF)	1250	0.03	– Nil –	–	–	– Nil –	-0.03
27	J RAMYA	1170	0.03	– Nil –	1170	0.03	– Nil –	–
28	D ANUPAMA	1170	0.03	– Nil –	1170	0.03	– Nil –	–
29	D MINUSAKTHIPRIYA	1000	0.03	– Nil –	1000	0.03	– Nil –	–
30	D NIRANJANKUMAR	1000	0.03	– Nil –	1000	0.03	– Nil –	–
31	RATHIPRIYA D	1000	0.03	– Nil –	1000	0.03	– Nil –	–
32	V VALARNILA	1000	0.03	– Nil –	1000	0.03	– Nil –	–
	<b>TOTAL</b>	<b>2497909</b>	<b>64.89</b>	<b>–</b>	<b>2499509</b>	<b>64.93</b>	<b>–</b>	<b>+0.04</b>



iii). *Change in Promoters' Shareholding (please specify, if there is no change)*

Sl. No.	Particulars	Shareholding at the beginning of the year 01.04.2019		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year <b>01-04-2019</b>	<b>24,97,909</b>	<b>64.89</b>	–	–
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.,)				
18.10.2019	(Beneficiary shareholding having same PAN Clubbed together) D. Senthilnathan	(+) 1,600	(+) 0.04	24,99,509	64.93
22.11.2019	(Transfer to Individual) S. Devarajan	(-) 5,000	(-) 0.13	24,94,509	64.80
22.11.2019	(Transfer from HUF) S. Devarajan	(+) 5,000	(+) 0.13	24,99,509	64.93
24.01.2020	(Transfer to Individual) S. Devarajan	(-) 12,870	(-) 0.33	24,86,639	64.60
24.01.2020	(Transfer from HUF) S. Devarajan	(-) 12,870	(+) 0.33	24,99,509	64.93
24.01.2020	(Transfer to Individual) S. Dinakaran	(-) 1,250	(-) 0.03	24,98,259	64.90
24.01.2020	(Transfer from HUF) S. Dinakaran	(+) 1,250	(+) 0.03	24,99,509	64.93
24.01.2020	(Transfer to Individual) S. Jegarajan	(-) 1,250	(-) 0.03	24,98,259	64.90
24.01.2020	(Transfer from HUF) S. Jegarajan	(+) 1,250	(+) 0.03	24,99,509	64.93
	<b>At the end of the year 31.03.2020</b>	–	–	<b>24,99,509</b>	<b>64.93</b>



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

Sl. No.	For Each of the Top 10 Shareholders	Date of change	Shareholding at the beginning of the year 01-04-2019		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2020	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	MALLUR SIDDESWARA SPG MILLS LIMITED	–	90000	2.34	90000	2.34	90000	2.34
2	VINODCHANDRA MANSUKHLAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	78373	2.04	78373	2.04	78373	2.04
3	SANGITA KUMARPAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	77224	2.01	77224	2.01	77224	2.01
4	PRANAV KUMARPAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	66789	1.74	66789	1.74	66789	1.74
5	SANJEEV VINODCHANDRA PAREKH JT.1 : DAKSHA SANJEEV PAREKH		71713	1.86	71713	1.86	71713	1.86
6	DAKSHA SANJEEV PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	46258	1.20	46258	1.20	46258	1.20
7	PUSHPA MANSUKHLAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	36909	0.96	36909	0.96	36909	0.96
8	CHANDRIKA VINODCHANDRA PAREKH JT.1 : VINODCHANDRA MANSUKHLAL PAREKH	–	33064	0.86	33064	0.86	33064	0.86
9	JITENDRA MANSUKHLAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	–	29615	0.77	29615	0.77	29615	0.77
10	INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS		42254	1.10	42254	1.10	42254	1.10



## V). Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year 01-04-2019		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2020	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1	Sri S DEVARAJAN (Chairman and Non- Executive Director) [Resigned w.e.f. 18.06.2020] Transfer of 5000 shares and 12870 shares from HUF a/c by off market transfer	95997	2.50	95997 +5000 +12870	2.50 +0.13 +0.33	113867	2.96
2	Sri R SELVARAJAN (Managing Director)	778730	20.23	778730	20.23	778730	20.23
3	Sri. S. VIJAY SHANKAR (Chief Financial Officer and Director) [Resigned as Director w.e.f. 18.06.2020]	409582	10.64	409582	10.64	409582	10.64
4	Dr. (Mrs.) A. SARAYU (Resigned on 10.11.2019 and appointed as an Additional Director (Non-Executive) on 09.02.2020 [Appointed w.e.f.09.02.2020])	53090	1.38	53090	1.38	53090	1.38
5	Sri S. SIVAKUMAR (Non- Executive Director)	278033	7.22	278033	7.22	278033	7.22
6	Sri S. GNANASHEKARAN (Non- Executive Independent Director)	0	0.00	0	0.00	0	0.00
7	Sri KAMESHWAR M. BHAT (Non- Executive Independent Director) [Resigned w.e.f. 18.06.2020]	0	0.00	0	0.00	0	0.00
8	Dr. V. SEKAR (Non-Executive Independent Director) [Resigned w.e.f.18.06.2020]	0	0.00	0	0.00	0	0.00
9	Dr. R. RAMARATHNAM (Non- Executive Independent Director) (Resigned w.e.f.11.08.2019)	0	0.00	0	0.00	0	0.00
10	Sri. D. BALASUNDARAM (Non- Executive Independent Director) [Resigned w.e.f. 18.06.2020]	0	0.00	0	0.00	0	0.00
11	Ms. J. ASIFA (Company Secretary)	0	0.00	0	0.00	0	0.00
	<b>Total</b>	<b>1615432</b>	<b>41.97</b>	<b>1633302</b>	<b>42.43</b>	<b>1633302</b>	<b>42.43</b>

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment  
(Rs. Lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	3153.08	1959.33	58.44	5170.85
ii) Interest due but not paid	30.36	–	–	30.36
iii) Interest accrued but not due	–	–	–	–
<b>Total (i+ii+iii)</b>	<b>3183.44</b>	<b>1959.33</b>	<b>58.44</b>	<b>5201.21</b>
<b>Change in Indebtedness during the financial year</b>				
· Addition	–	2360.45	–	2360.45
· Reduction	3183.44	2812.81	33.49	6029.74
<b>Net Change</b>	<b>3183.44</b>	<b>(–) 452.36</b>	<b>(–) 33.49</b>	<b>(–) 3669.29</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	–	1506.97	24.95	1531.92
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
<b>Total (i+ii+iii)</b>	<b>–</b>	<b>1506.97</b>	<b>24.95</b>	<b>1531.92</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

A. *Remuneration to Managing Director, Whole-time Directors and/or Manager:* Rs. in Lakhs

Sl. No.	Particulars of Remuneration	Sri R. Selvarajan* (Managing Director)	Total Amount
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Nil	Nil
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	Nil	Nil
2.	Stock Option	Nil	Nil
3.	Sweat Equity	Nil	Nil
4.	Commission		
	- as % of profit	Nil	Nil
	- others, specify	Nil	Nil
5.	Others, please specify	Nil	Nil
	<b>Total (A)</b>	<b>Nil</b>	<b>Nil</b>
	Ceiling as per the Act (As per Schedule V of the Act)	42.00	42.00

\*- Sri. R. Selvarajan, MD has waived the total eligible salary of Rs.36.00 lakhs for the year 2019-20, in view of financial crisis of the Company.





<b>B. Remuneration to other directors:</b>							<b>Amount in Rs. Lakhs</b>
<b>Sl. No.</b>	<b>Particulars of Remuneration</b>	<b>Name of Directors</b>					<b>Total Amount</b>
	<b>3. Independent Directors</b>	<b>Sri. S.Gnana shekaran</b>	<b>Sri. Kameshwar M Bhat</b>	<b>Dr. V.Sekar</b>	<b>Dr. R.Rama rathnam</b>	<b>Sri D. Bala sundaram</b>	
	Fee for attending Audit committee meeting	1.50	1.50	1.50	0.25	1.50	6.25
	Fee for attending Nomination and Remuneration committee meeting	0.30	0.30	0.30	-	-	0.90
	Fee for attending Separate Independent Director Meeting	0.25	0.25	0.25	-	0.25	1.00
	Fee for attending Board Meeting:	0.75	0.75	0.75	-	0.75	3.00
	Commission	Nil	Nil	Nil	Nil	Nil	Nil
	Others (Committee of Directors Meeting)	Nil	Nil	-	Nil	-	Nil
	<b>Total (1)</b>	<b>2.80</b>	<b>2.80</b>	<b>2.80</b>	<b>0.25</b>	<b>2.50</b>	<b>11.15</b>
	<b>4. Other Non-Executive Directors</b>		<b>Sri. S. Devarajan *</b>	<b>Dr. A. Sarayu *</b>	<b>Sri. S. Sivakumar *</b>	<b>Sri. S. Vijay Shankar #</b>	<b>Total Amount</b>
	Fee for attending Audit Committee meeting		Nil	Nil	Nil	Nil	Nil
	Fee for attending Board meeting		Nil	Nil	Nil	Nil	Nil
	Commission		Nil	Nil	Nil	Nil	Nil
	Others		Nil	Nil	Nil	Nil	Nil
	<b>Total (2)</b>		Nil	Nil	Nil	Nil	Nil
	<b>Total (B) = (1+2)</b>		-	-	-	-	-
	Total Managerial Remuneration		Nil	Nil	Nil	Nil	Nil
	Overall Ceiling as per the Act	Independent / Non-Executive Directors were paid sitting fees for attending Board / Committee meetings which is within the prescribed ceiling limit (Rs.1 lakh per meeting) under Companies Act., 2013.					

\* Waiver of sitting fees by the Promoter Directors for attending Audit Committee and Board Meetings during the year 2019-20  
# Sri. S. Vijay Shankar did not receive any sitting fees in his capacity as non-executive director but only receives remuneration in the capacity of CFO.



Rs. in Lakhs

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Chief Financial Officer	Company Secretary	Total
		*Sri S.Vijay Shankar	Ms. J. Asifa	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	Nil	6.00	6.00
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	Nil	Nil	Nil
	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission			
	- as % of profit	Nil	Nil	Nil
	- others, specify...	Nil	Nil	Nil
5.	Others, please specify	Nil	Nil	Nil
	<b>Total</b>	<b>Nil</b>	<b>6.00</b>	<b>6.00</b>

\* Sri S. Vijay Shankar, CFO has waived the total remuneration of Rs.30.00 lakhs for the year 2019-20 in view of financial crisis of the Company.

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

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any
<b>A. COMPANY</b>					
Penalty			-----None-----		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			-----None-----		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			-----None-----		
Punishment					
Compounding					



Annexure - 6

**B.K.SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES.

**B.KALYANASUNDARAM,**  
B.Com., ACMA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORIUR, TRICHY-620003.  
PHONE:0431-2761590.

**FORM NO. MR-3**

**SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 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  
**M/s.Kandagiri Spinning Mills Limited**  
Mill Premises, Post Bag No.3  
Udayapatti P.O., Salem-636140

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s.Kandagiri Spinning Mills Limited, Salem-636140 (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 books, papers, minute books, forms and returns filed and other records maintained by M/s.Kandagiri Spinning Mills Limited (the Company) and also the information provided electronically by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March 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<sup>st</sup> March 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) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (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;



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

- (i) Secretarial Standards with respect to the meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

**During the year under report, the Company did not attract the provisions of :**

- (i) 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;
- (ii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (b) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
  - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

**We further report that:**

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

Adequate notice with agenda items supported by detailed notes thereon is given to all Directors to schedule the Board Meetings and Committee meetings and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meetings and for meaningful participation at the meetings.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes. But there were no dissenting views during the year under report.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

We further report that during the audit period the Company had no specific events / actions, except the below mentioned events, having a major bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc., referred to above.

- a. During the year, the Company, with the requisite approval of the shareholders, had (i) sold the plant and machinery consisting of 27,212 spindles, which had resulted in closure of spinning business operations of the Company (ii) let out on lease the land and building [Unit – I] situated at Udayapatti, Salem and (iii) entered into agreements for rendering various infrastructure facilities and management & supervision facilities to M/s. Sambandam Spinning Mills Limited [CIN: L17111TZ1973PLC000675] and settled the bank loans with the sale proceeds. Further there is erosion of network.

We are of the opinion that the above factors indicate existence of material uncertainty in the Company's ability to continue as a going concern.

**FOR B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY  
ACS NO. A672. CP. NO. 2209  
UDIN : A000672B000366763

Place : Trichy  
Date : 22-06-2020

Note : This report has to be read along with the Annexure which forms an integral part of this report.



**B.K.SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES.

**B.KALYANASUNDARAM,**  
B.Com., ACMA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORIUR, TRICHY-620003.  
PHONE:0431-2761590.

**ANNEXURE TO SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2020**

**OF**

**M/s. KANDAGIRI SPINNING MILLS LIMITED**

1. Maintenance of secretarial records with reference to the provisions of the Companies Act,2013 & the Rules thereunder and the maintenance of records with reference to other applicable laws is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our audit.
2. We have followed the audit practices and procedures as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. We have sought and obtained all the information electronically and explanations which to the best of our knowledge and belief were necessary for the purposes of our Secretarial Audit. The verifications were done on a random test basis to ensure that correctness of the facts reflected in the records.
3. We have obtained the Management representation about the compliance of Laws, Rules and Regulations and occurrence of events. As per the Management representation given by the Managing Director there is no law exclusively applicable for this Company other than all Laws applicable for Manufacturing Industries and hence there is no report to be given therefor.

**FOR B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY  
ACS NO. A672. CP. NO. 2209  
UDIN : A000672B000366763

Place : Trichy  
Date : 22-06-2020



**B.K.SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES.  
**B.KALYANASUNDARAM,**  
B.Com., ACMA., ACS.,

**Annexure - 7**  
OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORJUR, TRICHY-620003.  
PHONE:0431-2761590.

**SECRETARIAL COMPLIANCE REPORT**  
**OF M/s.KANDAGIRI SPINNING MILLS LIMITED,**  
KAMARAJ NAGAR, P.B. NO.3,UDAYAPATTI, SALEM- 636140  
(CIN: L17111TZ1976PLC000762) for the year ended 31-03-2020

We have examined :

- (a) all the documents and records made available to us electronically and explanation provided by **M/s.KANDAGIRI SPINNING MILLS LIMITED**, ("the listed entity"),
- (b) the filings/ submissions made by the listed entity to the Stock Exchanges,
- (c) website of the listed entity,

**for the year ended 31-03-2020 in respect of compliance with the provisions of :**

- (i) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (ii) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), the Rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

**The SEBI Regulations and the circulars/ guidelines issued thereunder which are relevant and applicable to the review period viz. Financial Year ended 31<sup>st</sup> March 2020 to the Company, are listed hereunder :-**

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) Depositories Act, 1996 and the Regulations and bye-laws framed thereunder;
- (d) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003;
- (e) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealings with client;

**Based on the above examination, we hereby report that, during the Review Period:**

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.
- (b) The listed entity has maintained requisite records under the provisions of the above Regulations and circulars/ guidelines issued there under in so far as it appears from our examination of those records.
- (c) No action was taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder.
- (d) The Secretarial Compliance Report for the financial year ended 31-03-2019 did not contain any observation detailing the action to be taken.

**FOR B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

**(B. KALYANASUNDARAM)**  
COMPANY SECRETARY

ACS NO. A672. CP. NO. 2209  
UDIN:A00672B000366774

Place : Trichy  
Date : 22-06-2020

Note: This report has to be read along with the Annexure which forms an integral part of this report.



**B.K.SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES.

**B.KALYANASUNDARAM,**  
B.Com., ACMA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORIUR, TRICHY-620003.  
PHONE:0431-2761590.

**ANNEXURE TO SECRETARIAL COMPLIANCE REPORT**

**FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2020**

**OF**

**M/s.KANDAGIRI SPINNING MILLS LIMITED**

1. Maintenance of records with reference to the SEBI Act, SCRA and Regulations thereunder is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our audit.
2. We have followed the audit practices and procedures as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. We have sought and obtained all the information electronically and explanations which to the best of our knowledge and belief were necessary for the purposes of our Secretarial Compliance Report. The verifications were done on a random test basis to ensure the correctness of the facts reflected in the records.
3. We have obtained the Management representation about the compliance of Laws, Regulations and occurrence of events.

**FOR B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY  
ACS NO. A672. CP. NO. 2209  
UDIN : A00672B000366774

Place : Trichy  
Date : 22-06-2020



**FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT**

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

The Company has formulated a Corporate Social Responsibility (CSR) Policy stated in the link mentioned below pursuant to Section 135 of the Companies Act, 2013 read with relevant rules with subsequent amendments thereto. The policy is framed for undertaking activities as may be found beneficial and feasible for betterment of critical social, environmental and economic development of the weaker sections of the society, preferably locally, nearer to the factory sites of the Company. This CSR Policy relates to the activities to be undertaken by the Company as specified in Schedule VII of the Act and the expenditure thereon and focuses on addressing critical social, environmental and economic needs of marginalized / underprivileged sections of the society.

CSR Policy can be perused on the following website – [www.kandagirimills.com](http://www.kandagirimills.com)

**2. The Composition of the CSR Committee**

<b>CHAIRMAN</b>	:	Sri R. Selvarajan	-	Managing director
<b>MEMBERS</b>	:	Sri S. Devarajan	-	Chairman (Non- Executive Director)
		Sri S. Vijay Shankar	-	Chief Financial Officer & Director
		Sri. S. Gnanashekar	-	Independent Director

**3. Average net profit of the Company for last three financial years : Rs.-1935.10 lakhs**

**4. Prescribed CSR Expenditure (two per cent. Of the amount as in item above) : NIL**

**5. Details of CSR spent during the financial year**

(a) Total amount to be spent for the financial year : Not applicable

(b) Amount unspent; if any : Not applicable

(c) Manner in which the amount spent during the financial year (2019-20) : Not applicable

1	2	3	4	5	6	7	8
Sl. No.	CSR project or activity identified	Sector in which the Project is Covered	Projects or programs (1) Local area or other (2)Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads; (1) Direct Expenditure on projects or programs. (2) Overheads:	Cumulative expenditure up to the reporting period.	Amount spent: Direct or through implementing agency #
Not applicable							

# Payment made to Tamilnadu Association for the Blind.

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

**7. CSR Committee affirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.**

Salem  
31.03.2020

**R. Selvarajan**  
Chairman – CSR Committee



**PARTICULARS OF REMUNERATION**

The information required under Section 197 of the Act and the Rules made there-under, in respect of employees of the Company is as follows:-

- (a) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

<b>NON EXECUTIVE DIRECTORS *</b>	<b>RATIO TO MEDIAN REMUNERATION</b>
Sri S. Devarajan	—
Sri S. Sivakumar	—
Dr. A. Sarayu	—
Sri S. Gnanashekaran	—
Sri Kameshwar M Bhat	—
Dr. V. Sekar	—
Dr. R. Ramarathnam	—
Sri D. Balasundaram	—
Sri S. Vijay Shankar #	—
<b>EXECUTIVE DIRECTOR</b>	
SRI R. SELVARAJAN, MD*	—

\* - In view of unsatisfactory financial performance of the Company, MD has waived his entire salary during the FY 2019-20.

- (b) Percentage increase in remuneration of each director, MD, CFO and Company Secretary

<b>NON EXECUTIVE DIRECTORS *</b>	<b>% Increase in Remuneration</b>
Sri S. Devarajan	—
Sri S. Sivakumar	—
Dr. A. Sarayu	—
Sri. S. Gnanashekaran	—
Sri Kameshwar M Bhat	—
Dr. V. Sekar	—
Dr. R. Ramarathnam	—
Sri D. Balasundaram	—
<b>EXECUTIVE DIRECTOR</b>	
Sri R. Selvarajan, MD	Nil
<b>CHIEF FINANCIAL OFFICER &amp; NON - EXECUTIVE DIRECTOR #</b>	
Sri S. Vijay Shankar	Nil
<b>COMPANY SECRETARY</b>	
Ms. J. Asifa	Nil

\* Non – Executive directors don't receive commission, or any other fees etc except sitting fees for attending board / committee meetings.

# Sri S. Vijay Shankar did not receive any sitting fees in his capacity as non-executive director but only receives remuneration in the capacity of CFO.

- (c) percentage increase in median remuneration of the employees during the financial year : NIL

- (d) the number of permanent employees on the rolls of the company : 150



- (e) **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**

There is no increase in managerial remuneration during the year 2019-20. Further, in view of the unsatisfied performance of the Company, MD and CFO had waived their entire salary during the financial year 2019-20.

- (f) **Affirmation that the remuneration is as per the remuneration policy of the Company**

The Company's remuneration policy is driven by the success and performance of the individual employees and the Company. Through its compensation package, the Company endeavours to attract, retain, develop and motivate a high performance staff. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process and the Company affirms remuneration is as per the remuneration policy of the Company

Annexure - 10

**CEO / CFO CERTIFICATION**

To  
The Board of Directors,  
Kandagiri Spinning Mills Limited,  
Salem

We, R. Selvarajan, Managing Director and S. Vijay Shankar, Chief Financial Officer of Kandagiri Spinning Mills Limited, to the best of our knowledge and belief certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - b) these statements present a true and fair view of the state of affairs of the Company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing Generally Accepted Accounting Principles including Accounting Standards.
2. These are to the best of our knowledge and belief, no transactions entered into by the Company during the year that are fraudulent, illegal or violative of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the listed entity pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies.
4. We have indicated to the Auditors and to the Audit Committee:
  - a) Significant changes in internal control over financial reporting during the year.
  - b) Significant changes in accounting policies during the year.
  - c) Instances of significant fraud of which have become aware and which involve management or other employees who have significant role in the Company's Internal control system over financial reporting. However, there was no such instance.

Salem  
30.07.2020

**R. Selvarajan**  
Managing Director  
(DIN: 00001703)

**S. Vijay Shankar**  
Chief Financial Officer



### REPORT ON CORPORATE GOVERNANCE

(Pursuant to Schedule V of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015)

#### 1. COMPANY'S PHILOSOPHY OF CODE OF GOVERNANCE

Company's philosophy on corporate governance is delineated below:

- Effectiveness measured by quality of leadership resulting in best performance
- Accountability through openness, public disclosure and transparency of activities
- Conforming to high ethical standards in financial policies, internal controls, constant attention towards high quality of its products and continuous upgrading of skills
- Responsibility and responsiveness to stakeholders including shareholders, customers, vendors employees, lenders and government agencies
- Sustaining a healthy and ever improving bottom line
- Upholding the spirit of social responsibility and
- To create a management team with entrepreneurial and professional skills

#### 2. BOARD OF DIRECTORS

##### (i) Composition of the Board

As on March 31, 2020, the Company has nine Directors. Out of nine Directors, eight (i.e., 88 percent) are Non-Executive Directors, four (i.e., 40 percent) are Independent Directors. The profiles of Directors can be found on the website of the Company [www.kandagirimills.com](http://www.kandagirimills.com). The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Act.

##### (ii) Changes in Board of Directors

During the year 2019-20, Non-executive Independent Director Dr. R. Ramarathnam and Non-Executive Director Dr. A. Sarayu resigned from the Board due to their other pre-occupied business affairs on 11.08.2019 and 10.11.2019 respectively. Dr. A. Sarayu was appointed by the Board as an Additional Director (Non-Executive) on 09.02.2020.

As per the resignation letter submitted by Non-Executive Independent Director Dr. R. Ramarathnam to the Company, the reason for his resignation from the Board is only due to his other pre-occupied business affairs.

- (iii) The Board is primarily responsible for the overall management of the Company's business. The Directors on the Board are from varied fields with wide range of skills and experience. The non-executive directors including Independent Directors bring statutory and wider perspective in the Board's deliberations and decisions. The Board periodically reviews the compliance reports of all laws applicable to the Company.
- (iv) Board fulfills the key functions as prescribed under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Details of the Director seeking appointment / re-appointment at the ensuing Annual General Meeting have been furnished in the Notice convening the Meeting of the shareholders.
- (v) None of the Directors on the Board holds directorships in more than ten public limited companies. None of the Independent Directors serves as an independent director on more than seven listed entities. Necessary disclosures regarding Committee positions in other public limited companies as on March 31, 2020 have been made by the Directors. Promoter Directors / Non Executive Directors are related to each other. None of the Independent Directors is related to each other. The details are given as below:

## Kandagiri Spinning Mills Limited



Name of the Director	Categories of Director	Relationship with other directors
Sri S. Devarajan	Chairman Non – Executive (Promoter)	Nil
Sri R. Selvarajan	Executive (Promoter)	Relative of Sri S.Vijay Shankar and Dr. A. Sarayu
Sri S. Vijay Shankar	Non – Executive (Promoter)	Relative of Sri R.Selvarajan and Dr. A.Sarayu
Dr. A. Sarayu *	Additional Director (Non – Executive) (Promoter)	Relative of Sri R.Selvarajan and Sri S.Vijay Shankar
Sri S. Sivakumar	Non – Executive (Promoter)	Nil
Sri S.Gnanashekar	Non – Executive (Independent)	Nil
Sri Kameshwar M. Bhat	Non – Executive (Independent)	Nil
Dr. V. Sekar	Non – Executive (Independent)	Nil
Dr. R. Ramarathnam**	Non – Executive (Independent)	Nil
Sri D. Balasundaram	Non – Executive (Independent)	Nil

\* Resigned on 10.11.2019 and appointed as an additional Director (Non-Executive) on 09.02.2020

\*\* Resigned on 11.08.2019

- (vi) Five Board Meetings were held during the year under review and the gap between two meetings did not exceed one hundred and twenty days. The said meetings were held on May 26, 2019, August 11, 2019, November 10, 2019, January 5, 2020 and February 9, 2020. The necessary quorum was present for all the meetings.
- (vii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year under review and at the last Annual General Meeting (“AGM”), name of other listed entities in which the Director is a director and the number of Directorships and Committee Chairmanships / Memberships held by them in other public limited companies as on March 31, 2020, as required under Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are given herein below. Further, none of them is a member of more than ten committees or chairman of more than five committees across all the public companies in which he/she is a Director. For the purpose of determination of limit of the Board Committees, chairpersonship and membership of the Audit Committee and Stakeholders' Relationship Committee has been considered as per Regulation 26(1)(b) of SEBI Listing Regulations.

Name of the Director	Categories of Director	No. of Board meetings attended during the FY 2020	Whether attended last AGM held on 11.08.2019	No. of directorship in other Public limited Companies		No. of Committee positions held in other Public limited Companies		Directorship in other entities (Category of Directorship)
				Chairman	Member	Chairman	Member	
Sri S. Devarajan	Chairman Non – Executive (Promoter)	5	Yes	1	1	–	–	1. Sambandam Spinning Mills Limited, (Chairman and Managing Director) 2. Sambandam Investment & Leasing Limited, (Director) 3. Sambandam Siva Textiles Private Limited (Director) 4. SPMM Health Care Services Private Limited (Chairman) 5. Sambandam Textiles Private Limited (Director) 6. Sambandam Fabrics Private Limited (Director) 7. Salem IVF Centre Private Limited (MD)

## Kandagiri Spinning Mills Limited



Name of the Director	Categories of Director	No. of Board meetings attended during the FY 2020	Whether attended last AGM held on 11.08.2019	No. of directorship in other Public limited Companies		No. of Committee positions held in other Public limited Companies		Directorship in other entities (Category of Directorship)
				Chairman	Member	Chairman	Member	
Sri R. Selvarajan	Managing Director Executive (Promoter)	5	Yes	-	1	-	-	1. Sambandam Investment & Leasing Limited, (Director) 2. Sambandam Siva Textiles Private Limited (Director) 3. SPMM Health Care Services Private Limited (Managing Director) 4. Sambandam Textiles Private Limited (Director) 5. Sambandam Fabrics Private Limited (Director)
Sri S. Vijay Shankar	Non – Executive (Promoter)	5	Yes	-	-	-	-	1. SPMM Health Care Services Private Limited (Director)
Dr. A. Sarayu *	Additional Director (Non – Executive) (Promoter)	3	Yes	-	-	-	-	-
Sri S. Sivakumar	Additional Director (Non – Executive) (Promoter)	1	No	-	-	-	-	1. Greenfield Shelters Private Limited (Director) 2. Greenfield Creations Private Limited (Director)
Sri S.Gnanashekaran	Non – Executive (Independent)	5	Yes	-	1	1	1	1. Sambandam Spinning Mills Limited, (Director)
Sri Kameshwar M. Bhat	Non – Executive (Independent)	5	Yes	-	1	1	-	1. Sambandam Spinning Mills Limited, (Director) 2. KMB Associates, LLP (Designated Partner)
Dr. V. Sekar	Non – Executive (Independent)	5	Yes	-	1	-	1	1. Sambandam Spinning Mills Limited (Director)
Dr. R. Ramarathnam (Resigned w.e.f. 11.08.2019)	Non – Executive (Independent)	Nil	No	-	-	-	-	1. Dalmia Electrodyn Technologies Private Limited, (Director) 2. Westcott Electricals Private Limited (Director) 3. Universal Electro Dynamics Private Limited (Chairman) 4. Go Green Enterprises Private Limited (Director) 5. Basil Energetics Private Limited (Director)
Sri D. Balasundaram	Non – Executive (Independent)	5	Yes	-	1	-	1	1. Sambandam Spinning Mills Limited (Director)

\* Resigned on 10.11.2019 and appointed as an Additional Director (Non-Executive) on 09.02.2020



(viii) Details of equity shares of the Company held by the Directors as on March 31, 2020 are given below:

Name of the Director	Categories of Director	No. of equity shares held
Sri S. Devarajan	Chairman Non – Executive (Promoter)	1,13,867
Sri R. Selvarajan	Executive (Promoter)	7,78,730
Sri S. Vijay Shankar	Non – Executive (Promoter)	4,09,582
Dr. A. Sarayu **	Additional Director (Non – Executive) (Promoter)	53,090
Sri S. Sivakumar	Non – Executive (Promoter)	2,78,033
Sri S. Gnanashekar	Non – Executive (Independent)	Nil
Sri Kameshwar M. Bhat	Non – Executive (Independent)	Nil
Dr. V. Sekar	Non – Executive (Independent)	Nil
*Dr. R. Ramarathnam	Non – Executive (Independent)	Nil
Sri D. Balasundaram	Non – Executive (Independent)	Nil

The Company has not issued any convertible instruments.

\* **Dr. R. Ramarathnam resigned from the Board w.e.f.11.08.2019**

\*\* **Dr. A. Sarayu resigned on 10.11.2019 and appointed as an Additional Director (Non-Executive) on 09.02.2020**

**(ix) Independent Directors**

The Company has appointed Independent Directors who are renowned people having expertise/experience in their respective field/profession. Independent Directors are non-executive directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations read with Section 149(6) of the Act along with rules framed thereunder. None of the Independent Directors is a promoter or related to the promoters. They do not have any pecuniary relationship with the Company and further they do not hold two percent or more of the total voting power of the Company. All Independent Directors maintain their limits of directorship as required under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has issued a formal letter of appointment to all Independent Directors and the terms and conditions of their appointment have been disclosed in the website of the Company.

All the Independent Directors of the Company at the time of their first appointment to the Board and thereafter at the first meeting of the Board in every financial year give a declaration that they meet the criteria of independence as provided under the provisions of Companies Act, 2013 and SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015. In terms of Regulation 25(8) of SEBI Listing Regulations, they have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of the management.

Details about the familiarisation programme of the Independent directors had been uploaded in the website of the Company under the web-link: <http://www.kandagirimills.com/investors/fpofid.pdf>

**Meeting of Independent Directors**

During the year, as required by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, one separate meeting of Independent directors was held on 09.02.2020. All the Independent Directors on the Board attended the meeting. The Independent Directors discussed / reviewed the matters specified in Schedule IV of Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**(x) Board Evaluation**

Evaluation of performance of all Directors is undertaken annually. Performance of the Board, its Committees and Individual Directors were evaluated on the basis of criteria which includes various performance related aspects.

The Board of Directors has expressed their satisfaction with the evaluation process.



(xi) The Board has identified the following skills/expertise/competencies fundamental for effective functioning of the Company which are currently available with the Board.

S. No.	Name of the Director	skills/expertise/competencies					
		General Administration and Management	Finance	Technical	HR	Sales and marketing	Governance, Compliance and Legal
1.	Sri S. Devarajan	√	√	√	√	√	√
2.	Sri R. Selvarajan	√	√	√	√	√	√
3.	Sri S. Vijay Shankar	√	√	√	√	√	√
4.	Sri S. Sivakumar	√	—	√	√	√	√
5.	Dr. A. Sarayu	√	—	—	√	—	√
6.	Sri S. Gnanashekar	√	√	—	√	√	√
7.	Sri Kameshwar M. Bhat	√	√	—	√	√	√
8.	Dr. V. Sekar	√	√	—	√	√	√
9.	Sri. D. Balasundaram	√	—	√	√	√	√

### 3. COMMITTEES OF THE BOARD

#### (i) AUDIT COMMITTEE

##### a. Brief description of terms of reference

Audit Committee assists the Board in its responsibility of overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the statutory auditors including the Cost auditors, the performance of internal auditors and the Company's risk management policies. The terms of reference of Audit Committee cover the areas mentioned under Part C of Schedule II of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 as well as Section 177 of the Companies Act, 2013.

##### (b) Composition

Audit Committee as on 31<sup>st</sup> March, 2020 comprises of five members viz., Sri. S. Gnanashekar, Independent Director as Chairman, Independent Directors, Sri. Kameshwar M. Bhat, Dr. V. Sekar, Sri. D. Balasundaram and Chairman (Non-Executive Director) Sri S. Devarajan as Members.

Dr. R. Ramarathnam who was member of Audit Committee as on April 1, 2019 had resigned from the Audit Committee of Board of Directors on w.e.f. 11.08.2019 due to his other pre-occupied business.

All members of the Audit Committee are financially literate and have expertise in accounting/financial management. The Managing Director, Chief Financial Officer, Internal Auditor and Statutory Auditors attended meetings of the Committee as invitees. Ms J. Asifa, Company Secretary is the Secretary to the committee.

##### (c) Meetings and Attendance

Audit Committee met six times during the year and the time gap between any two meetings did not exceed more than 120 days. Audit Committee meetings were held on April 20, 2019, May 25, 2019, August 10, 2019, November 9, 2019, January, 5 2020 and February 8, 2020. Attendance at the Audit Committee meetings held during the year is as follows:

Name of the Director	Position	No. of Meetings attended
Sri S. Gnanashekar	Chairman	6 of 6
Sri Kameshwar M. Bhat	Member	6 of 6
Dr. V. Sekar	Member	6 of 6
* Dr. R. Ramarathnam	Member	1 of 3
Sri D. Balasundaram	Member	6 of 6
Sri S. Devarajan	Member	6 of 6

\* Dr. R. Ramarathnam resigned from the Board w.e.f. 11.08.2019

**(ii) NOMINATION AND REMUNERATION COMMITTEE****(a) Brief description of terms of reference**

The Nomination and Remuneration Committee assist the Board in overseeing the method, criteria and quantum of compensation for directors and senior management based on their performance and defined assessment criteria. The Committee formulates the criteria for evaluation of the performance of Independent Directors & the Board of Directors, identifying the persons who are qualified to become directors and who may be appointed in senior management and recommend to the Board their appointment and removal. The terms of the reference of Nomination and Remuneration Committee covers the areas mentioned under Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as section 178 of the Companies Act, 2013.

**(b) Composition**

The Nomination and Remuneration Committee as on March 31, 2020 comprises of three members viz., Sri Kameshwar M Bhat, Independent Director as Chairman and Sri S. Gnanashekar and Dr. V. Sekar, Independent Directors as Members.

**(c) Meetings and Attendance**

During the year two Nomination and Remuneration Committee Meetings were held on 26.05.2019 and 09.02.2020.

Attendance at the Nomination and Remuneration Committee meeting held during the year is as follows:

Name of the Director	Position	No. of Meetings attended
Sri Kameshwar M. Bhat	Chairman	2 of 2
Sri S. Gnanashekar	Member	2 of 2
Dr. V. Sekar	Member	2 of 2

**(d) Performance Evaluation criteria for Independent directors**

The Company has adopted the following performance evaluation criteria for Independent Directors

- a. Qualifications
- b. Experience
- c. Knowledge & Competency
- d. Fulfillments of functions
- e. Ability to function as a team
- f. Initiative
- g. Availability and Attendance
- h. Commitment
- j. Integrity
- k. Independence
- l. Independent views and Judgment

**(iii) CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE****(a) Brief description of terms of reference**

The Committee formulates CSR policy to undertake social activities as specified under Schedule VII of the Companies Act, 2013 for approval of the Board. The Committee recommends spending on the approved CSR activities and monitors the spending and performance of such activities.

Since the Company has no average net profit, there is no CSR Obligation for the FY 2019-20.

**(b) Composition**

The CSR Committee as on March 31, 2020 comprises of four members viz., Sri R. Selvarajan, Managing Director as Chairman, Sri S. Devarajan, Chairman and Non-Executive Director, Sri S. Vijay Shankar, Chief Financial Officer and Director and Sri S. Gnanashekar, Independent Director as Members.



**(c) Meetings and Attendance**

During the year one CSR Meeting was held on 25.05.2019. Attendance at the CSR Committee meeting held during the year is as follows:

Name of the Director	Position	No. of Meetings attended
Sri R. Selvarajan	Chairman	1 of 1
Sri S. Devarajan	Member	1 of 1
Sri S. Vijay Shankar	Member	1 of 1
Sri S. Gnanashekar	Member	1 of 1

**(iv) STAKEHOLDERS' RELATIONSHIP COMMITTEE****(a) Composition**

Stakeholders' Relationship Committee as on March 31, 2020 comprises of three members viz., Sri S. Gnanashekar, Independent Director as Chairman, Sri R. Selvarajan, Managing Director and Sri. S. Vijay Shankar, Chief Financial Officer and Director as Members.

The Committee considers and resolves the grievances of the security holders. The Committee also reviews the manner and time-lines of dealing with complaint letters received from all stakeholders including the Stock Exchange / SEBI / Ministry of Corporate Affairs etc., and the response thereto.

**(b) Compliance Officer**

Ms. J. Asifa, Company Secretary is the Secretary to the Committee and the Compliance Officer appointed for the compliance of capital market related laws.

**(c) Details of investor requests received and redressed during the FY 2019-2020 are as follows:**

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	28	28	Nil

**(d) Complaints**

No complaints were received and no complaint was pending as on March 31, 2020.

**(e) Compliance with respect to Insider Trading**

Comprehensive guidelines advising and cautioning the management, staff and other relevant business associates on the procedure to be followed while dealing with the securities of the company have been issued and implemented.

**4. REMUNERATION OF DIRECTORS & AUDITORS**

**(a)** There was no pecuniary relationship or transaction between the Non-Executive Directors and the company during the financial year 2019-2020.

**(b) Criteria of making payments to Non-Executive Directors**

❖ Remuneration by way of Sitting fee may be paid to Non-Executive/ Independent Directors for attending meetings of the Board of Directors and Committee meetings in which he/she is a member (excluding those committee meetings viz., CSR Committee, Stakeholders' Relationship Committee, Share Transfer Committee and Finance Committee for which no sitting fees is paid) as may be decided by the Board from time to time and for any other purpose as may be decided by the Board from time to time in accordance with the ceiling limits prescribed under the Applicable Law.

❖ The Independent Directors shall not be entitled to any stock option.

❖ The sitting fee to the Independent Directors and Woman Director shall not be less than the sitting fee payable to other directors.

The above referred criteria have been disclosed in the website of the Company under the web-link: <http://www.kandagirimills.com/investors/ksml2015-nrp.pdf>

**(c) Disclosures with respect to remuneration**

Non-executive Directors are entitled to get Sitting Fee for attending each meeting of the Board or any Committee(s) of the Board. Details of payment of sitting fees for the year 2019-20 are as follows.

Name of the Director	Sitting fees (#) Rs. Lakhs
Sri R. Selvarajan	—
Sri S. Vijay Shankar #	—
Sri S. Devarajan *	—
Dr. A. Sarayu *	—
Sri S. Sivakumar *	—
Sri S. Gnanashekar	2.80
Sri Kameshwar M Bhat	2.80
Dr. V. Sekar	2.80
Dr. R. Ramarathnam	0.25
Sri D. Balasundaram	2.50

\* Non-Executive Promoter directors had waived their sitting fees during the FY year 2019-20 for attending Board and Committee meetings.

# Sri S. Vijay Shankar did not receive any sitting fees in his capacity as non-executive director but only receives remuneration in the capacity of CFO.

**Details of Remuneration to Managing Director**

During the 42<sup>nd</sup> AGM of the Company held on 11.08.2018, Sri R. Selvarajan, Managing Director had been reappointed for a period of three years from 01.10.2018 to 30.09.2021. The remuneration structure as follows:

S. No.	Period	Fixed Remuneration per month (Rs. lakhs)		
		Salary	Perquisites	Total remuneration
1.	1.10.2018 to 30.09.2021	1.80	1.20	3.00

In view of financial crisis of the Company, Managing Director had waived his entire salary during the financial year 2019-20

**Details of Remuneration to Statutory Auditors**

M/s R. Sundararajan & Associates, Chartered Accountants (Firm Registration No .008282S) had been appointed as the Statutory Auditors of the Company for the financial years 2018-19 to 2021-22 at the 42<sup>nd</sup> AGM held on 11.08.2018. The Statutory Auditors had been fixed a remuneration of Rs.3,70,000/- for conduct of the statutory audit for the FY 2019-20.

**Stock Options**

The Company has no Employee Stock Options Scheme in force at present.

**5. GENERAL BODY MEETINGS**

(a) Details of location and time of last three Annual General Meetings held

Year	Date	Time	Venue
43 <sup>rd</sup> AGM - 2019	August 11, 2019	<b>11.30 a.m</b>	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem - 636 014.
42 <sup>nd</sup> AGM - 2018	August 11, 2018	<b>11.30 a.m</b>	
41 <sup>st</sup> AGM - 2017	August 12, 2017	<b>11.30 a.m</b>	



- (b) There was no special resolution passed at the Annual General Meeting (AGM) held during the year 2017. One special resolution was passed at the 42<sup>nd</sup> Annual General Meeting (AGM) of the Company held on 11.08.2018 for reappointment and payment of remuneration to the Managing Director, Sri R. Selvarajan.

Two special resolutions were passed at the 43<sup>rd</sup> Annual General Meeting (AGM) of the Company held on 11.08.2019 for reappointment of Sri S. Gnanashekar and Sri Kameshwar M Bhat as Non Executive Independent Directors for the second term of five consecutive years effective from 11.08.2019 to 10.08.2024.

(c) **POSTAL BALLOT**

Pursuant to sections 108, 110 of the Companies Act, 2013 read with relevant rules framed there under and regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard (SS-2), Postal ballot was conducted for seeking approval from the shareholders for passing of the following resolutions as stated in the postal ballot notice dt. 05.01.2020:

- (a) Approval for sale of Plant and Machinery of Unit I of the Company
- (b) Approval for lease of Land and Building of Unit-I of the Company
- (c) Approval for sale of Plant and Machinery of Unit-I of the Company to the Related party M/s Sambandam Spinning Mills Limited.
- (d) Approval for Lease of Land, Building, other infrastructural facilities of Unit-I of the Company to Related party and for providing management and supervision services to Related Party M/s Sambandam Spinning Mills Limited
- (e) Approval to give loans and/or give guarantees and/or provide securities in connection with loan to any person or Body Corporate and/or make inter-corporate investments by way of subscription, purchase or otherwise of securities of any Body Corporate.
- (f) Approval to provide security and/or giving of guarantee in connection with loans borrowed / to be borrowed by M/s. Sambandam Spinning Mills Limited.
- (g) Approval under reg. 23 of SEBI (LODR) Regulations, 2015 for related party transaction of providing security and/or giving of guarantee in connection with loans borrowed/to be borrowed by M/s. Sambandam Spinning Mills Limited.
- (h) To alter the objects clause of the Memorandum of Association of the Company.

Shareholders were given option to cast their votes through postal ballot and e-voting.

Shri B. KALYANASUNDARAM (MEMBERSHIP NO. 672) OF M/S B. K. SUNDARAM & ASSOCIATES, PRACTISING COMPANY SECRETARIES having office at No. 30, Pandamangalam Agraharam, Worur, Trichy – 620003 was appointed as scrutinizer for conduct of the postal ballot and e-voting in a fair and transparent manner.

Shareholders were advised to send their assent (FOR) or dissent (AGAINST) in writing on the Postal Ballot Form enclosed with Notice and the details of the scrutinizer and instructions for voting through e-voting and postal ballot were clearly stated in the postal ballot notice. The voting period (both postal ballot & e-voting) commenced from 17.01.2020 at 9.00 a.m. and ended on 15.02.2020 at 5.00 p.m. The Postal Ballot/e-voting was conducted in a fair and transparent manner.

**Details of voting pattern**

Based on the Scrutinizer's report, the results were declared by the Managing Director on 17.02.2020 that all the resolutions contained in the postal ballot notice dt. 05.01.2020 had been duly passed in favour by the Shareholders in terms of the voting done through postal ballot and e-voting. The resolutions are deemed to be passed at a General Meeting convened in this behalf and the effective date of passing of the postal ballot resolutions was 15.02.2020. The details of voting pattern are as follows:



Item. No.	Resolution	Mode of Voting	Voted For			Voted Against		
			No. of Members	No. of Votes	Vote (%)	No. of Members	No. of Votes	Vote (%)
1.	Approval for sale of Plant and Machinery of Unit I of the Company (Special Resolution)	Postal Ballot	77	1,09,337	-	10	23	-
		E-Voting	197	24,47,430	-	14	6,55,689	-
		<b>Total</b>	<b>274</b>	<b>25,56,767</b>	<b>79.59</b>	<b>24</b>	<b>6,55,721</b>	<b>20.41</b>
2.	Approval for lease of Land and Building of Unit-I of the Company (Special Resolution)	Postal Ballot	79	1,09,537	-	10	23	-
		E-Voting	197	24,47,430	-	14	6,55,689	-
		<b>Total</b>	<b>276</b>	<b>25,56,967</b>	<b>79.59</b>	<b>24</b>	<b>6,55,712</b>	<b>20.41</b>
		<b>Total</b>	<b>276</b>	<b>25,56,967</b>	<b>79.59</b>	<b>24</b>	<b>6,55,712</b>	<b>20.41</b>
3.	Approval for sale of Plant and Machinery of Unit-I of the Company to the Related party. (Ordinary Resolution)	Postal Ballot	78	1,09,037	-	10	23	-
		E-Voting	181	6,46,418	-	13	6,45,689	-
		<b>Total</b>	<b>259</b>	<b>7,55,455</b>	<b>53.92</b>	<b>23</b>	<b>6,45,712</b>	<b>46.08</b>
4.	Approval for Lease of Land, Building, other infrastructural facilities of Unit-I of the Company to Related party and for providing management and supervision services to Related Party (Ordinary Resolution)	Postal Ballot	78	1,09,037	-	10	23	-
		E-Voting	181	6,46,418	-	14	6,55,689	-
		<b>Total</b>	<b>259</b>	<b>7,55,455</b>	<b>53.53</b>	<b>24</b>	<b>6,55,712</b>	<b>46.47</b>
5.	Approval to give loans and / or give guarantees and / or provide securities in connection with loan to any person or Body Corporate and / or make inter-corporate investments by way of subscription, purchase or otherwise of securities of any Body Corporate (Special Resolution)	Postal Ballot	78	1,09,437	-	10	23	-
		E-Voting	197	24,47,430	-	14	6,55,689	-
		<b>Total</b>	<b>275</b>	<b>25,56,867</b>	<b>79.59</b>	<b>24</b>	<b>6,55,712</b>	<b>20.41</b>
6.	Approval to provide security and/or giving of guarantee in connection with loans borrowed / to be borrowed by M/s. Sambandam Spinning Mills Limited (Special Resolution)	Postal Ballot	78	1,09,437	-	10	23	-
		E-Voting	197	24,47,430	-	14	6,55,689	-
		<b>Total</b>	<b>275</b>	<b>25,56,867</b>	<b>79.59</b>	<b>24</b>	<b>6,55,712</b>	<b>20.41</b>



Item No.	Resolution	Mode of Voting	Voted For			Voted Against		
			No. of Members	No. of Votes	Vote (%)	No. of Members	No. of Votes	Vote (%)
7.	Approval under reg. 23 of SEBI (LODR) Regulations, 2015 for related party transaction of providing security and/or giving of guarantee in connection with loans borrowed/to be borrowed by M/s. Sambandam Spinning Mills Limited (Ordinary Resolution)	Postal Ballot	77	1,08,937	–	10	23	–
		E-Voting	181	6,46,418	–	14	6,55,689	–
		<b>Total</b>	<b>258</b>	<b>7,55,355</b>	<b>53.53</b>	<b>24</b>	<b>6,55,712</b>	<b>46.47</b>
8.	To alter the objects clause of the Memorandum of Association of the Company (Special Resolution)	Postal Ballot	78	1,09,437	–	10	23	–
		E-Voting	196	23,30,964	–	15	7,72,155	–
		<b>Total</b>	<b>274</b>	<b>24,40,401</b>	<b>75.96</b>	<b>25</b>	<b>7,72,155</b>	<b>24.04</b>

No special resolution is proposed to be passed through postal Ballot during this year

6. A certificate has been received from Shri B. Kalyanasundaram of M/s B.K. Sundaram & Associates, Practising Company Secretaries, that none of the Directors on the Board of the Company has 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.

#### 7. MEANS OF COMMUNICATION

Quarterly, half-yearly and annual financial results are communicated to the Bombay Stock Exchange at Mumbai immediately after these are considered and recommended by the Audit Committee and approved by the Board; and thereafter regularly published in national (English) business newspaper Trinity Mirror and in one vernacular (Tamil) newspaper Makkal Kural as required. Quarterly and annual financial statements and other required details in accordance with the provisions of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 are posted on our Company's website: [www.kandagirimills.com](http://www.kandagirimills.com). Further, all other price sensitive and other information is sent to the Bombay Stock Exchange enabling them to display the same on their website. During the year, no presentation has been made to Institutional Investors or analysts.

#### 8. GENERAL SHARE HOLDER INFORMATION

##### (a) Details of 44<sup>th</sup> Annual General Meeting to be held

Day : Wednesday  
Date : 23.09.2020  
Time : 3:00 p.m.  
Venue : Not Applicable. The AGM is to be conducted through VC/OAVM

(b) Financial Year : 1<sup>st</sup> April, 2019 to 31<sup>st</sup> March, 2020.

(c) Dividend Payment Date : Not Applicable since no dividend has been declared by the Company for the financial year 2019-20

##### (b) Stock Exchange on which Company's shares are listed :

The Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. The Listing Fees as applicable was paid within prescribed time period.

**(e) Stock code**

Trading Symbol at BSE Limited	(DEMAT)	521242
ISIN under Depository System (NSDL & CDSL)	Equity Shares	INE292D01019

**(f) Market Price data – Company share Price and BSE Sensex**

Month	Company Share Price		S&P BSE Sensex	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr - 2019	20.85	17.30	39487.45	38460.25
May - 2019	17.70	15.75	40124.96	36956.10
Jun - 2019	17.00	14.05	40312.07	38870.96
Jul - 2019	14.55	12.35	40032.41	37128.26
Aug - 2019	14.07	11.03	37807.55	36102.35
Sep - 2019	10.56	9.12	39441.12	35987.80
Oct - 2019	8.72	6.45	40392.22	37415.83
Nov - 2019	6.14	5.15	41163.79	40014.23
Dec - 2019	4.93	3.90	41809.96	40135.37
Jan - 2020	4.95	3.60	42273.87	40476.55
Feb - 2020	7.96	5.17	41709.30	38219.97
Mar - 2020	8.35	7.96	39083.17	25638.90

(g) Company securities are not suspended from trading.

**(h) Registrar and Share Transfer Agents**

M/s Cameo Corporate Services Limited, Subramanian Building, No.1 Club house Road, Chennai 600002 deal with all aspects of investor servicing relating to shares in both physical and demat form.

**(i) Share Transfer System**

The Share transfer committee has been constituted mainly to look into transfer and transmission of shares. Share transfers are effected by the Registrar and Transfer Agent (RTA) Cameo Corporate Services Limited, Chennai, on the authorization given by the Board. The transfers/transmissions effected by the Registrar are submitted to the Share Transfer Committee for confirmation. Sri R. Selvarajan, Managing Director, chairs the meetings of the committee. Sri S. Vijay Shankar, Chief Financial Officer and Director and Sri S. Devarajan, Chairman (Non-executive director) are the members of the committee. Ms. J. Asifa, Company Secretary is the secretary to the committee and the compliance officer. As on March 31, 2020, no share transfers/transmission was pending.

**(j) Distribution of Shareholding as on 31<sup>st</sup> March, 2020**

Shareholding	Shareholders		No. of shares	
	Number	%	Number	%
10 – 5000	2440	91.18	243490	6.32
5001 – 10000	86	3.21	64777	1.68
10001 – 20000	42	1.57	59542	1.55
20001 – 30000	25	0.94	61416	1.60
30001 – 40000	15	0.56	52168	1.36
40001 – 50000	5	0.19	22835	0.59
50001 – 100000	22	0.82	164995	4.29
100001 and above	41	1.53	3180027	82.61
<b>Total</b>	<b>2676</b>	<b>100.00</b>	<b>3849250</b>	<b>100.00</b>



## Shareholding pattern as on March 31, 2020

Sl. No.	Category	No. of Holders	No. of Shares	% to Paid up Capital
1.	Promoters	29	24,99,509	64.93
2.	Residents (Individuals / Clearing Members)	2,331	10,82,194	28.12
	HUF	63	75,875	1.97
3.	Financial Institutions/Insurance Co./ State Govt./	0	0	0
4.	Foreign Institutional Investors	0	0	0
5.	Non-Resident Indians / OCB / Corporate Bodies - Foreign / Bank - Foreign / Foreign Nationals / Foreign Port Folio Investor / corporate	6	1,484	0.04
6.	Corporate Bodies / Limited Liability Partnership	27	1,47,934	3.84
7.	IEPF	1	42,254	1.10
8.	Mutual Funds	0	0	0
9.	Trusts	0	0	0
10.	Banks	0	0	0
11.	Clearing Members	0	0	0
	<b>Total</b>	<b>2,457</b>	<b>38,49,250</b>	<b>100.00</b>

**(k) Dematerialization of shares and liquidity**

Shares of the Company can be held and traded in electronic form. As stipulated by SEBI, the shares of the Company are accepted in the Stock Exchanges for delivery only in dematerialization form. Status of dematerialization of shares as on March 31, 2020 is as follows:

Holders	Physical		Demat		Total	
	No. of Shares	% to paid up capital	No. of Shares	% to paid up capital	No. of Shares	% to paid up capital
Promoters	0	0	24,99,509	64.93%	24,99,509	64.93%
Others	1,72,565	4.49%	11,77,176	30.58%	13,49,741	35.07%
<b>TOTAL</b>	<b>1,72,565</b>	<b>4.49%</b>	<b>36,76,685</b>	<b>95.51%</b>	<b>38,49,250</b>	<b>100.00%</b>

The equity shares of the Company is regularly traded in BSE Limited

Your Company confirms that the entire Promoter's holdings are in electronic form and the same is in line with the direction issued by SEBI. As per the terms of Company's Bankers, the following promoter shares are pledged in favour of the Company's Bankers on 09.04.2019 for securing the credit facilities availed by the Company:

1. Managing Director Sri R. Selvarajan - No. of shares – 7,69,850 (20%)
2. CFO Sri S. Vijay Shankar - No. of shares – 3,84,925 (10%)

The Company had settled the entire Bank debts and all the above said pledged promoters shares were released on 18.05.2020

**(l) Outstanding GDRs/ ADRs/ Warrants/ Convertible instruments**

The Company has not issued Global Depository Receipts or American Depository Receipt or Warrants or any Convertible instruments.

**(m) Commodity Price Risk/ Foreign Exchange Risk and Hedging - The Company did not engage in hedging activities.****(n) Registered Office.**

Post Box No. 3, Udayapatti, Salem 636 140, Tamil Nadu.



- (o) **Address for Correspondence**
- |                                                                        |   |                                                                                                                                                                                                                 |
|------------------------------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Registrar & Share Transfer Agents                                      | : | M/s Cameo Corporate Services Limited<br>Subramanian Building<br>No.1 Club Road, Chennai 600 002.<br>Phone: 044 - 28460390 (5 lines)<br>Fax : 044 – 28460129                                                     |
| e-mail – For all Investor queries<br>for non-receipt of Annual Reports | : | investor@cameoindia.com &<br>agm@cameoindia.com                                                                                                                                                                 |
| For any other general matters<br>or in case of any difficulties/       | : | Secretarial Department<br>Kandagiri Spinning Mills Limited<br>Mill Premises, Post Box No. 3 Udayapatti,<br>Salem - 636 140<br>Phone : 0427 -2244400<br>Fax : 0427 – 2244422<br>e-mail: sales@kandagirimills.com |
| Website Address                                                        | : | www.kandagirimills.com                                                                                                                                                                                          |
| Email ID of Investor Grievances                                        | : | ksmcs@kandagirimills.com                                                                                                                                                                                        |
| Name of the Compliance Officer                                         | : | Ms. J. Asifa, Company Secretary                                                                                                                                                                                 |

**9. DISCLOSURES**

- (a) During the financial year ended 31<sup>st</sup> March, 2020 there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) The company has formulated a Policy for dealing with Related Party Transactions. The necessary disclosures regarding the transactions with related parties are given in the Notes to the financial statements. During the year under review, Your Company had not entered into any material transaction with any of its related parties. The Policy on Related Party Transactions is hosted on the website of the Company under the web link : <http://www.kandagirimills.com/investors/ksml2014-rptp.pdf>
- (c) Neither was any penalties imposed nor were any strictures passed by Stock Exchange or SEBI or any Statutory authority on any capital market related matters during the last three years.
- (d) The Company has established a Vigil Mechanism/Whistle Blower Policy to enable stakeholders (including Directors and employees) to report unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The Policy provides adequate safeguards against victimization of Director(s)/employee(s) and direct access to the Chairman of the Audit Committee in exceptional cases. The Protected Disclosures, if any reported under this Policy will be appropriately and expeditiously investigated by the Chairman. Your Company hereby affirms that no Director / employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. The Whistle Blower Policy has been disclosed on the Company's website.
- (e) The Company has complied with the mandatory requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has adopted various non-mandatory requirements as well as discussed under relevant headings.
- (f) The Company has no subsidiary.
- (g) The Company has followed Indian Accounting Standards ("Ind AS") in the preparation of the financial statements. The significant accounting policies are set out in the notes to the accounts.
- (h) The Company laid down procedures to inform Board members about risk assessment and minimization and has implemented the Risk Management plan and continuously monitors it.
- (i) As required by the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for prevention of Insider Trading. Company Secretary of the Company is the Compliance Officer. The Code of Conduct is applicable to all Directors and such identified employees of the Company as well as who are expected to have access to unpublished price sensitive information relating to the Company.
- (j) The Company has adopted a Code of Conduct for Directors and Senior Management of the Company, as required by Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has received confirmation from the Directors and Senior Management regarding compliance with the code for the year ended March 31, 2020. A Certificate from Managing Director to this effect is attached to this report. The code has been displayed on the Company's website.





- (k) Since the Company has not accept fresh fixed deposits or have any debt instruments or scheme or proposal involving mobilization of funds, no credit rating was obtained during the FY 2019-20
- (l) The Managing Director and Chief Financial Officer of the Company give annual Compliance Certificate in accordance with Regulation 17(8) read with Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the Stock Exchange(s). The annual Compliance Certificate given by Managing Director and Chief Financial Officer is published in Annual Report.
- (m) The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Company has set up a Committee for addressing issues related to women and during the financial year 2019-20, there were no complaints received on sexual harassment. The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the same is available on the Company's website [www.kandagirimills.com](http://www.kandagirimills.com)
- (n) Transfer of Unclaimed/Unpaid dividends along with underlying shares to IEPF**  
Pursuant to Section 124 & 125 of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 which came into effect from 07.09.2016 with subsequent amendments thereto, in addition to transfer of unpaid/unclaimed dividend of seven years to IEPF a/c, the underlying shares with respect to unpaid/unclaimed dividend of seven consecutive years has to be transferred by the company to the Investor Education and Protection Fund (IEPF) established by the Central Government.  
In accordance with the above statutory provisions, the dividends declared by the Company which remain unpaid and unclaimed for seven years and the underlying shares with respect to unpaid/unclaimed dividend of seven consecutive years were transferred to IEPF a/c by the Company as per the applicability. During the FY 2019-20, there was no transfer of dividends and underlying shares to IEPF a/c as there is no dividends declared and remain unpaid and unclaimed for seven years during the FY 2019-20. Shareholders can claim the earlier transferred dividends and shares from IEPF by filing the requisite forms and following the procedures as stated in the IEPF rules
- (o) Details relating to appointment of Directors as required under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is provided in the Notice to the Annual General Meeting.
- 10. There has been no instance of non-compliance of any requirement of Corporate Governance Report.**
- 11. ADOPTION OF NON-MANDATORY ITEMS**
- (a) The Board**  
The Company has a Non-Executive Chairman and the respective compliance has been duly complied.
- (b) Share holder Rights**  
Quarterly/Half yearly financial results are forwarded to the Stock Exchanges and also uploaded on the website of the Company.
- (c) Modified Opinion in Audit Report**  
There is modified opinion in Independent Auditors' Report for the FY 2019-20 and the Management explanation is given thereof.
- (d) Separate Posts of Chairperson and CEO.**  
The Company has separate Non-Executive Chairman and Managing Director.
- (e) Reporting of Internal Auditor**  
The Internal Auditor of the Company is a permanent invitee to the Audit Committee Meeting and regularly attends the Meeting for reporting his findings of the internal audit to the Audit Committee Members.
- 12. The Company has fully complied with the applicable requirement specified in Reg. 17 to 27 and clause (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**



**Certificate on Compliance with Code of Conduct for the Senior Management**

In accordance with Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby confirm that all the Board members and senior management personnel of the Company have affirmed compliance to the Code of Conduct of the Company for the financial year ended March 31, 2020.

Salem  
July 30, 2020

**R. Selvarajan**  
Managing Director  
DIN: 00001703

**INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

**TO  
THE MEMBERS OF KANDAGIRI SPINNING MILLS LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by Kandagiri Spinning Mills Limited ("the Company"), for the year ended on March 31, 2020, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("SEBI Listing Regulations").

**Management's Responsibility**

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in the SEBI Listing Regulations.

**Auditors' Responsibility**

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the books of accounts and other relevant records and documents maintained by the Company for the purpose of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
5. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards of Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial information, and Other Assurance and Related Services Engagements.

**Opinion**

7. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI Listing Regulations during the year ended March 31, 2020.
8. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **R. Sundararajan and Associates**  
Chartered Accountants  
Firm Registration No.08282S

**S. Krishnan** – Partner  
Membership No.26452  
UDIN : 20026452AAAABP4857

July 30, 2020  
Salem



## Annexure - 12

**B.K.SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES.

**B.KALYANASUNDARAM,**  
B.Com., ACMA., ACS.,

OFFICE :  
30, PANDAMANGALAM AGRAHARAM,  
WORJUR, TRICHY-620003.  
PHONE:0431-2761590.

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS**

*(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015)*

- We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of M/s.KANDAGIRI SPINNING MILLS LIMITED having CIN:L17111TZ1976PLC000762 and having registered office at P.B. NO. 3, UDAYAPATTI, SALEM - 636140 (hereinafter referred to as 'the Company'), produced to us by the Company electronically for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below as on the date of Financial Year ended on 31<sup>st</sup> March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of the company by the Securities and Exchange Board of India and/or the Registrar of Companies or such other authorities under the Ministry of Corporate Affairs, New Delhi.

Sl. No.	Name of the Director as per DIN	DIN	Date of appointment in the Company
1.	Selvarajan Rathinam	00001703	01-04-2005
2.	Devarajan Sambandam	00001910	28-06-2006
3.	Vijay Shankar	00001711	01-04-2014
4.	Sigamani Sivakumar	00002099	12-08-2017
5.	Sarayu	06953362	09-02-2020 (Addl. Director)
6.	Subramaniam Gnanashekar	06796817	14-02-2014
7.	Kameshwar Bhat	06951906	28-09-2014
8.	Balasundaram Doraisami	07800844	06-05-2017
9.	Sekar Venkatesan	03128187	25-03-2017

- It is the responsibility of the Board of Directors of the Company to ensure the eligibility for the appointments of Directors and their continuance as Directors on the Board. Our responsibility is to express an opinion on the matter of non-disqualification of Directors in the Board.

FOR **B.K. SUNDARAM & ASSOCIATES**  
COMPANY SECRETARIES

**(B.KALYANASUNDARAM)**  
COMPANY SECRETARY

ACS NO. A672. CP. NO. 2209  
UDIN : A000672B000366752

Place : Trichy  
Date : 22-06-2020



**INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF KANDAGIRI SPINNING MILLS LIMITED**

**Report on the audit of the Standalone Financial Statements**

**Qualified Opinion**

We have audited the accompanying Standalone Financial Statements of **KANDAGIRI SPINNING MILLS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss, including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity 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, **except for the effect of the matters described in the Basis for qualified opinion paragraph**, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

**Basis for Qualified Opinion**

The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the financial year ended March 31, 2020. These matters were 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 these matters. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section out of report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our opinion on the accompanying standalone financial statements.



**A. REVENUE RECOGNITION**

***Key Audit Matter Description***

Reference may be made to note 3 of significant accounting policies and note 22 to the standalone financial statements of the Company.

Revenue recognition is inherently an area of audit risk, which we have substantially focused on mainly covering the aspects of cut off considering the above impact of Ind AS 115 and cut-off are key audit matters.

***Response to Key Audit Matter***

***Principal Audit Procedures***

Our audit procedures relating to revenue comprised of test of controls and substantive procedures including the following:

- a. We assessed whether the policy of recognizing revenue was in line with Ind AS – 115.
- b. We performed procedures to assess the design and internal controls established by the management and tested the operating effectiveness of relevant controls related to the recognition of revenue.
- c. Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.
- d. We have tested, on a sample basis, whether specific revenue transactions around the reporting date has been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes, customer acknowledgement/proof of acceptance and the terms of sales.
- e. We have also validated subsequent credit notes and sales returns up to the date of this Report to ensure the appropriateness and accuracy of the revenue recognition.
- f. We tested journal entries on a sample basis to identify any unusual or irregular items.
- g. We also considered the adequacy of the disclosures in Company's standalone financial statements in relation to Ind AS 115 and were satisfied they meet the disclosure requirements.

***Conclusion***

Based on the procedures performed above, we did not find any material exceptions with regards to adoption of Ind AS 115 and timing of revenue recognition.

**B. ACTUARIAL VALUATION**

***Key Audit Matter Description***

Reference may be made to note 6 of significant accounting policies and note 15, 19 and 20 to the standalone financial statements of the Company.

There is a risk of material misstatement relating to the judgements made in valuing the defined benefit obligation including the use of key assumptions specifically the discount rate, life expectancy and inflation level. These variables can have a material impact in calculating the quantum of the retirement benefit liability.

***Response to Key Audit Matter***

***Principal Audit Procedures***

Our audit procedures comprised of the following:

- a. We determined whether the key assumptions are reasonable.
- b. External actuaries were engaged to determine the amount of pension provisions.
- c. We assessed the competence, capabilities and objectivity of the experts, gained an understanding of their work and the suitability of the results as audit evidence for the relevant assertions.
- d. We examined the data made available to the experts for completeness and accuracy and gained an understanding of the process to determine the calculation inputs used.



### **Conclusion**

Based on the procedures performed above, we did not find any material exceptions with regards to the use of assumptions and actuarial valuation

### **Emphasis of Matter**

We draw your attention to Note 47 of the financial statements which explains the uncertainties and the management's assessment of the potential impact due to lock-downs and other restrictions and conditions related to the COVID-19 pandemic situation and consequently the Company's results are highly dependent upon future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone financial statements and our auditor's 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 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 including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 statements 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 for the year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of the India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Companies Act, 2013, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account;



- (d) In our opinion, **except for matter described in the Basis of Qualified Opinion Paragraph**, the aforesaid Standalone Financial Statements comply with the Accounting Standards prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended.
- (e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the Internal Financial Controls Over Financial Reporting of the Company with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with requirements of section 197(16) of the Act, as amended.

In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanation given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its Standalone Financial Statements. (Refer note 38 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 as at March 31, 2020.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **R. Sundararajan & Associates**  
Chartered Accountants  
Registration No.008282S

Place : Salem  
Date : July 30, 2020

**S. Krishnan** - Partner  
Membership No. 26452  
UDIN : 20026452AAAAABL8206





**“ANNEXURE 1” TO THE INDEPENDENT AUDITOR'S REPORT**

**Annexure 1 to the Independent Auditor's Report referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date on the standalone financial statements of Kandagiri Spinning Mills Limited**

1. In respect of its fixed assets:
  - (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
  - (c) According to the information and explanations given to us and based on the examination of registered sale deeds / transfer deeds/ conveyance deeds provided to us, we report that the title deeds, of all the immovable properties are held in the name of the Company.
2. As explained to us the inventories other than goods in transit have been physically verified at the year-end by the management and no material discrepancies were noticed on such physical verification.
3. The Company has not granted any loans, secured or unsecured to firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
4. In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act, 2013 in respect of investments made have been complied with by the Company. The Company has not granted any loans, secured or unsecured, furnished guarantees or provided security to any party covered by provisions of sections 185 and 186 of the Companies Act, 2013.
5. According to information and explanations given to us, the Company has not accepted any deposits from public however in respect of the deposits accepted from shareholders, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act 2013 and the Companies (Acceptance of Deposits) Rules, 2014.
6. The maintenance of cost records has been specified by the Central Government under Section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under Sub section (1) of Section 148 of the Companies Act, 2013 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. However, we have not made a detailed examination of the same.
7. According to the information and explanations given to us and the books of account examined by us, in respect of statutory dues:
  - (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, Customs duty, cess and any other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.
  - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, goods and service tax, customs duty, cess and other statutory dues were outstanding, at year end, for a period of more than six months from the date they became payable.
  - (c) According to the records of the company, the dues of sales tax on account of any dispute are as follows:

**(Rs. in Lakhs)**

Nature of dues	Disputed dues (Net)	Period to which the amount relates	Forum where the dispute is pending
Sales tax	0.36	2000-01	Sales tax appellant Tribunal



8. The Company has defaulted in repayment of dues to any financial institution, or from banks. The period and amount of default is as follows:

Name of the Bank	Due Amount (Rs. lakhs)	Due Date	Amount Paid (Rs. lakhs)	Date of Payment
<b>State Bank of India</b>				
<b>Principal Repayment</b>				
April - 19	15.00	30-04-2019	15.00	16-05-2019
May - 19	15.00	31-05-2019	15.00	18-06-2019
June - 19	15.00	30-06-2019	15.00	26-07-2019
July - 19	15.00	31-07-2019	15.00	27-08-2019
August - 19	15.00	31-08-2019	15.00	24-09-2019
Sep - 19	15.00	30-09-2019	15.00	18-10-2019
Oct - 19	15.00	31-10-2019	15.00	29-11-2019
Nov - 19	15.00	30-11-2019	15.00	28-01-2020
Dec - 19	15.00	31-12-2019	15.00	26-02-2020
Jan - 20	15.00	31-01-2020	15.00	26-02-2020
Feb - 20	15.00	28-02-2020	15.00	13-03-2020
<b>Karnataka Bank Limited</b>				
<b>Principal Repayment</b>				
April - 19	7.50	30-04-2019	7.50	08-07-2019
May - 19	7.50	31-05-2019	7.50	14-08-2019
June - 19	7.50	30-06-2019	7.50	14-08-2019
July - 19	7.50	31-07-2019	7.50	14-08-2019
August - 19	7.50	31-08-2019	7.50	20-08-2019
Sep - 19	7.50	30-09-2019	7.50	04-10-2019
Oct - 19	7.50	31-10-2019	7.50	01-11-2019
Nov - 19	7.50	30-11-2019	7.50	29-01-2020
Dec - 19	7.50	31-12-2019	7.50	26-02-2020
Jan - 20	7.50	31-01-2020	7.50	26-02-2020
Feb - 20	7.50	28-02-2020	7.50	13-03-2020
<b>State Bank of India</b>				
<b>Interest Repayment</b>				
Apr - 19	8.26	30-04-2019	15.00	16-05-2019
May - 19	8.40	31-05-2019	15.00	18-06-2019
June - 19	7.72	30-06-2019	15.00	26-07-2019
July - 19	7.90	31-07-2019	15.00	27-08-2019
August - 19	7.62	31-08-2019	15.00	24-09-2019
Sep - 19	7.15	30-09-2019	15.00	18-10-2019
Oct - 19	7.15	31-10-2019	15.00	29-11-2019
Nov - 19	6.78	30-11-2019	15.00	28-01-2020
Dec - 19	6.90	31-12-2019	15.00	26-02-2020
Jan - 20	6.78	31-01-2020	15.00	26-02-2020
Feb - 20	6.07	28-02-2020	15.00	13-03-2020
<b>Karnataka Bank</b>				
<b>Principal Repayment</b>				
April - 19	3.85	30-04-2019	3.85	08-07-2019
May - 19	3.94	31-05-2019	3.94	14-08-2019
June - 19	3.79	30-06-2019	3.79	14-08-2019
July - 19	3.81	31-07-2019	3.81	14-08-2019
August - 19	3.50	31-08-2019	3.50	17-09-2019
Sep - 19	3.16	30-09-2019	3.16	04-10-2019
Oct - 19	3.07	31-10-2019	3.07	01-11-2019
Nov - 19	2.89	30-11-2019	2.89	29-01-2020
Dec - 19	3.07	31-12-2019	3.07	26-02-2020
Jan - 20	3.14	31-01-2020	3.14	26-02-2020
Feb - 20	2.83	28-02-2020	2.83	13-03-2020



9. The Company has not raised any money by way of initial public offer or further public offers (including debt instruments) during the year. Hence reporting on utilization of such money does not arise.
10. To the best of our knowledge and belief, and according to the information and explanations given to us, and considering the size and nature of the Company's operations, no fraud by the Company and no fraud of material significance on the Company by its officer's or employee's has been noticed or reported during the year.
11. According to the information and explanations given to us, the company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
12. The Company is not a Nidhi Company and accordingly the provisions of Clause (xii) of the Order are not applicable to the Company.
13. In our opinion and according to the information and explanations given to us all transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013, where applicable. The details of the transactions during the year have been disclosed in the Standalone financial statements as required by the applicable Accounting Standards.
14. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under Clause (xiv) of the Order is not applicable.
15. In our opinion and according to the information and explanations given to us, the Company has not entered into any non-cash transactions during the year with directors or persons connected with them. Hence reporting on whether there is compliance with provisions of section 192 of the Companies Act, 2013 does not arise.
16. The Company is not required to be registered under section 45- IA of the Reserve Bank of India Act, 1934.

For **R. Sundararajan & Associates**  
Chartered Accountants  
Registration No.008282S

Salem  
July 30, 2020

**S. Krishnan** - Partner  
Membership No. 26452  
UDIN : 20026452AAAABL8206

**“ANNEXURE 2” to the Independent Auditor’s Report of even date on the Standalone Financial Statements of Kandagiri Spinning Mills Limited**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

1. We have audited the internal financial controls over financial reporting of Kandagiri Spinning Mills 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**

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



**Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting 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 Institute of Chartered Accountants of India and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

**Opinion**

8. In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **R. Sundararajan & Associates**  
Chartered Accountants  
Registration No.008282S

**S. Krishnan** - Partner  
Membership No. 26452  
UDIN : 20026452AAAABL8206

Salem  
July 30, 2020

# Kandagiri Spinning Mills Limited



## Standalone Balance Sheet as at March 31, 2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	1	1,154.72	2,641.42
Financial assets			
Investments	2	154.71	154.96
Other financial asset	3	140.33	195.11
Advance tax assets(net)	4	2.22	20.70
Other non-current assets	5	2.00	354.13
Deferred tax asset (net)	16	—	157.98
		<u>1,453.98</u>	<u>3,524.30</u>
<b>Current assets</b>			
Inventories	6	79.29	1,515.80
Financial assets			
Trade receivables	7	302.65	287.37
Cash and cash equivalents	8a	5.70	2.75
Other Bank balances	8b	9.97	12.51
Others	9	2.72	8.21
Other current assets	10	0.63	19.17
Assets held for sale	11	—	2,550.00
		<u>400.96</u>	<u>4,395.81</u>
<b>Total assets</b>		<u>1,854.94</u>	<u>7,920.11</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	385.74	385.74
Other equity	13	(941.94)	214.06
		<u>(556.20)</u>	<u>599.80</u>
<b>Non-current liabilities</b>			
Financial liabilities			
Borrowings	14	1,286.92	2,314.86
Provisions	15	—	156.08
		<u>1,286.92</u>	<u>2,470.94</u>
<b>Current liabilities</b>			
Financial liabilities			
Borrowings	17	—	2,238.08
Trade payables	18		
(a) total outstanding dues of micro enterprises and small enterprises		0.34	0.47
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		196.06	597.45
Provisions	19	—	3.21
Other financial liabilities	20	420.21	972.79
Other current liabilities	21	507.61	1,037.37
		<u>1,124.22</u>	<u>4,849.37</u>
<b>Total equity and liabilities</b>		<u>1,854.94</u>	<u>7,920.11</u>

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Financial Statements

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants

Firm Registration no.008282S

**S. Krishnan** - Partner

Membership No. 26452

Salem

July 30, 2020

For and on behalf of the board

**R. Selvarajan**

Managing Director

DIN : 00001703

**J. Asifa**

Company Secretary

**Dr. A. Sarayu**

Director

DIN : 06953362

**S. Vijay Shankar**

Chief Financial Officer



## Standalone Statement of Profit and Loss for the year ended March 31, 2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Income</b>			
Revenue from operations	22	2,657.12	6,954.63
Other income	23	678.31	138.74
Total income		3,335.43	7,093.37
<b>Expenses</b>			
Cost of materials consumed	24	1,913.15	5,163.42
Changes in inventories of finished goods and work-in- progress	25	429.58	437.86
Employee benefits expense	26	405.67	814.16
Finance cost	27	501.62	639.91
Depreciation and amortization expense	28	211.08	320.79
Other expenses	29	863.47	1,299.92
Total Expenses		4,324.57	8,676.06
<b>Profit/(loss) before exceptional items and tax</b>		(989.14)	(1,582.69)
<b>Exceptional item</b>	30	(48.49)	(276.78)
<b>Profit/(loss) before tax</b>		(1,037.63)	(1,859.47)
<b>Tax expense :</b>			
Current tax - current year		40.00	-
- MAT credit utilised		632.07	-
Deferred tax		(474.09)	-
<b>Income tax expense</b>		197.98	-
<b>Profit/(loss) for the period from continuing operations</b>		(1,235.61)	(1,859.47)
<b>Other comprehensive income</b>			
Other comprehensive income not to reclassified to profit or loss in subsequent periods		-	-
Re-measurement gains/(losses) on defined benefit plans		79.61	(4.32)
Income tax effect		-	-
<b>Other comprehensive income</b>		79.61	(4.32)
<b>Total comprehensive income for the year</b>		(1,156.00)	(1,863.79)
Earning per share (Face value Rs.10 per share)			
-Basic and diluted (Rs.) (Refer note 33)		(32.10)	(48.31)

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Financial Statements

As per our report of even date

For **R. Sundararajan & Associates**Chartered Accountants  
Firm Registration no.008282S**S. Krishnan** - Partner  
Membership No. 26452Salem  
July 30, 2020

For and on behalf of the board

**R. Selvarajan**  
Managing Director  
DIN : 00001703**Dr. A. Sarayu**  
Director  
DIN : 06953362**J. Asifa**  
Company Secretary**S. Vijay Shankar**  
Chief Financial Officer

# Kandagiri Spinning Mills Limited



## Standalone Statement of cash flows for the year ended March 31, 2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Cash Flows from Operating Activities</b>			
Profit / (Loss) before tax		(1,037.63)	(1,859.47)
Adjustments for :			
Depreciation		211.08	320.79
Interest Expense		501.62	639.91
Interest Income		(4.71)	(15.40)
Dividend income		-	(0.65)
(Profit) / loss on sale of property, plant and equipment		(514.31)	(122.69)
(Profit) / loss on sale of Long term investments		-	17.89
Impairment loss on assets		48.49	276.78
<b>Operating profit before working capital changes</b>		<b>(795.46)</b>	<b>(742.84)</b>
Adjustments for changes in :			
Inventories		1,436.51	1,156.58
Trade receivables		(15.28)	(4.71)
Non current and current financial assets		62.82	174.07
Other non current and current assets		370.67	67.69
Trade payables		(401.52)	147.03
Non current and current financial liabilities		(2,477.54)	(1,300.81)
Other non current and current liabilities		(529.76)	(44.64)
Other non current and current provisions		(159.29)	0.27
		<b>(2,508.85)</b>	<b>(547.36)</b>
Income Tax paid		18.49	(5.73)
<b>Net Cash Flow from Operating Activities</b>	(A)	<b>(2,490.36)</b>	<b>(553.09)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for acquisition of property, plant and equipment		26.07	(216.93)
Proceeds from sale of property, plant and equipment		4,365.00	227.91
Advance received for sale of undertakings		-	1,029.00
Interest received		4.71	15.40
Dividend received		-	0.65
Purchase of shares		-	(0.25)
Sale Proceeds from sale of shares		-	40.91
	(B)	<b>4,395.78</b>	<b>1,096.69</b>
<b>Cash Flows from Financing Activities</b>			
Finance cost paid		(501.62)	(639.91)
Proceeds from inter corporate deposit - related party		-	50.00
Proceeds from long term borrowings - money received from directors		30.15	319.20
Repayments of inter corporate deposit - related party		(516.00)	(84.00)
Repayments of long term borrowings		(915.00)	(194.66)
<b>Net Cash Flow from Financing Activities</b>	(C)	<b>(1,902.47)</b>	<b>(549.37)</b>
<b>NET CASH INFLOW / (OUTFLOW)</b>	(A+B+C)	<b>2.95</b>	<b>(5.77)</b>
Opening Cash and Cash Equivalents	(D)	2.75	8.52
Closing Cash and Cash Equivalents	(E)	5.70	2.75
<b>NET INCREASE/ (DECREASE) IN CASH</b>	(E-D)	<b>2.95</b>	<b>(5.77)</b>

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Financial Statements

As per our report of even date  
For **R. Sundararajan & Associates**

Chartered Accountants  
Firm Registration no.008282S

**S. Krishnan** - Partner  
Membership No. 26452

Salem  
July 30, 2020

For and on behalf of the board

**R. Selvarajan**  
Managing Director  
DIN : 00001703

**Dr. A. Sarayu**  
Director  
DIN : 06953362

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer



## Statement of Changes in Equity for the year ended March 31, 2020

## A. Equity share Capital

Rs. in Lakhs

	Balance as at 01-04-2018	Changes in equity capital during the year	Balance as at 31-03-2019	Changes in equity share capital during the year	Balance as at 31-03-2020
Equity share capital	385.74	–	385.74	–	385.74

## B. Other Equity

Rs. in Lakhs

Particulars	Reserves & Surplus			Total
	Securities Premium	General Reserve	Retained Earnings	
Balance at the beginning of April 1, 2018	548.62	2,229.04	(699.81)	2,077.85
(Loss) for the year	–	–	(1,859.47)	(1,859.47)
Other Comprehensive income	–	–	(4.32)	(4.32)
<b>Total Comprehensive income for the year</b>	–	–	<b>(1,863.79)</b>	<b>(1,863.79)</b>
<b>Balance at the end of March 31, 2019</b>	<b>548.62</b>	<b>2,229.04</b>	<b>(2,563.60)</b>	<b>214.06</b>
(Loss) for the year	–	–	(1,235.61)	(1,235.61)
Other Comprehensive income	–	–	(79.61)	79.61
Total Comprehensive income for the year	–	–	(1,156.00)	(1,156.00)
<b>Balance at the end of March 31, 2020</b>	<b>548.62</b>	<b>2,229.04</b>	<b>(3,719.60)</b>	<b>(941.94)</b>

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Financial Statements

As per our report of even date  
For **R. Sundararajan & Associates**  
Chartered Accountants  
Firm Registration no.008282S

For and on behalf of the board

**S. Krishnan** - Partner  
Membership No. 26452

**R. Selvarajan**  
Managing Director  
DIN : 00001703

**Dr. A. Sarayu**  
Director  
DIN : 06953362

Salem  
July 30, 2020

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer





**Notes annexed to and forming part of the Standalone Financial Statements**  
**1. PROPERTY, PLANT AND EQUIPMENT (PPE)**

2019 - 2020	Gross Carrying Amount (Cost/deemed cost)					Accumulated depreciation / Impairment			Net Carrying Amount
	01.04.2019	Additions	(Deletions)	31.03.2020	01.04.2019	Charge for the year	Disposal	31.03.2020	
	Description								
Land - Freehold land	510.24	-	-	510.24	-	-	-	510.24	
Buildings	745.58	4.22	-	749.80	109.40	29.17	-	611.23	
Plant and Equipment	1,935.23	21.85	1,957.08	-	483.65	171.74	655.39	-	
Furniture and Fixtures	5.82	-	-	5.82	2.25	0.06	-	3.51	
Vehicles	74.18	-	-	74.18	34.53	10.11	-	29.54	
Office equipment	0.61	-	-	0.61	0.41	-	-	0.20	
<b>Total</b>	<b>3,271.66</b>	<b>26.07</b>	<b>1,957.08</b>	<b>1,340.65</b>	<b>630.24</b>	<b>211.08</b>	<b>655.39</b>	<b>1,154.72</b>	

2018 - 2019	Gross Carrying Amount (Cost/deemed cost)					Accumulated depreciation			Net Carrying Amount
	01.04.2018	Additions	(Deletions)	31.03.2019	01.04.2018	Charge for the year	Disposal	31.03.2019	
	Description								
Land - Freehold land	1,424.42	-	914.18	510.24	-	-	-	510.24	
Buildings	1,812.12	34.58	1,101.12	745.58	165.12	72.87	128.59	636.18	
Plant and Equipment	2,687.83	182.35	934.95	1,935.23	529.99	237.65	283.99	1,451.58	
Wind Energy Converters	4.85	-	4.85	-	-	-	-	-	
Furniture and Fixtures	6.50	-	0.68	5.82	2.27	0.20	0.22	3.57	
Vehicles	77.06	-	2.88	74.18	25.75	9.97	1.19	39.65	
Office equipment	0.61	-	-	0.61	0.40	0.10	0.09	0.20	
<b>Total</b>	<b>6,013.39</b>	<b>216.93</b>	<b>2,958.66</b>	<b>3,271.66</b>	<b>723.53</b>	<b>320.79</b>	<b>414.08</b>	<b>2,641.42</b>	

**Note :**

- For details of assets given as security against borrowings, refer note. 36
- Amount of contractual commitments for acquisition of property, plant and equipment, refer note. 37



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>2. Non current financial asset - Investments</b>		
<b>Unquoted</b>		
<b>Investments in Equity instruments</b>		
<b>Associates</b>		
20,00,000 (2019 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	154.71	154.71
<b>Others</b>		
Nil (2019 : 90) Equity shares of Rs.10 each in ARS Steel and alloy international	-	0.25
	<u>154.71</u>	<u>154.96</u>
a. # represents quoted investments		
Aggregate value of quoted investments (at fair value)		
Aggregate market value of quoted investments		
Aggregate value of unquoted investments	154.71	154.96
Aggregate value of impairment in value of investments		
b. Investments are fully paid-up unless otherwise stated	-	-
<b>3. Non current - Other financial asset</b>		
Security deposit	140.33	194.66
Employee advances	-	0.45
	<u>140.33</u>	<u>195.11</u>
<b>4. Non current - Advance tax assets (net)</b>		
Advance income tax (net)	2.22	20.70
	<u>2.22</u>	<u>20.70</u>
<b>5. Other non current assets</b>		
(Unsecured, considered good)		
Capital advances	-	53.40
Balances with Government authorities (paid under protest)	2.00	300.73
	<u>2.00</u>	<u>354.13</u>
<b>6. Inventories</b>		
Raw materials	32.08	1,026.39
Work-in-progress	-	167.16
Finished goods	47.21	309.63
Stores and spares	-	12.62
	<u>79.29</u>	<u>1,515.80</u>
Note :		
1. Goods in transit included above		
Raw materials	-	102.59
2. Cost of materials consumed during the year, refer note no. 24		
3. For details of assets given as securities for borrowings, refer note no. 36		
<b>7. Trade receivables</b>		
(Unsecured, considered good)		
Receivables - Trade receivables	-	287.37
- Others	302.65	-
	<u>302.65</u>	<u>287.37</u>
<b>8a. Cash and cash equivalents</b>		
Cash on hand	0.98	2.45
Balances with banks-current accounts	4.72	0.30
	<u>5.70</u>	<u>2.75</u>



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>8b. Bank balances other than above</b>		
Unclaimed dividend accounts (earmarked)	-	-
Liquid assets deposits #	9.72	9.09
Deposits with Banks held as margin money #	0.25	3.42
	9.97	12.51
# represents deposits with original maturity of more than 3 months and less than 12 months		
<b>9. Other financial assets - current</b> (Unsecured considered good)		
Interest accrued on deposits	2.72	0.26
Interest subsidy receivable	-	2.91
Employee advances	-	-
Other receivable	-	5.04
	2.72	8.21
<b>10. Other current assets</b> (Unsecured considered good)		
Prepaid expenses	-	14.17
Supplier advances	0.63	5.00
Balance with government authorities	-	-
	0.63	19.17
<b>11. Assets held for sale</b>		
Net realisable value of assets earmarked for sale	-	2,550.00
	-	2,550.00
<b>12. Equity</b>		
<b>Authorised share capital</b>		
50,00,000 equity shares (March 31, 2019: 50,00,000) of Rs. 10 each with voting rights	500.00	500.00
<b>Issued share capital</b>		
38,65,650 equity shares (March 31, 2019: 38,65,650) of Rs. 10 each with voting rights	386.57	386.57
<b>Subscribed and paid up share capital</b>		
38,49,250 equity shares (March 31, 2019: 38,49,250) of Rs. 10 each with voting rights	384.92	384.92
Add Forfeited shares (amount originally paid in respect of 16,400 equity shares)	0.82	0.82
	385.74	385.74

## Notes :

**1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Outstanding shares at the beginning and end of the year	38,49,250	38,49,250
---------------------------------------------------------	-----------	-----------

**2. Terms/rights and restrictions in respect of equity shares**

The company has one class of equity shares having a par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.

**3. Shareholders holding more than 5% of the total share capital:**

Name of the shareholder	No. of shares			
	2020	%	2019	%
Equity shares with voting rights				
R. Selvarajan	7,78,730	20.23	7,78,730	20.23
S. VijayaShankar	4,09,582	10.64	4,09,582	10.64

**4. Share issue in preceeding five years**

Aggregate number and class of shares allotted for consideration other than cash, bonus, etc.in the five years immediately preceeding the Balance Sheet date as on March 31, 2020 is Rs. Nil (2019 : Nil).



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>13. Other equity</b>		
Securities premium - Note A	548.62	548.62
General reserve - Note B	2,229.04	2,229.04
Retained earnings - Note C	(3,719.60)	(2,563.60)
	<u>(941.94)</u>	<u>214.06</u>
Refer Statement of Changes in Equity for additions/ deletions in each reserve.		
<b>Notes :</b>		
A. Securities premium reserve represents premium received on equity shares issued, which can be utilised only in accordance with the provisions of the Companies Act, 2013 (the Act) for specified purposes.		
B. General reserve is created from time to time by transferring profits from retained earnings and can be utilised for purposes such as dividend payout, Bonus issue, etc.		
C. Revaluation reserve of Rs 20,83,49,118 transferred to Retained earnings on the transition date may not be available for distribution.		
<b>14. Non current - Financial liabilities - Borrowings</b>		
Secured Borrowings		
Term loan from banks	-	622.50
Unsecured		
Fixed deposits	1,286.92	1,176.36
Intercorporate loan from related party	-	516.00
	<u>1,286.92</u>	<u>2,314.86</u>
<b>Note :</b>		
1. Refer note 20 for current maturities of non current borrowings		
2. Refer note 36 for security and terms of borrowings		
3. Refer note 35 for fixed deposits held by related parties		
<b>15. Non current liabilities - Provisions</b>		
Provision for employee benefits		
Compensated absences	-	156.08
	<u>-</u>	<u>156.08</u>
<b>16. Deferred tax asset/liability (net)</b>		
Deferred tax liability	-	666.88
Deferred tax assets	-	192.79
Deferred tax liability-net	-	474.09
Unused tax credits (MAT credit entitlement)	-	632.07
Net deferred tax/liability	<u>-</u>	<u>(157.98)</u>
Note : refer note 31 for details of deferred tax liability and asset		
<b>17. Current financial liabilities - borrowings</b>		
Secured borrowings - from banks		
Cash credit facilities	-	2,238.08
	<u>-</u>	<u>2,238.08</u>
<b>18. Current financial liabilities - trade payables</b>		
Trade payables (Refer note 39)		
(a) Total outstanding dues of micro enterprises and small enterprises	0.34	0.47
(b) Total outstanding dues of creditors other than micro enterprises	196.06	597.45
	<u>196.40</u>	<u>597.92</u>



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>19. Current provisions</b>		
Compensated absences	-	3.21
	<u>-</u>	<u>3.21</u>
<b>20. Other Current financial liabilities</b>		
Current maturities of long-term debts	245.00	617.91
Interest accrued and due on borrowings	-	30.36
Unclaimed Dividends	-	-
Contribution to Gratuity Fund	116.27	176.71
Accrued expenses/liabilities	48.11	138.45
Employee payable	10.83	9.36
	<u>420.21</u>	<u>972.79</u>
Note : 1. Refer note 36 for security and terms of borrowings		
<b>21. Other Current liabilities</b>		
Advance from customers	-	3.93
Advance for sale of assets	178.00	1,029.00
Statutory liabilities	329.61	4.44
	<u>507.61</u>	<u>1,037.37</u>
<b>22. Revenue from operations</b>		
Sale of products		
Yarn	2,646.34	6,879.67
Process waste	10.78	59.04
	<u>2,657.12</u>	<u>6,938.71</u>
Revenue from services		
Yarn conversion charges	-	15.92
Other operating revenues		
Scrap sales	-	-
	<u>2,657.12</u>	<u>6,954.63</u>
<b>23. Other income</b>		
Interest income from		
Security deposits and bank deposits	4.71	15.40
Dividend income from Non-current investments	-	0.65
Provision no longer required and written back		
- Employees Compensated absences	159.29	-
Profit on sale of assets	514.31	122.69
	<u>678.31</u>	<u>138.74</u>
<b>24. Cost of materials consumed</b>		
Cotton, viscose, modal	1,870.30	5,144.11
Others	42.85	19.31
	<u>1,913.15</u>	<u>5,163.42</u>

## Kandagiri Spinning Mills Limited



### Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>25. Changes in Inventories of finished goods and work-in-progress</b>		
<b>Closing stock</b>		
Finished goods	47.21	309.63
Work-in-progress	–	167.16
	47.21	476.79
<b>Opening stock</b>		
Finished goods	309.63	403.33
Work-in-progress	167.16	511.32
	476.79	914.65
Net change in inventories	429.58	437.86
<b>26. Employee benefits expense</b>		
Salaries, wages and bonus	356.09	733.25
Contribution to provident, gratuity and other funds	44.88	71.67
Welfare expenses	4.70	9.24
	405.67	814.16
<b>27. Finance costs</b>		
Interest expense on borrowings	501.62	639.91
	501.62	639.91
<b>28. Depreciation and amortisation expense</b>		
<b>Property, Plant and Equipment</b>		
Buildings	29.17	72.87
Plant and machinery	171.74	237.65
Furniture and fittings	0.06	0.20
Office equipments	–	0.10
Vehicles	10.11	9.97
Total depreciation on property, plant and equipment	211.08	320.79
<b>29. Other expenses</b>		
Consumption of stores and spares	66.23	101.22
Power and fuel-net	669.03	1,050.09
Repairs and maintenance - Buildings	0.85	1.04
- Plant and machinery	11.54	3.68
Insurance	15.92	4.12
Rates and taxes	13.93	6.98
Packing and forwarding charges	1.01	30.01
Brokerage and commission on sales	–	0.81
Travel and vehicle upkeep expenses	24.48	58.64
Donation and charity	–	–
Loss on sale of shares	–	17.89
Bank and other financial charges	27.47	13.20
Miscellaneous expenses	33.01	12.24
	863.47	1,299.92
<b>30. Exceptional item</b>		
Impairment loss on assets	–	(276.78)
Impairment loss on capital advances	(48.49)	–
	(48.49)	(276.78)



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

**1. Corporate Information**

Kandagiri Spinning Mills Limited ("the Company") is a listed Public Company domiciled in India and is incorporated under the provisions of the Companies Act 2013 as applicable in India and its shares are listed on the Bombay Stock Exchange (BSE). The registered office headquartered in Salem, India. The Company is principally engaged in production of cotton yarn.

**2. Basis of preparation of financial statements**

**Compliance with Indian Accounting Standards (Ind AS) :**

These financial statements (the 'financial statements') have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. Except for the changes below, the Company has consistently applied accounting policies to all periods.

- i) 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 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact.
- ii) 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 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that this amendment is currently not applicable.
- iii) 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 recognised those past transactions or events. The amendment is effective from April 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

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

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

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 revised 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 determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

The Ind AS Financial Statements were approved for issue by the Board of Directors on 30-07.2020

**3. Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable.

***Sale of Goods***

Revenue from sale of products is recognized when the goods are dispatched or appropriated as per the terms sales at which time the title and significant risks and rewards of ownership pass to the customer. Revenue is recognised when collectability of the resulting receivable is reasonably assured. Revenue is reduced for estimated customer returns, commissions, rebates and discounts and other similar allowances.

***Rendering of Services***

Revenue from services is recognized in accordance with the specific terms of contract on performance when the collectability of the resulting receivable is reasonably assured.

***Other operating revenues***

Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.

**4. Other Income**

Other Income comprises of Dividend and Interest income are accounted on accrual basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

**5. Foreign currency transactions**

Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Statement of Profit and Loss. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Statement of Profit and loss. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Statement of Profit and loss.





**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

**6. Employee benefits**

- (i) Short term employee benefit obligations are estimated and provided for. A liability is recognised for benefits accruing to employees in respect of salaries, wages, performance incentives, medical benefits and other short term benefits in the period the related service is rendered, at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date;

- (ii) Retirement Benefit plans and Post-employment benefits

Payments to defined contribution plans i.e., Company's contribution to provident fund, superannuation fund and other funds and employee state insurance are determined under the relevant schemes and / or statute and charged to the Statement of Profit and Loss in the period of incurrence when the services are rendered by the employees.

For defined benefit plans i.e., Company's liability towards gratuity (funded), other retirement/terminations benefits and compensated absences, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are comprised of:

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

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

Re-measurement of net defined benefit liability/asset pertaining to gratuity comprise of actuarial gains/losses (i.e., changes in the present value resulting from experience adjustments and effects of changes in actuarial assumptions) and is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss.

**7. Property, Plant and Equipment Cost:**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost (net of duty / tax credit availed) less accumulated depreciation and accumulated impairment losses. Cost of all civil works (including electrification and fittings) is capitalised with the exception of alterations and modifications of a capital nature to existing structures where the cost of such alteration or modification is Rs.10000 and below.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures, plant and equipment (including patterns and dies) where the cost exceeds Rs.10,000 and the estimated useful life is two years or more, is capitalised and stated at cost (net of duty/tax credit availed) less accumulated depreciation and accumulated impairment losses.

**Depreciation /amortization:**

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



**Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2019 (Contd.)**

Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II are used:

Particulars	Depreciation
Plant and machinery (Continuous process Plant)	Over its useful life of 18 years as Technically assessed

**De-recognition :**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**8. Leases**

The Company does not have any lease assets as at the beginning and end of the year

**9. Impairment of assets**

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised in the Statement of Profit and Loss wherever the carrying amount of an asset exceeds its estimated recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Provision for impairment will be reviewed periodically and amended depending on changes in circumstances.

**10. Inventories**

Inventories (Other than process waste) are stated at lower of cost and net realisable value.

Cost of raw materials, stores, spares and consumables comprises cost of purchases and includes taxes and duties and is net of eligible credits under applicable schemes.

Cost of work-in-progress, work-made components and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overheads, which is allocated on a systematic basis.

Cost of inventories also includes all other related costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost for the said purpose is determined as follows:

- (i) in the case of stores and spare parts, the weighted average cost (net of credit, if any)
- (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method
- (iii) Process waste is valued at net realizable value.

Provision is made for obsolete, slow moving and damaged items of inventory, if any.

**11. Government grants**

Government grants (including export incentives) are recognised only when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which they accrue.

**12. Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the period in which they are incurred.



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

**13. Research and development**

Revenue expenditure on research and development is charged to the Statement of Profit and Loss as and when incurred. Capital expenditure on research and development, where the same represents cost of Property, Plant and Equipment, if any, is given the same accounting treatment as applicable to other capital expenditure.

**14. Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Current Tax:**

Current tax is determined on taxable profits for the year chargeable to tax in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 including other applicable tax laws that have been enacted or substantively enacted.

**Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**15. Provisions and contingencies**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

**16. Financial Instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets:***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

***Classification of financial assets***

The financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

**After initial recognition:**

- (i) Financial assets (other than Investments and derivative instruments) are subsequently measured at amortised cost using the effective interest method.

Effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Investments in debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Income on such debt instruments is recognised in profit or loss and is included in the 'Other Income'.

The Company has not designated any debt instruments as fair value through other comprehensive income.

- (ii) Financial assets (i.e., derivative instruments and investments in instruments other than equity of subsidiaries, joint ventures and associates) are subsequently measured at fair value.

Such financial assets are measured at fair value at the end of each reporting period, with any gains (e.g any dividend or interest earned on the financial asset) or losses arising on re-measurement recognised in profit or loss and included in the "Other Income".

***Investments in equity instruments of subsidiaries, joint ventures and associates***

The Company measures its investments in equity instruments of subsidiaries, joint ventures and associates at cost in accordance with Ind As27. At transition date, the Company has elected to continue with the carrying value of such investments measured as per the previous GAAP and use such carrying value as its deemed cost.

***Impairment of financial assets:***

A financial asset is regarded as credit impaired when one or more events that may have a detrimental effect on estimated future cash flows of the asset have occurred. The Company applies the expected credit loss model for recognising impairment loss on financial assets (i.e., the shortfall between the contractual cash flows that are due and all the cash flows (discounted) that the Company expects to receive).



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

***De-recognition 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of profit and loss.

***Impairment of financial assets***

A Financial asset is regarded as credit impaired or subject to significant increase in credit risk, when one or more events that may have a detrimental effect on estimated future cash flows of the asset have occurred. The Company applies the expected credit loss model for recognising impairment loss on financial assets (i.e. the shortfall between the contractual cash flows that are due and all the cash flows (discounted) that the company expects to receive). The Company uses simplified approach for expected credit loss and on a case to case basis.

***Financial liabilities and equity instruments:***

***Classification as debt or equity***

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

***Financial liabilities***

All financial liabilities (other than derivative instruments) are subsequently measured at amortised cost using the effective interest method. The carrying amounts of financial liabilities that are subsequently measured at amortised costs are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the "Finance Costs".

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured (if not designated as at Fair value through profit or loss) at the higher of:

- ❖ the amount of impairment loss allowance determined in accordance with requirements of Ind AS 109; and
- ❖ the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18.



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

***De-recognition of financial liabilities:***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Derivative financial instruments:***

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or 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.

***Embedded derivatives***

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of Ind AS 109 are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at Fair value through profit or loss.

As of the transition date, the Company has assessed whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed on the later of the date of first became a party to the contract and the date when there has been change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

***Hedge accounting:***

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk, as either fair value hedges, cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

***Fair value hedges***

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "Other Income".



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

Amounts previously recognised in other comprehensive income and accumulated in equity relating to (effective portion as described above) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, such gains and losses are transferred from equity (but not as a reclassification adjustment) are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**17. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / loss before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**18. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**19. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares)

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period, are adjusted for the effects of all dilutive potential equity shares.

**20. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of financial statements in conformity with Ind AS requires the Company's Management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities recognised in the Ind AS financial statements that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors including estimation of effects of uncertain future events that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates (accounted on a prospective basis) and recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

The following are the critical judgments and estimations that have been made by the Management in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements and/or key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



**Statement on Significant Accounting Policies forming part of the Standalone Financial Statements for the year ended March 31, 2020**

***Inventories***

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, changes in the related laws/emission norms and losses associated with obsolete/slow-moving /redundant inventory items. The Company has, based on these assessment, made adequate provision in the books.

***Taxation***

The expense is calculated using applicable tax rate and laws that have been enacted or substantially enacted. In arriving at taxable profits and all tax bases of assets and liabilities, the Company determines the taxability based on tax enactments, relevant judicial pronouncements and tax expert opinions, and makes appropriate provisions which includes an estimation of the likely outcome of any open tax assessments / litigations. Any difference is recognised on closure of assessment or in the period in which they are agreed.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, unabsorbed depreciation and unused tax credits could be utilized.

***Provisions***

The management makes judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables using information available at the Balance Sheet date. Provisions so created are based on management assessment of the receivable balances after communication with the respective debtors and are created on the receivable balances net off against related brokerage dues outstanding.

Provisions for litigation and contingencies are determined based on evaluations made by the management of the present obligation arising from past events the settlement of which is expected to result in outflow of resources embodying economic benefits, which involves judgments around estimating the ultimate outcome of such past events and measurement of the obligation amount. Due to the judgments involved in such estimations, the provisions are sensitive to the actual outcome in future period.

***Fair value measurements and valuation processes***

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Management determines the appropriate valuation techniques and inputs for the fair value measurements. In estimating the fair value of an asset or a liability, the Company used market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engaged third party qualified valuers to perform the valuations in order to determine the fair values based on the appropriate valuation techniques and inputs to fair value measurements.

***Estimation of uncertainty relating to COVID-19 pandemic***

The Company has considered internal and external sources of information including credit reports, economic forecasts and industry reports up to the date of approval of the financial statements in determining the impact of COVID-19 on the financial statements. Based on projections of the Company's performance, management does not anticipate any challenge in the Company's ability to continue as a going concern or meeting its financial obligations. The Company expects to fully recover the carrying amount of trade receivables, and other assets. The Company has additionally, on a prudent basis, assessed existence of any indication of impairment of carrying values of property, plant and equipment and investments at the year-end in accordance with the requirements of Ind AS 36 – Impairment of Assets. Based on such assessment, management is confident that no indications of impairment of carrying values of property, plant and equipment and investments exist as on the date of approval of these financial statements. The impact of COVID-19 remains uncertain and may be different from what we have estimated as of the date of approval of these standalone financial statements and the Company will continue to closely monitor any material changes to future economic conditions.





## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>31. Income taxes relating to continuing operations</b>		
<b>a) Income tax recognised in Statement of profit and loss</b>		
<b>Current tax</b>		
In respect of the current year	40.00	—
MAT credit utilised	632.07	—
	<u>672.07</u>	<u>—</u>
<b>Deferred tax</b>		
In respect of the current year – withdrawals	(474.09)	—
	<u>(474.09)</u>	<u>—</u>
Total income tax expense recognised in the current year relating to continuing operations	<u>197.98</u>	<u>—</u>
<b>b) The income tax expense for the year can be reconciled to the accounting profit as follows:</b>		
<b>Profit/(loss) before tax from continuing operations</b>	<u>(1,037.63)</u>	<u>(1,859.47)</u>
Income tax expense calculated at 27.82% (2018-19: 27.82%)	—	—
Others	197.98	—
<b>Income tax expense recognised in statement of profit and loss (relating to continuing operations)</b>	<u>197.98</u>	<u>—</u>

The tax rate used for the reconciliations above is the corporate tax rate of 27.82% (for FY 2018-19 = 27.82%) payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

## c) Income tax recognised in other comprehensive income

<b>Current tax</b>	—	—
<b>Total income tax recognised in other comprehensive income</b>	<u>—</u>	<u>—</u>

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss, depreciation carry-forwards and tax credits. Such deferred tax assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

## Movement of deferred tax expense during the year ended March 31, 2020 (Rs. in Lakhs)

Particulars	Opening balance	Recognised in profit or loss	Closing balance
<b>Deferred tax (liabilities)/assets in relation to:</b>			
Property, plant, and equipment and Intangible Assets	(666.88)	666.88	—
Provision for compensated absences	192.79	(192.79)	—
Unused tax credit (MAT credit entitlement)	632.07	(632.07)	—
	<u>157.98</u>	<u>(157.98)</u>	<u>—</u>

## Movement of deferred tax expense during the year ended March 31, 2019 (Rs. in Lakhs)

Particulars	Opening balance	Recognised in profit or loss	Closing balance
<b>Deferred tax (liabilities)/assets in relation to:</b>			
Property, plant, and equipment and Intangible Assets	(666.88)	—	(666.88)
Provision for compensated absences	192.79	—	192.79
Unused tax credit (MAT credit entitlement)	632.07	—	632.07
	<u>157.98</u>	<u>—</u>	<u>157.98</u>



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
-------------	----------------------------	----------------------------

**32. Retirement benefit plans****Defined contribution plans**

In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary.

The total expense recognised in Statement of profit and loss of Rs.25.70 lakhs (for the year ended March 31, 2019: Rs.48.27 lakhs)

**Defined benefit plans**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 15days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in the future based on an actuarial valuation. The Company makes annual contributions to a funded Company gratuity scheme administered by the SBI Life Insurance Company Limited.

Company's liability towards gratuity (funded), other retirement benefits and compensated absences are actuarially determined at each reporting date using the projected unit credit method.

These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.

**Investment risk** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.

**Interest risk** A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.

**Longevity risk** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**Salary risk** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

**Gratuity**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate(s)	6.81%	7.75%
Expected rate(s) of salary increase	6.81%	5.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:

Current service cost	7.75	11.85
Net interest expense	11.42	11.55

Components of defined benefit costs recognised in Statement of profit and loss

	19.17	23.40
--	-------	-------

**Remeasurement on the net defined benefit liability comprising:**

Actuarial (gains)/losses arising from changes in demographic assumptions	-	7.09
Actuarial (gains)/losses arising from changes in financial assumptions	8.97	17.24
Actuarial (gains)/losses arising from experience adjustments	(87.90)	(38.55)
Return on plan assets (excluding amounts included in net interest expense)	(0.68)	18.55
Components of defined benefit costs recognised in other comprehensive income	(79.61)	4.32
<b>Total</b>	<b>(60.44)</b>	<b>27.72</b>

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>The amount included in the Balance Sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:</b>		
Present value of defined benefit obligation	139.75	197.48
Fair value of plan assets	41.48	20.77
Net liability arising from defined benefit obligation - Funded	<u>98.27</u>	<u>176.71</u>
The above provisions are reflected under 'Current Financial Liabilities-Others (Refer note 26) to the Standalone Financial Statements.		
<b>Movements in the present value of the defined benefit obligation in the current year were as follows:</b>		
Opening defined benefit obligation	197.48	214.25
Current service cost	7.75	11.85
Interest cost	13.45	15.45
Plan amendments : vested portion at end of period (past services)		
Plan amendments : non vested portion at end of period (past services)		
Actuarial (gain)/losses arising from changes in demographic assumptions	-	7.09
Actuarial (gain)/losses arising from changes in financial assumptions	8.97	17.24
Actuarial (gain)/losses arising from experience adjustments	(87.90)	(38.55)
Benefits paid	-	29.84
Closing defined benefit obligation	<u>139.75</u>	<u>197.48</u>
<b>Movements in the fair value of the plan assets in the current year were as follows:</b>		
Opening fair value of plan assets	20.77	65.26
Interest Income	2.03	3.90
Return on plan assets (excluding amounts included in net interest expense)	18.00	-
Contributions	-	-
Benefits paid	-	29.84
Others	0.68	(2.36)
Closing fair value of plan assets	<u>41.47</u>	<u>20.77</u>

The Company funds the cost of the gratuity expected to be earned on a yearly basis to SBI Life Insurance Company Limited, which manages the plan assets.

The actual return on plan assets was Rs.2.71 lakhs (2018-19:Rs.9.23 lakhs)

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

#### 1. Gratuity

If the discount rate is 50 basis points higher / lower, the defined benefit obligation would

Decrease by	130.28	185.05
Increase by	145.89	210.58

If the expected salary is 50 points higher/lower, the defined benefit obligation would

Decrease by	135.16	209.97
Increase by	150.17	185.41

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from previous year.

The Company expects to make a contribution of Rs. Nil (as at March 31, 2019: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2020 is 28 years (as at March 31, 2019: 28.30 years)



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Compensated Absences</b>		
During the year, the Directors voluntarily waived off their right to receive compensated absences in view of the continuous losses incurred by the Company. In respect of the other employees, leave salary is paid in the respective year itself and no accumulation of leave exist at the end of the financial year. Hence no Actuarial valuation report is obtained. In respect of previous year benefits, the same has been accounted as other income, since the directors waived off their rights.		
<b>33. Earnings per share</b>		
<b>Basic and Diluted earnings per share</b>		
From continuing operations	(32.10)	(48.31)
From discontinued operations	—	—
Total basic earnings per share	(32.10)	(48.31)
<b>The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:</b>		
Profit/(loss) for the year attributable to owners of the Company	(1,235.61)	(1,859.47)
Earnings used in the calculation of basic earnings per share	(1,235.61)	(1,859.47)
Profit/(loss) for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	—	—
Others	—	—
Earnings used in the calculation of basic earnings per share from continuing operations	(1,235.61)	(1,859.47)
Weighted average number of ordinary shares for the purposes of basic earnings per share	38,49,250	38,49,250
<b>34. Financial Instruments</b>		
<b>Capital management</b>		
The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.		
The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity, non-convertible debt securities, and other long-term/short-term borrowings.		
The capital structure of the Company consists of net debt (borrowings as detailed in notes 15 and 20 offset by cash and bank balances) and total equity of the Company. The Company monitors the capital structure on the basis of total debt to equity ratio and maturity profile of the overall debt portfolio of the Company.		
<b>Gearing Ratio :</b>		
Debt	1,531.92	4,552.89
Less : Cash and bank balances	15.67	15.26
Net debt	1,516.25	4,537.63
Total equity	(556.20)	599.81
Net debt to total equity ratio	(2.73)	7.57
<b>Categories of Financial Instruments:</b>		
a. Measured at amortised cost:		
Cash and bank balances	15.67	15.26
Trade Receivables	302.65	287.37
Loans		
Others	5.35	222.49
b. Mandatorily measured at fair value through profit or loss (FVTPL):		
Investments	154.71	154.96
Derivative instruments	—	—



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Financial liabilities</b>		
a. <u>Measured at amortised cost:</u>		
Borrowings	1,531.92	4,552.89
Trade Payables	196.40	597.92
Others	420.21	972.79
b. <u>Mandatorily measured at fair value through profit or loss (FVTPL):</u>		
Derivative instruments	-	-

**Financial risk management objectives**

The treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

Market risk is the risk that changes in market prices, liquidity and other factors that could have an adverse effect on realisable fair values or future cash flows to the Company. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates as future specific market changes cannot be normally predicted with reasonable accuracy.

**Interest rate risk management**

The Company is exposed to interest rate risk because it borrow funds at floating interest rates.

**Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended March 31, 2020 would decrease/increase by Rs. Nil (March 31, 2019: decrease/increase by Rs.11.02 lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**Equity price risk**

Equity price risk is related to the change in market reference price of the investments in equity securities. The fair value of some of the Company's investments in available-for-sale securities exposes the Company to equity price risks. In general, these securities are not held for trading purposes.

**Equity price sensitivity analysis**

The fair value of equity instruments as at March 31, 2020 was Rs. Nil (March 31, 2019: Rs.nil). A 5% change in prices of equity instruments held as at March 31, 2020 would result in an impact of Rs. Nil on equity (March 31, 2019: Rs. nil).



## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
-------------	----------------------------	----------------------------

**Offsetting related disclosures:**

Offsetting of cash and cash equivalents to borrowings as per the consortium agreement is available only to the bank in the event of a default. Company does not have the right to offset in case of the counter party's bankruptcy, therefore, these disclosures are not required.

**Liquidity risk management:**

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company has obtained fund and non-fund based working capital lines from various banks.

The Company also constantly monitors funding options available in the debt and capital markets with a view to maintaining financial flexibility.

**Liquidity tables:**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Particulars	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
<b>March 31, 2020</b>				
Trade payables	196.40	-	-	196.40
Other financial liabilities	420.21	-	-	420.21
Borrowings (including interest accrued thereon upto the reporting date)	-	-	-	-
	<u>616.61</u>	<u>-</u>	<u>-</u>	<u>616.61</u>
<b>March 31, 2019</b>				
Trade payables	597.92	-	-	597.92
Other financial liabilities	972.79	-	-	972.79
Borrowings (including interest accrued thereon upto the reporting date)	2,238.08	2,264.44	-	4,506.52
	<u>3,808.79</u>	<u>2,264.44</u>	<u>-</u>	<u>6,077.23</u>

**35. Related party disclosure****a) List of related parties :**

Name of the Related Party	Relationship
SPMM Health Care Services Private Limited	Associate
Sambandam Spinning Mills Limited	Enterprises in which KMP or their relatives have a significance influence
Sambandam Siva Textiles Private Limited	Enterprises in which KMP or their relatives have a significance influence
S. Palaniandi Mudaliar Charitable Trust	Enterprises in which KMP or their relatives have a significance influence
Kandagiri Spinning Mills Gratuity Trust	Enterprises in which KMP or their relatives have a significance influence
S. Devarajan - Chairman	Key managerial personnel (KMP)
R.Selvarajan - Managing Director	Key managerial personnel (KMP)
S.Vijay Shankar - Chief Financial Officer	Key managerial personnel (KMP)
J.Asifa - Company Secretary	Key managerial personnel (KMP)
Sarayu. A	Relative of KMP
Abhinav. V	Relative of KMP

Notes : As per sec 149(6) of Companies Act, 2013 independent directors are not considered as KMP. Also considering the roles and functions of independent directors stated under schedule IV of Companies Act 2013 they have not been disclosed as KMP for the purpose of disclosure requirement as per Ind AS 24 Related Party.



## Notes annexed to and forming part of the Standalone Financial Statements

## b) Details of Transactions with Related Parties :

Name of Related Party	Nature of Transaction	2019 - 20	2018 - 19
Sambandam Spinning Mills Limited	Intercorporate loan received	–	50.00
	Inter-corporate loan repaid	<b>516.00</b>	84.00
	Interest paid on Inter-corporate loan	<b>59.37</b>	71.08
	Sale of cotton	–	222.39
	Yarn conversion charges paid	–	0.06
	Yarn testing charges paid	–	0.52
	Balance payable at the end of the year (inter-corporate loan)	–	516.00
	Sale of products and services	<b>0.22</b>	–
	Sale of Plant & Machinery	<b>1,816.00</b>	–
	Balance receivable at the end of the year (Sale of Plant & Machinery)	<b>302.65</b>	–
	*Corporate Guarantee given to CSB Bank Ltd for securing Sambandam Spinning Mills Limited's Loan	<b>1,270.00</b>	–
Sambandam Siva Textiles Private Limited	Yarn conversion charges received	–	21.56
S. Palaniandi Mudaliar Charitable Trust	Employee welfare services expenses	–	–
Kandagiri Spinning Mills Gratuity Trust	Contribution paid	–	–
R.Selvarajan Managing Director	Interest Payment	–	–
	Remuneration	–	–
	Fixed deposits received	<b>130.56</b>	277.00
	Fixed deposits repaid	<b>695.90</b>	–
	Balances outstanding - Fixed deposits	<b>13.20</b>	578.54
S.Vijay Shankar Chief Financial Officer	Interest Payment	–	–
	Remuneration	–	–
	Fixed deposits received	<b>152.00</b>	257.50
	Fixed deposits repaid	<b>687.59</b>	–
	Balances outstanding - Fixed deposits	<b>19.20</b>	554.79
J.Asifa - Company Secretary	Remuneration	<b>6.00</b>	5.85
Sarayu. A	Interest Payment	–	20.36
	Fixed deposits received	<b>34.32</b>	–
	Fixed deposits repaid	<b>311.32</b>	–
	Balances outstanding - Fixed deposits	–	277.00
Abhinav. V	Interest Payment	–	1.81
	Fixed deposit received	–	15.00
	Fixed deposits repaid	<b>20.50</b>	–
	Balances outstanding - Fixed deposits	–	20.50
S. Devarajan	Interest Payment	–	–
	Fixed deposit received	<b>2,043.57</b>	–
	Fixed deposits repaid	<b>602.00</b>	–
	Balances outstanding - Fixed deposits	<b>1,471.57</b>	30.00

\* In addition to Corporate Guarantee, the Land & Building of the Company is provided as security to CSB Bank Ltd., for securing Term Loan availed by Sambandam Spinning Mills Limited.



## Notes annexed to and forming part of the Standalone Financial Statements

## 36. Details of non current borrowings

Particulars	Particulars of repayment	Year	Rs. in Lakhs			rate of interest
			Non current	Current Maturities	Total	
<b>a. Secured Borrowings</b>						
i. Term loans from banks						
State Bank of India TL 5	-	As at March 31, 2020 As at March 31, 2019	- 400.00	- 195.00	- 595.00	- 16.65
Karnataka Bank TL 6	-	As at March 31, 2020 As at March 31, 2019	- 225.50	- 97.50	- 320.00	- 15.05
Subtotal	-	As at March 31, 2020 As at March 31, 2019	- 622.50	- 292.50	- 915.00	- -
<b>b. Unsecured Borrowings</b>						
Fixed deposits	Repayable in 2020-21 Rs.245.00 lakhs 2021-22 Rs.1254.52 lakhs 2022-23 Rs. 32.40 lakhs	As at March 31, 2020 As at March 31, 2019	1,286.92 1,176.36	245.00 325.41	1,531.92 1,501.77	11to12 11to12
Intercompany Loan	-	As at March 31, 2020 As at March 31, 2019	- 516.00	- -	- 516.00	- 12.00
<b>Grand Total</b>		As at March 31, 2020 As at March 31, 2019	1,286.92 1,692.36	245.00 325.41	1,531.92 2,017.77	11to12 -
<b>Note :</b> 1. Term loans aggregating to Rs. Nil (2019: Rs.915.00 lakhs) are secured by a first charge on pari passu basis on all Property, Plant and equipment and second charge on pari passu basis on all current assets.						
2. All the above loans are guaranteed by three directors						
<b>Details of current borrowings</b>						
Rs. in Lakhs						
i. Cash credit facilities from banks						
State Bank of India	on demand	As at March 31, 2020 As at March 31, 2019	- -	1,041.01 -	- 1,041.01	- 16.65
Karnataka Bank	on demand	As at March 31, 2020 As at March 31, 2019	- -	- 1,021.77	- 1,321.75	- 15.05
Axis Bank	on demand	As at March 31, 2020 As at March 31, 2019	- -	- 211.30	- 211.30	- 13.65
<b>Grand Total</b>		As at March 31, 2020 As at March 31, 2019	- -	2,274.08 -	- 2,574.06	- -
<b>Note :</b> 1. Cash Credit facilities are secured by a first charge on the Company's current assets and by a second charge on the Company's Property, Plant and equipments excluding the charges.						
2. All the above loans are guaranteed by three directors.						





## Notes annexed to and forming part of the Standalone Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>37. Contingent liabilities and Capital Commitments</b>		
<b>Contingent liabilities</b>		
(i) Self generation tax / cross subsidy charges to TNEB etc *	-	438.36
(ii) Sales Tax	0.36	0.36
(iii) Others	-	12.87
(iv) Corporate Guarantee	1,270.00	-
	1,270.36	451.59

\* By way of abundant caution, the Company has provides Rs.299.72 lakhs out of the total liability of Rs.463.00 lakhs

**a) Capital Commitments**

Capital Commitments (net of advances) not provided for	-	508.17
	-	508.17

The outflow in respect of the above is not practicable to ascertain in view of the uncertainties involved.

**38. CSR Expenditure:**

Since the Company is incurring continuous losses and does not have average net profits for the last three years calculated in accordance with provisions of section 135 of the Companies Act, 2013, there is no CSR obligation for the Company for the financial year 2019-20 and accordingly the Company has not spent CSR during the financial year 2019-20

**39. Based on and to the extent of information available with the Company under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars as at reporting date are furnished below:**

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Principal amount due to suppliers under MSMED Act, as at the end of the year	0.34	0.47
(ii) Interest accrued and due to suppliers under MSMED Act, on the above amount as at the end of the year	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) + (vi)	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

**40. Auditor's Remuneration :**

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Statutory audit	3.70	3.70
2. Taxation matters	-	-
3. Other services	-	-

**41. Net Debt Reconciliation**

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Cash and Cash equivalents	5.70	2.75
2. Liquid investments	9.72	9.09
3. Current Borrowings	(245.00)	(2,238.02)
4. Non current borrowings	(1,286.92)	(2,314.86)
Net Debt	(1,516.50)	(4,541.10)



## Notes annexed to and forming part of the Standalone Financial Statements

(Rs. in Lakhs)

Particulars	Other Assets		Liabilities from financing activities			Total
	Cash and Bank overdraft	Liquid Investments	Finance lease Obligations	Non current borrowings	Current Borrowings	
<b>Net debt as at March 31, 2019</b>	–	–	–	–	–	<b>(4,541.10)</b>
Cash Flows	2.95	0.63	–	1,027.94	1,993.02	3,024.60
Interest expense	(501.62)	–	–	–	–	(501.62)
Interest paid	501.62	–	–	–	–	501.62
<b>Net debt as at March 31, 2020</b>	<b>5.70</b>	<b>9.72</b>	<b>–</b>	<b>(1,286.92)</b>	<b>(245.00)</b>	<b>(1,516.50)</b>

42. The Company's primary segment is identified as business segment based on nature of products, risk, returns and internal reporting business systems the company is principally engaged in a single business segment viz. manufacture and sale of cotton yarn.

## 43. Disclosure as required under section 186(4) of the Companies Act, 2013:

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	Purpose
i. Loans	–	–	Funding for operations
ii. Investments (Refer note 4)	154.71	154.96	
iii. Guarantees (Corporate Guarantee given to CSB Bank Ltd., for securing Term Loan availed by Sambandam Spinning Mills Limited.)	1,270.00	–	

44. Pursuant to the shareholder's permission for disposing of part of the Companies assets, the Company had during the previous financial year 31.03.2019, identified prospective customers for sale of Unit II and part of Unit I undertakings. The said value of assets were earmarked as 'assets held for sale'. Based on the net realisable value quoted by the prospective customers, the carrying value of the 'assets held for sale' had been written down and the possible impairment loss of Rs.276.78 lakhs provided in the previous financial year 31.03.2019 in terms of Ind AS provisions.

## 45. Going Concern

The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the yarn/textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals from the shareholders for disposal of assets had already been obtained.

Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.

The quality of goods produced hitherto by company has generated goodwill and brand image that the Board of Directors hope to continue to use by engaging interalia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same.



## Notes annexed to and forming part of the Standalone Financial Statements

## 46. Revenue from contract with customers (Ind AS 115)

## a) Disaggregated revenue information

(Rs. in Lakhs)

Particulars	March 31, 20120	March 31, 2019
<b>Type of goods and service</b>		
Sale of products		
Yarn	2,646.34	6,879.67
Process waste	10.78	59.04
<b>Revenue from services</b>		
Yarn testing charges	–	15.92
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	<b>6,954.63</b>
India	2,657.12	6,953.63
Outside India	–	–
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	<b>6,954.63</b>

## Timing of revenue recognition

(Rs. in Lakhs)

Particulars	March 31, 2020		March 31, 2019	
	At a point in time	Over a period of time	At a point in time	Over a period of time
Sale of products and other operating income	2,657.12	–	6,954.63	–
Less : Rebates and discounts	–	–	–	–
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	<b>–</b>	<b>6,954.63</b>	<b>–</b>

## b) Contract balance

(Rs. in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Trade receivables	302.65	287.37
Contract assets / Liabilities	–	–

Trade receivables are non-interest bearing and are generally on approval terms

## c) Reconciliation of revenue recognised in the statement of profit and loss with the contracted price

(Rs. in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Revenue as per contracted price	2,657.12	6,954.63
Adjustments:- Rebates and discounts	–	–
<b>Revenue from contract with customers</b>	<b>2,657.12</b>	<b>6,954.63</b>

## 47. COVID 19

In assessing the recoverability of assets, the Company has considered internal and external information up to the date of approval of these financial statements. The Company has performed sensitivity analysis on the assumption used and base on current estimates expects the carrying amount of the assets will be recovered. Given the uncertainty caused by COVID 19, the final impact on the Company's assets in future may differ from that estimated as at the date of approval of financial statements.

## 48. Previous year figures have been regrouped / reclassified / amended wherever necessary to conform to current year classification.

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants

Firm Registration no.008282S

**S. Krishnan** - Partner

Membership No. 26452

Salem

July 30, 2020

For and on behalf of the board

**R. Selvarajan**

Managing Director

DIN : 00001703

**J. Asifa**

Company Secretary

**Dr. A. Sarayu**

Director

DIN : 06953362

**S. Vijay Shankar**

Chief Financial Officer



## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF KANDAGIRI SPINNING MILLS LIMITED

#### Report on the audit of the Consolidated Financial Statements

#### Qualified Opinion

We have audited the accompanying Consolidated Financial Statements of **KANDAGIRI SPINNING MILLS LIMITED** ("Investee Company/the Company") and its associates, which comprise the Consolidated Balance Sheet as at March 31, 2020, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial Statements, including a summary of the 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 **except for the effect of the matters described in the Basis for qualified opinion paragraph** and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the associates, the aforesaid Consolidated Financial Statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Company, its associates as at March 31, 2020, their consolidated loss including other comprehensive income, their consolidated cash flow and the consolidated changes in equity for the year ended on that date.

#### Basis for Qualified Opinion

The company has been incurring losses over the years and earlier. During the year, (a) there has been erosion in net worth, (b) the company has ceased to produce yarn and the Plant and Machinery have been sold and (c) the remaining immovable property has been leased out. Consequently, although the Board of Directors hope to continue engaging inter alia in trading in Yarn, and deem the decision to sell assets and cease yarn production as interim measures to stem losses, we are of the opinion that these factors indicate existence of material uncertainty in the Company's ability to continue as a going concern. The attached financial statements do not include any adjustments that might result had the above uncertainties been known. Management has represented in this regard that there is no further adjustments to be made in the carrying values/financial statements even if the Going Concern Concept is not adopted.

We conducted our audit of the consolidated financial statements 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 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report. We are independent of the Company and its associates in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year ended March 31, 2020. These matters were 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 these matters. We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section out of report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our opinion on the accompanying consolidated financial statements.



**A. REVENUE RECOGNITION**

**Key Audit Matter Description**

Reference may be made to note 4 of significant accounting policies and note 22 to the consolidated financial statements of the Company.

Revenue recognition is inherently an area of audit risk, which we have substantially focused on mainly covering the aspects of cut off considering the above impact of Ind AS 115 and cut-off are key audit matters.

**Response to Key Audit Matter**

**Principal Audit Procedures**

Our audit procedures relating to revenue comprised of test of controls and substantive procedures including the following:

- a. We assessed whether the policy of recognizing revenue was in line with Ind AS – 115.
- b. We performed procedures to assess the design and internal controls established by the management and tested the operating effectiveness of relevant controls related to the recognition of revenue.
- c. Selected a sample of continuing and new contracts, and tested the operating effectiveness of the internal control, relating to identification of the distinct performance obligations and determination of transaction price. We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence in respect of operation of these controls.
- d. We have tested, on a sample basis, whether specific revenue transactions around the reporting date has been recognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including goods delivery notes, customer acknowledgement/proof of acceptance and the terms of sales.
- e. We have also validated subsequent credit notes and sales returns up to the date of this Report to ensure the appropriateness and accuracy of the revenue recognition.
- f. We tested journal entries on a sample basis to identify any unusual or irregular items.
- g. We also considered the adequacy of the disclosures in Company's consolidated financial statements in relation to Ind AS 115 and were satisfied they meet the disclosure requirements.

**Conclusion**

Based on the procedures performed above, we did not find any material exceptions with regards to adoption of Ind AS 115 and timing of revenue recognition.

**B. ACTUARIAL VALUATION**

**Key Audit Matter Description**

Reference may be made to note 7 of significant accounting policies and note 15, 19 and 20 to the consolidated financial statements of the Company.

There is a risk of material misstatement relating to the judgements made in valuing the defined benefit obligation including the use of key assumptions specifically the discount rate, life expectancy and inflation level. These variables can have a material impact in calculating the quantum of the retirement benefit liability.

**Response to Key Audit Matter**

**Principal Audit Procedures**

Our audit procedures comprised of the following:

- a. We determined whether the key assumptions are reasonable.
- b. External actuaries were engaged to determine the amount of pension provisions.
- c. We assessed the competence, capabilities and objectivity of the experts, gained an understanding of their work and the suitability of the results as audit evidence for the relevant assertions.
- d. We examined the data made available to the experts for completeness and accuracy and gained an understanding of the process to determine the calculation inputs used.

**Conclusion**

Based on the procedures performed above, we did not find any material exceptions with regards to the use of assumptions and actuarial valuation



### **Emphasis of Matter**

We draw your attention to Note 48 of the consolidated financial statements which explains the uncertainties and the management's assessment of the potential impact due to lock-downs and other restrictions and conditions related to the COVID-19 pandemic situation and consequently the Company's results are highly dependent upon future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our auditor's 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 for the Consolidated 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 consolidated financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company and its associates in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the Company and its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and its associates 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The respective Board of Directors of the Company and its associates are also responsible for overseeing the Company's financial reporting process.

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 and its associates has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company and its associates 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 results of the associates to express an opinion on the consolidated annual financial results. We are responsible for the direction, supervision and performance of the audit of financial information of such entity included in the consolidated annual financial results of which we are the independent auditors. For the other entities included in consolidated annual financial results, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

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

### **Other Matter**

The consolidated annual financial results include the share of net profit after tax of Rs.3.09 lakhs and loss of Rs.4.37 lakhs for the year ended March 31, 2020 and for the period from January 1, 2020 to March 31, 2020 respectively, as considered in the consolidated annual financial results, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated annual financial results, in so far it relates to the amounts and disclosures included in respect of these associates, is based solely on the reports of the other auditors.

Our opinion on the Consolidated Annual Financial Results is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

### **Report on Other Legal and Regulatory Requirements**

2. As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of associates, as noted in the "other matter" paragraph we report, to the extent applicable, that:
  - (a) We/the other auditors whose report we have relied upon 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 the preparation of the aforesaid consolidation of the financial statements have been kept by the Company so far as it appears from our examination of those books and reports of the other auditors;



- (c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss including Other Comprehensive Income, the consolidated Statement of Cash Flows and the consolidated Statement of Changes in Equity dealt with by this report are in agreement with the relevant books of account.
- (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Investee company and its associates as on March 31, 2020 taken on record by the Board of Directors of the investee company and its associates, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the Internal Financial Controls over Financial Reporting of the Company with reference to these consolidated financial statements of the company and its associates and the operating effectiveness of such controls, refer to our separate report in "Annexure 1" to this report. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197 (16) of the Act, as amended:  
In our opinion and to the best of our information and according to the explanation given to us, the remuneration paid by the Company and its associates to its directors during the year is in accordance with the provisions of section 197 of the Act:
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rule 2014, as amended in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the associates, as noted in the "Other matter" paragraph :
- i. The Company and its associates has disclosed the impact of pending litigations on its financial position in its consolidated financial Statements.
  - ii. The company and its associates did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at March 31, 2020.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company and its associates.

For **R. Sundararajan & Associates**

Chartered Accountants  
Firm Registration No. 08282S

**S. Krishnan** - Partner

Membership No. 26452

UDIN : 20026452AAAAAABM7356

Date : June 28, 2020

Place : Salem

**"ANNEXURE 1" to the Independent Auditor's Report of even date on the Consolidated Financial Statements of KANDAGIRI Spinning Mills Limited**

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

We have audited the internal financial controls over financial reporting of KANDAGIRI Spinning Mills Limited ("the investee Company") and its associates as of March 31, 2020 in conjunction with our audit of the Consolidated financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

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





#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting 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 Institute of Chartered Accountants of India and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

#### **Meaning of Internal Financial Controls over Financial Reporting**

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

#### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

#### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company and its associates have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

#### **Other Matters**

Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated financial statements of the company, in so far as it relates to one associate, is based on the corresponding reports of the auditors of such associate company.

For **R. Sundararajan & Associates**  
Chartered Accountants  
Firm Registration No: 008282S

**S. Krishnan** – Partner  
Membership no.26452  
UDIN : 20026452AAAAABM7356

Salem  
June 28, 2020

# Kandagiri Spinning Mills Limited



## Consolidated Balance Sheet as at March 31, 2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	1	1,154.72	2,641.42
Financial assets			
Investments	2	129.54	126.68
Other financial asset	3	140.33	195.11
Advance tax assets(net)	4	2.22	20.70
Other non-current assets	5	2.00	354.13
Deferred tax asset (net)	16	—	157.98
		<u>1,428.81</u>	<u>3,496.02</u>
<b>Current assets</b>			
Inventories	6	79.29	1,515.80
Financial assets			
Trade receivables	7	302.65	287.37
Cash and cash equivalents	8a	5.70	2.75
Other Bank balances	8b	9.97	12.51
Others	9	2.72	8.21
Other current assets	10	0.63	19.17
Assets held for sale	11	—	2,550.00
		<u>400.96</u>	<u>4,395.81</u>
<b>Total assets</b>		<u>1,829.77</u>	<u>7,891.83</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	12	385.74	385.74
Other equity	13	(967.11)	185.78
		<u>(581.37)</u>	<u>571.52</u>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	14	1,286.92	2,314.86
Provisions	15	—	156.08
		<u>1,286.92</u>	<u>2,470.94</u>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	17	—	2,238.08
Trade payables	18		
(a) total outstanding dues of micro enterprises and small enterprises		0.34	0.47
(b) total outstanding dues of creditors other than micro enterprises and small enterprises		196.06	597.45
Provisions	19	—	3.21
Other financial liabilities	20	420.21	972.79
Other current liabilities	21	507.61	1,037.37
		<u>1,124.22</u>	<u>4,849.37</u>
<b>Total equity and liabilities</b>		<u>1,829.77</u>	<u>7,891.83</u>

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Financial Statements

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants

Firm Registration no.008282S

**S. Krishnan** - Partner

Membership No. 26452

Salem

July 30, 2020

For and on behalf of the board

**R. Selvarajan**

Managing Director

DIN : 00001703

**J. Asifa**

Company Secretary

**Dr. A. Sarayu**

Director

DIN : 06953362

**S. Vijay Shankar**

Chief Financial Officer



## Consolidated Statement of Profit and Loss for the year ended March 31, 2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Income</b>			
Revenue from operations	22	2,657.12	6,954.63
Other income	23	678.31	138.74
Total income		<u>3,335.43</u>	<u>7,093.37</u>
<b>Expenses</b>			
Cost of materials consumed	24	1,913.15	5,163.42
Changes in inventories of finished goods and work-in- progress	25	429.58	437.86
Employee benefits expense	26	405.67	814.16
Finance cost	27	501.62	639.91
Depreciation and amortization expense	28	211.08	320.79
Other expenses	29	863.47	1,299.92
Total Expenses		<u>4,324.57</u>	<u>8,676.06</u>
<b>Profit/(loss) before exceptional items and tax</b>		<b>(989.14)</b>	<b>(1,582.69)</b>
<b>Share of profit of associate</b>		<b>3.11</b>	<b>12.33</b>
		<u>(986.03)</u>	<u>(1,570.36)</u>
<b>Exceptional item</b>	30	<b>(48.49)</b>	<b>(276.78)</b>
<b>Profit/(loss) before tax</b>		<b>(1,034.52)</b>	<b>(1,847.14)</b>
<b>Tax expense :</b>			
Current tax - current year		40.00	-
- MAT credit utilised		632.07	-
Deferred tax		(474.09)	-
<b>Income tax expense</b>		<b>197.98</b>	<b>-</b>
<b>Profit/(loss) for the period from continuing operations</b>		<b>(1,232.50)</b>	<b>(1,847.14)</b>
<b>Other comprehensive income</b>			
Other comprehensive income not to reclassified to profit or loss in subsequent periods		-	-
Re-measurement gains/(losses) on defined benefit plans		79.61	(4.32)
Income tax effect		-	-
<b>Other comprehensive income</b>		<b>79.61</b>	<b>(4.32)</b>
<b>Total comprehensive income for the year</b>		<b>(1,152.89)</b>	<b>(1,851.46)</b>
Earning per share (Face value Rs.10 per share)			
-Basic and diluted (Rs.) (Refer note 34)		<b>(32.02)</b>	<b>(47.99)</b>

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Financial Statements

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants  
Firm Registration no.008282S

**S. Krishnan** - Partner  
Membership No. 26452

Salem  
July 30, 2020

For and on behalf of the board

**R. Selvarajan**  
Managing Director  
DIN : 00001703

**Dr. A. Sarayu**  
Director  
DIN : 06953362

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer

# Kandagiri Spinning Mills Limited



## Consolidated Statement of cash flows for the year ended March 31,2020

Particulars	Note No.	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Cash Flows from Operating Activities</b>			
Profit / (Loss) before tax		(1,034.52)	(1,847.14)
Adjustments for :			
Share of profit of associate		(3.11)	(12.33)
Depreciation		211.08	320.79
Interest Expense		501.62	639.91
Interest Income		(4.71)	(15.40)
Dividend income		-	(0.65)
(Profit) / loss on sale of property, plant and equipment		(514.31)	(122.69)
(Profit) / loss on sale of Long term investments		-	17.89
Impairment loss on assets		48.49	276.78
<b>Operating profit before working capital changes</b>		<b>(795.46)</b>	<b>(742.84)</b>
Adjustments for changes in :			
Inventories		1,436.51	1,156.58
Trade receivables		(15.28)	(4.71)
Non current and current financial assets		62.82	174.07
Other non current and current assets		370.67	67.69
Trade payables		(401.52)	147.03
Non current and current financial liabilities		(2,477.54)	(1,300.81)
Other non current and current liabilities		(529.76)	(44.64)
Other non current and current provisions		(159.29)	0.27
		<b>(2,508.85)</b>	<b>(547.36)</b>
Income Tax paid		18.49	(5.73)
<b>Net Cash Flow from Operating Activities</b>	(A)	<b>(2,490.36)</b>	<b>(553.09)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for acquisition of property, plant and equipment		26.07	(216.93)
Proceeds from sale of property, plant and equipment		4,365.00	227.91
Advance received for sale of undertakings		-	1,029.00
Interest received		4.71	15.40
Dividend received		-	0.65
Purchase of shares		-	(0.25)
Sale Proceeds from sale of shares		-	40.91
	(B)	<b>4,395.78</b>	<b>1,096.69</b>
<b>Cash Flows from Financing Activities</b>			
Finance cost paid		(501.62)	(639.91)
Proceeds from inter corporate deposit - related party		-	50.00
Proceeds from long term borrowings - money received from directors		30.15	319.20
Repayments of inter corporate deposit - related party		(516.00)	(84.00)
Repayments of long term borrowings		(915.00)	(194.66)
<b>Net Cash Flow from Financing Activities</b>	(C)	<b>(1,902.47)</b>	<b>(549.37)</b>
<b>NET CASH INFLOW / (OUTFLOW)</b>	(A+B+C)	<b>2.95</b>	<b>(5.77)</b>
Opening Cash and Cash Equivalents	(D)	2.75	8.52
Closing Cash and Cash Equivalents	(E)	5.70	2.75
<b>NET INCREASE/ (DECREASE) IN CASH</b>	(E-D)	<b>2.95</b>	<b>(5.77)</b>

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Financial Statements

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants

Firm Registration no.008282S

**S. Krishnan** - Partner

Membership No. 26452

Salem

July 30, 2020

For and on behalf of the board

**R. Selvarajan**

Managing Director

DIN : 00001703

**J. Asifa**

Company Secretary

**Dr. A. Sarayu**

Director

DIN : 06953362

**S. Vijay Shankar**

Chief Financial Officer



## Consolidated Statement of Changes in Equity for the year ended March 31, 2020

## A. Equity share Capital

Rs. in Lakhs

	Balance as at 01-04-2018	Changes in equity capital during the year	Balance as at 31-03-2019	Changes in equity share capital during the year	Balance as at 31-03-2020
Equity share capital	385.74	–	385.74	–	385.74

## B. Other Equity

Rs. in Lakhs

Particulars	Reserves & Surplus			Total
	Securities Premium	General Reserve	Retained Earnings	
Balance at the beginning of April 1, 2018	548.62	2,229.04	(740.42)	2,037.24
(Loss) for the year	–	–	(1,847.14)	(1,847.14)
Other Comprehensive income	–	–	(4.32)	(4.32)
<b>Total Comprehensive income for the year</b>	–	–	<b>(1,851.46)</b>	<b>(1,851.46)</b>
<b>Balance at the end of March 31, 2019</b>	<b>548.62</b>	<b>2,229.04</b>	<b>(2,591.88)</b>	<b>185.78</b>
(Loss) for the year	–	–	(1,232.50)	(1,232.50)
Other Comprehensive income	–	–	79.61	79.61
Total Comprehensive income for the year	–	–	(1,152.89)	(1,152.89)
<b>Balance at the end of March 31, 2020</b>	<b>548.62</b>	<b>2,229.04</b>	<b>(3,744.77)</b>	<b>(967.11)</b>

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Financial Statements

As per our report of even date  
For **R. Sundararajan & Associates**  
Chartered Accountants  
Firm Registration no.008282S

For and on behalf of the board

**S. Krishnan** - Partner  
Membership No. 26452

**R. Selvarajan**  
Managing Director  
DIN : 00001703

**Dr. A. Sarayu**  
Director  
DIN : 06953362

Salem  
July 30, 2020

**J. Asifa**  
Company Secretary

**S. Vijay Shankar**  
Chief Financial Officer



**Notes annexed to and forming part of the Consolidated Financial Statements**  
**1. PROPERTY, PLANT AND EQUIPMENT (PPE)**

2019 - 2020	Gross Carrying Amount (Cost/deemed cost)					Accumulated depreciation / Impairment			Net Carrying Amount
	01.04.2019	Additions	(Deletions)	31.03.2020	01.04.2019	Charge for the year	Disposal	31.03.2020	
	Description								31.03.2020
Land - Freehold land	510.24	-	-	510.24	-	-	-	510.24	
Buildings	745.58	4.22	-	749.80	109.40	29.17	-	611.23	
Plant and Equipment	1,935.23	21.85	1,957.08	-	483.65	171.74	655.39	-	
Furniture and Fixtures	5.82	-	-	5.82	2.25	0.06	-	3.51	
Vehicles	74.18	-	-	74.18	34.53	10.11	-	29.54	
Office equipment	0.61	-	-	0.61	0.41	-	-	0.20	
<b>Total</b>	<b>3,271.66</b>	<b>26.07</b>	<b>1,957.08</b>	<b>1,340.65</b>	<b>630.24</b>	<b>211.08</b>	<b>655.39</b>	<b>1,154.72</b>	

2018 - 2019	Gross Carrying Amount (Cost/deemed cost)					Accumulated depreciation			Net Carrying Amount
	01.04.2018	Additions	(Deletions)	31.03.2019	01.04.2018	Charge for the year	Disposal	31.03.2019	
	Description								31.03.2019
Land - Freehold land	1,424.42	-	914.18	510.24	-	-	-	510.24	
Buildings	1,812.12	34.58	1,101.12	745.58	165.12	72.87	128.59	636.18	
Plant and Equipment	2,687.83	182.35	934.95	1,935.23	529.99	237.65	283.99	1,451.58	
Wind Energy Converters	4.85	-	4.85	-	-	-	-	-	
Furniture and Fixtures	6.50	-	0.68	5.82	2.27	0.20	0.22	3.57	
Vehicles	77.06	-	2.88	74.18	25.75	9.97	1.19	39.65	
Office equipment	0.61	-	-	0.61	0.40	0.10	0.09	0.20	
<b>Total</b>	<b>6,013.39</b>	<b>216.93</b>	<b>2,958.66</b>	<b>3,271.66</b>	<b>723.53</b>	<b>320.79</b>	<b>414.08</b>	<b>2,641.42</b>	

**Note :**

- For details of assets given as security against borrowings, refer note. 37
- Amount of contractual commitments for acquisition of property, plant and equipment, refer note. 38



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>2. Non current financial asset - Investments</b>		
<b>Unquoted</b>		
<b>Investments in Equity instruments</b>		
<b>Associates</b>		
20,00,000 (2019 : 20,00,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited - Cost of acquisition	200.00	200.00
Less : Group share of loss	70.46	73.57
	<u>129.54</u>	<u>126.43</u>
<b>Others</b>		
Nil (2019 : 90) Equity shares of Rs.10 each in ARS Steel and alloy international	-	0.25
	<u>129.54</u>	<u>126.68</u>
a. # represents quoted investments		
Aggregate value of quoted investments (at fair value)	-	-
Aggregate market value of quoted investments	-	-
Aggregate value of unquoted investments	129.54	126.68
Aggregate value of impairment in value of investments		
b. Investments are fully paid-up unless otherwise stated	-	-
<b>3. Non current - Other financial asset</b>		
Security deposit with related parties	-	-
Security deposit	140.33	194.66
Employee advances	-	0.45
	<u>140.33</u>	<u>195.11</u>
<b>4. Non current - Advance tax assets (net)</b>		
Advance income tax (net)	2.22	20.70
	<u>2.22</u>	<u>20.70</u>
<b>5. Other non current assets</b>		
(Unsecured, considered good)		
Capital advances	-	53.40
Balances with Government authorities (paid under protest)	2.00	300.73
	<u>2.00</u>	<u>354.13</u>
<b>6. Inventories</b>		
Raw materials	32.08	1,026.39
Work-in-progress	-	167.16
Finished goods	47.21	309.63
Stores and spares	-	12.62
	<u>79.29</u>	<u>1,515.80</u>
Note :		
1. Goods in transit included above		
Raw materials	-	102.59
2. Cost of materials consumed during the year, refer note no. 24		
3. For details of assets given as securities for borrowings, refer note no. 37		
<b>7. Trade receivables</b>		
(Unsecured, considered good)		
Receivables - Trade receivables	-	287.37
- Others	302.65	-
	<u>302.65</u>	<u>287.37</u>
<b>8a. Cash and cash equivalents</b>		
Cash on hand	0.98	2.45
Balances with banks-current accounts	4.72	0.30
	<u>5.70</u>	<u>2.75</u>



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>8b. Bank balances other than above</b>		
Unclaimed dividend accounts (earmarked)	-	-
Liquid assets deposits #	9.72	9.09
Deposits with Banks held as margin money #	0.25	3.42
	9.97	12.51
# represents deposits with original maturity of more than 3 months and less than 12 months		
<b>9. Other financial assets - current</b> (Unsecured considered good)		
Interest accrued on deposits	2.72	0.26
Interest subsidy receivable	-	2.91
Employee advances	-	-
Other receivable	-	5.04
	2.72	8.21
<b>10. Other current assets</b> (Unsecured considered good)		
Prepaid expenses	-	14.17
Supplier advances	0.63	5.00
Balance with government authorities	-	-
	0.63	19.17
<b>11. Assets held for sale</b>		
Net realisable value of assets earmarked for sale	-	2,550.00
	-	2,550.00
<b>12. Equity</b>		
<b>Authorised share capital</b>		
50,00,000 equity shares (March 31, 2019: 50,00,000) of Rs. 10 each with voting rights	500.00	500.00
<b>Issued share capital</b>		
38,65,650 equity shares (March 31, 2019: 38,65,650) of Rs. 10 each with voting rights	386.57	386.57
<b>Subscribed and paid up share capital</b>		
38,49,250 equity shares (March 31, 2019: 38,49,250) of Rs. 10 each with voting rights	384.92	384.92
Add Forfeited shares (amount originally paid in respect of 16,400 equity shares)	0.82	0.82
	385.74	385.74

## Notes :

**1. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Outstanding shares at the beginning and end of the year	38,49,250	38,49,250
---------------------------------------------------------	-----------	-----------

**2. Terms/rights and restrictions in respect of equity shares**

The company has one class of equity shares having a par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.

**3. Shareholders holding more than 5% of the total share capital:**

Name of the shareholder	No. of shares			
	2020	%	2019	%
Equity shares with voting rights				
R. Selvarajan	7,78,730	20.23	7,78,730	20.23
S. Vijaya Shankar	4,09,582	10.64	4,09,582	10.64

**4. Share issue in preceeding five years**

Aggregate number and class of shares allotted for consideration other than cash, bonus, etc.in the five years immediately preceeding the Balance Sheet date as on March 31, 2020 is Rs. Nil (2019 : Nil).





## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>13. Other equity</b>		
Securities premium - Note A	548.62	548.62
General reserve - Note B	2,229.04	2,229.04
Retained earnings - Note C	(3,744.77)	(2,591.88)
	<u>(967.11)</u>	<u>185.78</u>
Refer Statement of Changes in Equity for additions/ deletions in each reserve.		
<b>Notes :</b>		
A. Securities premium reserve represents premium received on equity shares issued, which can be utilised only in accordance with the provisions of the Companies Act, 2013 (the Act) for specified purposes.		
B. General reserve is created from time to time by transferring profits from retained earnings and can be utilised for purposes such as dividend payout, Bonus issue, etc.		
C. Revaluation reserve of Rs 20,83,49,118 transferred to Retained earnings on the transition date may not be available for distribution.		
<b>14. Non current - Financial liabilities - Borrowings</b>		
Secured Borrowings		
Term loan from banks	-	622.50
Unsecured		
Fixed deposits	1,286.92	1,176.36
Intercompany loan from related party	-	516.00
	<u>1,286.92</u>	<u>2,314.86</u>
<b>Note :</b>		
1. Refer note 20 for current maturities of non current borrowings		
2. Refer note 37 for security and terms of borrowings		
3. Refer note 36 for fixed deposits held by related parties		
<b>15. Non current liabilities - Provisions</b>		
Provision for employee benefits		
Compensated absences	-	156.08
	<u>-</u>	<u>156.08</u>
<b>16. Deferred tax asset/liability (net)</b>		
Deferred tax liability	-	666.88
Deferred tax assets	-	192.79
Deferred tax liability-net	-	474.09
Unused tax credits (MAT credit entitlement)	-	632.07
Net deferred tax/liability	<u>-</u>	<u>(157.98)</u>
Note : refer note 32 for details of deferred tax liability and asset		
<b>17. Current financial liabilities - borrowings</b>		
Secured borrowings - from banks		
Cash credit facilities	-	2,238.08
	<u>-</u>	<u>2,238.08</u>
<b>18. Current financial liabilities - trade payables</b>		
Trade payables (Refer note 40)		
(a) Total outstanding dues of micro enterprises and small enterprises	0.34	0.47
(b) Total outstanding dues of creditors other than micro enterprises	196.06	597.45
	<u>196.40</u>	<u>597.92</u>



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>19. Current provisions</b>		
Compensated absences	-	3.21
	<u>-</u>	<u>3.21</u>
<b>20. Other Current financial liabilities</b>		
Current maturities of long-term debts	245.00	617.91
Interest accrued and due on borrowings	-	30.36
Unclaimed Dividends	-	-
Contribution to Gratuity Fund	116.27	176.71
Accrued expenses/liabilities	48.11	138.45
Employee payable	10.83	9.36
	<u>420.21</u>	<u>972.79</u>
Note :		
1. Refer note 37 for security and terms of borrowings		
<b>21. Other Current liabilities</b>		
Advance from customers	-	3.93
Advance for sale of assets	178.00	1,029.00
Statutory liabilities	329.61	4.44
	<u>507.61</u>	<u>1,037.37</u>
<b>22. Revenue from operations</b>		
Sale of products		
Yarn	2,646.34	6,879.67
Process waste	10.78	59.04
	<u>2,657.12</u>	<u>6,938.71</u>
Revenue from services		
Yarn conversion charges	-	15.92
Other operating revenues		
Scrap sales	-	-
	<u>2,657.12</u>	<u>6,954.63</u>
<b>23. Other income</b>		
Interest income from		
Security deposits and bank deposits	4.71	15.40
Dividend income from Non-current investments	-	0.65
Provision no longer required and written back		
- Employees Compensated absences	159.29	-
Profit on sale of assets	514.31	122.69
	<u>678.31</u>	<u>138.74</u>
<b>24. Cost of materials consumed</b>		
Cotton, viscose, modaal	1,870.30	5,144.11
Others	42.85	19.31
	<u>1,913.15</u>	<u>5,163.42</u>



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>25. Changes in Inventories of finished goods and work-in-progress</b>		
<b>Closing stock</b>		
Finished goods	47.21	309.63
Work-in-progress	-	167.16
	<u>47.21</u>	<u>476.79</u>
<b>Opening stock</b>		
Finished goods	309.63	403.33
Work-in-progress	167.16	511.32
	<u>476.79</u>	<u>914.65</u>
Net change in inventories	<u>429.58</u>	<u>437.86</u>
<b>26. Employee benefits expense</b>		
Salaries, wages and bonus	356.09	733.25
Contribution to provident, gratuity and other funds	44.88	71.67
Welfare expenses	4.70	9.24
	<u>405.67</u>	<u>814.16</u>
<b>27. Finance costs</b>		
Interest expense on borrowings	501.62	639.91
Other borrowing costs	-	-
	<u>501.62</u>	<u>639.91</u>
<b>28. Depreciation and amortisation expense</b>		
<b>Property, Plant and Equipment</b>		
Buildings	29.17	72.87
Plant and machinery	171.74	237.65
Furniture and fittings	0.06	0.20
Office equipments	-	0.10
Vehicles	10.11	9.97
Total depreciation on property, plant and equipment	<u>211.08</u>	<u>320.79</u>
<b>29. Other expenses</b>		
Consumption of stores and spares	66.23	101.22
Power and fuel-net	669.03	1,050.09
Repairs and maintenance - Buildings	0.85	1.04
- Plant and machinery	11.54	3.68
Insurance	15.92	4.12
Rates and taxes	13.93	6.98
Packing and forwarding charges	1.01	30.01
Brokerage and commission on sales	-	0.81
Travel and vehicle upkeep expenses	24.48	58.64
Donation and charity	-	-
Loss on sale of shares	-	17.89
Bank and other financial charges	27.47	13.20
Miscellaneous expenses	33.01	12.24
	<u>863.47</u>	<u>1,299.92</u>
<b>30. Exceptional item</b>		
Impairment loss on assets	-	(276.78)
Impairment loss on capital advances	(48.49)	-
	<u>(48.49)</u>	<u>(276.78)</u>



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020**

**1. Corporate Information**

Kandagiri Spinning Mills Limited ("the investee Company / the Company") is a listed Public Company domiciled in India and is incorporated under the provisions of the Companies Act 2013 as applicable in India and its shares are listed on the Bombay Stock Exchange (BSE). The registered office headquartered in Salem, India. The Company is principally engaged in production of cotton yarn.

**2. Basis of preparation of financial statements**

**Compliance with Indian Accounting Standards (Ind AS):**

These financial statements (the 'financial statements') have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. Except for the changes below, the Company has consistently applied accounting policies to all periods.

- i) 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 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact.
- ii) 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 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that this amendment is currently not applicable.
- iii) 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 recognised those past transactions or events. The amendment is effective from April 1, 2019. The Company has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact. The Company has not early adopted any standards or amendments that have been issued but are not yet effective.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

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

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

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 revised 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 determined its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

The Ind AS Financial Statements were approved for issue by the Board of Directors on 30-07.2020.

**3. Investments in associates**

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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate, the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised directly in equity as capital reserve in the period in which the investment is acquired.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the investment becomes a subsidiary, the Company accounts for its investment in accordance with Ind AS 103 'Business Combination'. When the Company retains an interest in the former associate and the retained interest is a financial asset, the Company measures it at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with Ind AS 109. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest is included in the determination of the gain or loss on disposal of the associate.

**4. Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable.

**Sale of Goods**

Revenue from sale of products is recognized when the goods are dispatched or appropriated as per the terms sales at which time the title and significant risks and rewards of ownership pass to the customer. Revenue is recognised when collectability of the resulting receivable is reasonably assured. Revenue is reduced for estimated customer returns, commissions, rebates and discounts and other similar allowances.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

***Rendering of Services***

Revenue from services is recognized in accordance with the specific terms of contract on performance when the collectability of the resulting receivable is reasonably assured.

***Other operating revenues***

Other operating revenues comprise of income from ancillary activities incidental to the operations of the company and is recognized when the right to receive the income is established as per the terms of the contract.

**5. Other Income**

Other Income comprises of Dividend and Interest income are accounted on accrual basis.

Dividend income from investments is recognised when the Company's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

**6. Foreign currency transactions**

Foreign currency transactions (including booking/cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency, other than those covered by forward exchange contracts, are translated at year end foreign exchange rates. Exchange differences arising on settlements are recognized in the Statement of Profit and Loss. In case of forward exchange contracts which are entered into hedge the foreign currency risk of a receivable/payable recognized in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Statement of Profit and loss. Forward exchange contracts which are arranged to hedge the foreign currency risk of a firm commitment is marked to market at the year end and the resulting losses, if any, are charged to the Statement of Profit and loss.

**7. Employee benefits**

(i) Short term employee benefit obligations are estimated and provided for. A liability is recognised for benefits accruing to employees in respect of salaries, wages, performance incentives, medical benefits and other short term benefits in the period the related service is rendered, at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date;

(ii) Retirement Benefit plans and Post-employment benefits

Payments to defined contribution plans i.e., Company's contribution to provident fund, superannuation fund and other funds and employee state insurance are determined under the relevant schemes and / or statute and charged to the Statement of Profit and Loss in the period of incurrence when the services are rendered by the employees.

For defined benefit plans i.e., Company's liability towards gratuity (funded), other retirement/terminations benefits and compensated absences, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Defined benefit costs are comprised of:



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

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

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

Re-measurement of net defined benefit liability/asset pertaining to gratuity comprise of actuarial gains/losses (i.e., changes in the present value resulting from experience adjustments and effects of changes in actuarial assumptions) and is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss.

**8. Property, Plant and Equipment Cost:**

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost (net of duty / tax credit availed) less accumulated depreciation and accumulated impairment losses. Cost of all civil works (including electrification and fittings) is capitalised with the exception of alterations and modifications of a capital nature to existing structures where the cost of such alteration or modification is Rs. 10000 and below.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures, plant and equipment (including patterns and dies) where the cost exceeds Rs. 10,000 and the estimated useful life is two years or more, is capitalised and stated at cost (net of duty/tax credit availed) less accumulated depreciation and accumulated impairment losses.

**Depreciation /amortization:**

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is provided based on useful life of the assets as prescribed in Schedule II to the Companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in Schedule II are used:

Particulars	Depreciation
Plant and machinery (Continuous process Plant)	Over its useful life of 18 years as Technically assessed

**De-recognition:**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**9. Leases**

The Company does not have any lease assets as at the beginning and end of the year



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

**10. Impairment of assets**

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss will be recognised in the Statement of Profit and Loss wherever the carrying amount of an asset exceeds its estimated recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Provision for impairment will be reviewed periodically and amended depending on changes in circumstances.

**11. Inventories**

Inventories (Other than process waste) are stated at lower of cost and net realisable value.

Cost of raw materials, stores, spares and consumables comprises cost of purchases and includes taxes and duties and is net of eligible credits under applicable schemes.

Cost of work-in-progress, work-made components and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overheads, which is allocated on a systematic basis.

Cost of inventories also includes all other related costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The cost for the said purpose is determined as follows:

- (i) in the case of stores and spare parts, the weighted average cost (net of credit, if any)
- (ii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method.
- (iii) Process waste is valued at net realizable value.

Provision is made for obsolete, slow moving and damaged items of inventory, if any.

**12. Government grants**

Government grants (including export incentives) are recognised only when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which they accrue.

**13. Borrowing costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the period in which they are incurred.

**14. Research and development**

Revenue expenditure on research and development is charged to the Statement of Profit and Loss as and when incurred. Capital expenditure on research and development, where the same represents cost of Property, Plant and Equipment, if any, is given the same accounting treatment as applicable to other capital expenditure.





**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

**15. Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Current Tax:**

Current tax is determined on taxable profits for the year chargeable to tax in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 including other applicable tax laws that have been enacted or substantively enacted.

**Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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.

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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**16. Provisions and contingencies**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A disclosure of a contingent liability is made when there is a possible obligation that may, but probably will not, require outflow of resources. Where there is possible obligation or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

**17. Financial Instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets:**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

**Classification of financial assets**

The financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

**After initial recognition:**

- (i) Financial assets (other than Investments and derivative instruments) are subsequently measured at amortised cost using the effective interest method.

Effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Investments in debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Income on such debt instruments is recognised in profit or loss and is included in the 'Other Income'.

The Company has not designated any debt instruments as fair value through other comprehensive income.

- (ii) Financial assets (i.e., derivative instruments and investments in instruments other than equity of subsidiaries, joint ventures and associates) are subsequently measured at fair value.

Such financial assets are measured at fair value at the end of each reporting period, with any gains (e.g any dividend or interest earned on the financial asset) or losses arising on re-measurement recognised in profit or loss and included in the "Other Income".

**Investments in equity instruments of subsidiaries, joint ventures and associates**

The Company measures its investments in equity instruments of subsidiaries, joint ventures and associates at cost in accordance with Ind As 27. At transition date, the Company has elected to continue with the carrying value of such investments measured as per the previous GAAP and use such carrying value as its deemed cost.

**Impairment of financial assets:**

A financial asset is regarded as credit impaired when one or more events that may have a detrimental effect on estimated future cash flows of the asset have occurred. The Company applies the expected credit loss model for recognising impairment loss on financial assets (i.e., the shortfall between the contractual cash flows that are due and all the cash flows (discounted) that the Company expects to receive).



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

***De-recognition 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of profit and loss.

***Impairment of financial assets***

A Financial asset is regarded as credit impaired or subject to significant increase in credit risk, when one or more events that may have a detrimental effect on estimated future cash flows of the asset have occurred. The Company applies the expected credit loss model for recognising impairment loss on financial assets (i.e. the shortfall between the contractual cash flows that are due and all the cash flows (discounted) that the company expects to receive). The Company uses simplified approach for expected credit loss and on a case to case basis.

***Financial liabilities and equity instruments:***

***Classification as debt or equity***

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

***Financial liabilities***

All financial liabilities (other than derivative instruments) are subsequently measured at amortised cost using the effective interest method. The carrying amounts of financial liabilities that are subsequently measured at amortised costs are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the "Finance Costs".

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured (if not designated as at Fair value through profit or loss) at the higher of:

- ❖ the amount of impairment loss allowance determined in accordance with requirements of Ind AS 109; and
- ❖ the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

***De-recognition of financial liabilities:***

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Derivative financial instruments:***

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or 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.

***Embedded derivatives***

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IndAS 109 are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at Fair value through profit or loss.

As of the transition date, the Company has assessed whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed on the later of the date of first became a party to the contract and the date when there has been change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

***Hedge accounting:***

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk, as either fair value hedges, cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

***Fair value hedges***

Changes in fair value of the designated portion of derivatives that qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the designated portion of hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "Other Income".

Amounts previously recognised in other comprehensive income and accumulated in equity relating to (effective portion as described above) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, such gains and losses are transferred from equity (but not as a reclassification adjustment) are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**18. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / loss before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**19. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**20. Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares)

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period, are adjusted for the effects of all dilutive potential equity shares.

**21. Critical accounting judgments and key sources of estimation uncertainty**

The preparation of financial statements in conformity with Ind AS requires the Company's Management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities recognised in the Ind AS financial statements that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors including estimation of effects of uncertain future events that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates (accounted on a prospective basis) and recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

The following are the critical judgments and estimations that have been made by the Management in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements and/or key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



**Statement on Significant Accounting Policies forming part of the Consolidated Financial Statements for the year ended March 31, 2020 (Contd.)**

***Inventories***

An inventory provision is recognised for cases where the realisable value is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, changes in the related laws/emission norms and losses associated with obsolete/slow-moving /redundant inventory items. The Company has, based on these assessment, made adequate provision in the books.

***Taxation***

The expense is calculated using applicable tax rate and laws that have been enacted or substantially enacted. In arriving at taxable profits and all tax bases of assets and liabilities, the Company determines the taxability based on tax enactments, relevant judicial pronouncements and tax expert opinions, and makes appropriate provisions which includes an estimation of the likely outcome of any open tax assessments / litigations. Any difference is recognised on closure of assessment or in the period in which they are agreed.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, unabsorbed depreciation and unused tax credits could be utilized.

***Provisions***

The management makes judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables using information available at the Balance Sheet date. Provisions so created are based on management assessment of the receivable balances after communication with the respective debtors and are created on the receivable balances net off against related brokerage dues outstanding.

Provisions for litigation and contingencies are determined based on evaluations made by the management of the present obligation arising from past events the settlement of which is expected to result in outflow of resources embodying economic benefits, which involves judgments around estimating the ultimate outcome of such past events and measurement of the obligation amount. Due to the judgments involved in such estimations, the provisions are sensitive to the actual outcome in future period.

***Fair value measurements and valuation processes***

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The Management determines the appropriate valuation techniques and inputs for the fair value measurements. In estimating the fair value of an asset or a liability, the Company used market-observable data to the extent it is available. Where Level1 inputs are not available, the Company engaged third party qualified valuers to perform the valuations in order to determine the fair values based on the appropriate valuation techniques and inputs to fair value measurements.

***Estimation of uncertainty relating to COVID-19 pandemic***

The Company has considered internal and external sources of information including credit reports, economic forecasts and industry reports up to the date of approval of the financial statements in determining the impact of COVID-19 on the financial statements. Based on projections of the Company's performance, management does not anticipate any challenge in the Company's ability to continue as a going concern or meeting its financial obligations. The Company expects to fully recover the carrying amount of trade receivables, and other assets. The Company has additionally, on a prudent basis, assessed existence of any indication of impairment of carrying values of property, plant and equipment and investments at the year-end in accordance with the requirements of Ind AS 36 – Impairment of Assets. Based on such assessment, management is confident that no indications of impairment of carrying values of property, plant and equipment and investments exist as on the date of approval of these financial statements. The impact of COVID-19 remains uncertain and may be different from what we have estimated as of the date of approval of these standalone financial statements and the Company will continue to closely monitor any material changes to future economic conditions.



**Notes annexed to and forming part of the Consolidated Financial Statements**

**31. Basis of Consolidation**

**31.1 The Consolidated Financial Statements relate to Kandagiri Spinning Mills Limited ("the Investee Company") and its Associates.**

**31.2 Principles of Consolidation**

- a. The Consolidated Financial Statements have been prepared in accordance with Ind AS 28 "Investment in Associates and Joint Ventures" prescribed under Section 133 of the Companies Act, 2013. The Financial Statements of Associates used in the consolidation are drawn up to the same reporting date as of the investee Company i.e., year ended March 31, 2020.
- b. The following Associates Company is considered in the consolidated financial statements using equity method.

S. No.	Name of the Associate	Nature of Business	Country of Incorporation	% of ownership interest	
				31-03-2020	31-03-2019
1.	SPMM Health Care Services Private Limited	Health care services	India	50.00%	50.00%

**31.2 Additional Information, required under Schedule III to the Companies Act, 2013 of entity consolidated as Associates**

S. No.	Name of the Entity	Net Assets		Share in Profit or Loss		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
		As a % of Consolidated Net Assets	Amount (Rs. Lakhs)	As a % of Consolidated Profit or (Loss)	Amount (Rs. Lakhs)	As a % of Consolidated Profit or (Loss)	Amount (Rs. Lakhs)	As a % of Consolidated Profit or (Loss)	Amount (Rs. Lakhs)
1.	Investee Company Kandagiri Spinning Mills Limited Associate (Investment as per equity method)	130.36%	(556.20)	100.25%	(1,235.61)	100%	79.61	100.27%	(1,156.00)
2.	SPMM Health Care Services Private Limited	-30.36%	129.54	-0.25%	3.11	-	-	-0.27%	3.11
	<b>Subtotal</b>	<b>100%</b>	<b>(426.66)</b>	<b>100.00%</b>	<b>(1,232.50)</b>	<b>100%</b>	<b>79.61</b>	<b>100.00%</b>	<b>(1,152.89)</b>
	Add / (Less) : Effect of intercompany adjustments/ eliminations	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>100%</b>	<b>(426.66)</b>	<b>100.00%</b>	<b>(1,232.50)</b>	<b>100%</b>	<b>79.61</b>	<b>100.00%</b>	<b>(1,152.89)</b>



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>32. Income taxes relating to continuing operations</b>		
<b>a) Income tax recognised in Statement of profit and loss</b>		
<b>Current tax</b>		
In respect of the current year	40.00	-
MAT credit utilised	632.07	-
	<u>672.07</u>	<u>-</u>
<b>Deferred tax</b>		
In respect of the current year	(474.09)	-
	<u>(474.09)</u>	<u>-</u>
Total income tax expense recognised in the current year relating to continuing operations	<u>197.98</u>	<u>-</u>
<b>b) The income tax expense for the year can be reconciled to the accounting profit as follows:</b>		
<b>Profit/(loss) before tax from continuing operations</b>	<u>(1,037.63)</u>	<u>(1,859.47)</u>
Income tax expense calculated at 27.82% (2018-19: 27.82%)	-	-
Others	197.98	-
<b>Income tax expense recognised in statement of profit and loss (relating to continuing operations)</b>	<u>197.98</u>	<u>-</u>

The tax rate used for the reconciliations above is the corporate tax rate of 27.82% (for FY 2018-19 = 27.82%) payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

**c) Income tax recognised in other comprehensive income**

<b>Current tax</b>	-	-
<b>Total income tax recognised in other comprehensive income</b>	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss, depreciation carry-forwards and tax credits. Such deferred tax assets and liabilities are computed separately for each taxable entity and for each taxable jurisdiction.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

**Movement of deferred tax expense during the year ended March 31, 2020 (Rs. in Lakhs)**

Particulars	Opening balance	Recognised in profit or loss	Closing balance
<b>Deferred tax (liabilities)/assets in relation to:</b>			
Property, plant, and equipment and Intangible Assets	(666.88)	666.88	-
Provision for compensated absences	192.79	(192.79)	-
Unused tax credit (MAT credit entitlement)	632.07	(632.07)	-
	<u>157.98</u>	<u>(157.98)</u>	<u>-</u>

**Movement of deferred tax expense during the year ended March 31, 2019 (Rs. in Lakhs)**

Particulars	Opening balance	Recognised in profit or loss	Closing balance
<b>Deferred tax (liabilities)/assets in relation to:</b>			
Property, plant, and equipment and Intangible Assets	(666.88)	-	(666.88)
Provision for compensated absences	192.79	-	192.79
Unused tax credit (MAT credit entitlement)	632.07	-	632.07
	<u>157.98</u>	<u>-</u>	<u>157.98</u>





## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>33. Retirement benefit plans</b>		
<b>Defined contribution plans</b>		
In accordance with Indian law, eligible employees of the Company are entitled to receive benefits in respect of provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary.		
The total expense recognised in Statement of profit and loss of Rs.25.70lakhs (for the year ended March 31, 2019:Rs.48.27 lakhs)		
<b>Defined benefit plans</b>		
The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump-sum payment to vested employees at retirement, death, while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in the future based on an actuarial valuation. The Company makes annual contributions to a funded Company gratuity scheme administered by the SBI Life Insurance Company Limited.		
Company's liability towards gratuity (funded), other retirement benefits and compensated absences are actuarially determined at each reporting date using the projected unit credit method.		
These plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk and salary risk.		
Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.	
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.	
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.	
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.	
<b>Gratuity</b>		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount rate(s)	6.81%	7.75%
Expected rate(s) of salary increase	6.81%	5.00%
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		
<b>Amounts recognised in total comprehensive income in respect of these defined benefit plans are as follows:</b>		
Current service cost	7.75	11.85
Net interest expense	11.42	11.55
<b>Components of defined benefit costs recognised in Statement of profit and loss</b>	<b>19.17</b>	<b>23.40</b>
<b>Remeasurement on the net defined benefit liability comprising:</b>		
Actuarial (gains)/losses arising from changes in demographic assumptions	-	7.09
Actuarial (gains)/losses arising from changes in financial assumptions	8.97	17.24
Actuarial (gains)/losses arising from experience adjustments	(87.90)	(38.55)
Return on plan assets (excluding amounts included in net interest expense)	(0.68)	18.55
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>(79.61)</b>	<b>4.32</b>
<b>Total</b>	<b>(60.44)</b>	<b>27.72</b>

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.



## Notes annexed to and forming part of the Consolidated Financial Statements

## 33. Retirement benefit plans continued .....

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>The amount included in the Balance Sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:</b>		
Present value of defined benefit obligation	139.75	197.48
Fair value of plan assets	41.48	20.77
Net liability arising from defined benefit obligation - Funded	<u>98.27</u>	<u>176.71</u>
The above provisions are reflected under 'Current Financial Liabilities-Others (Refer note 26) to the Standalone Financial Statements.		
<b>Movements in the present value of the defined benefit obligation in the current year were as follows:</b>		
Opening defined benefit obligation	197.48	214.25
Current service cost	7.75	11.85
Interest cost	13.45	15.45
Plan amendments : vested portion at end of period (past services)		
Plan amendments : non vested portion at end of period (past services)		
Actuarial (gain)/losses arising from changes in demographic assumptions	-	7.09
Actuarial (gain)/losses arising from changes in financial assumptions	8.97	17.24
Actuarial (gain)/losses arising from experience adjustments	(87.90)	(38.55)
Benefits paid	-	29.84
Closing defined benefit obligation	<u>139.75</u>	<u>197.48</u>
<b>Movements in the fair value of the plan assets in the current year were as follows:</b>		
Opening fair value of plan assets	20.77	65.26
Interest Income	2.03	3.90
Return on plan assets (excluding amounts included in net interest expense)	18.00	-
Contributions	-	-
Benefits paid	-	29.84
Others	0.68	(2.36)
Closing fair value of plan assets	<u>41.47</u>	<u>20.77</u>

The Company funds the cost of the gratuity expected to be earned on a yearly basis to SBI Life Insurance Company Limited, which manages the plan assets.

The actual return on plan assets was Rs 2.71 lakhs (2019-20:Rs.9.23 lakhs)

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

## 1. Gratuity

If the discount rate is 50 basis points higher / lower, the defined benefit obligation would

Decrease by	130.28	185.05
Increase by	145.89	210.58

If the expected salary is 50 points higher/lower, the defined benefit obligation would

Decrease by	135.16	209.97
Increase by	150.17	185.41

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from previous year.

The Company expects to make a contribution of Rs Nil (as at March 31, 2019: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2020 is 28 years (as at March 31, 2019: 28.30 years)



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Compensated Absences</b>		
During the year, the Directors voluntarily waived off their right to receive compensated absences in view of the continuous losses incurred by the Company. In respect of the other employees, leave salary is paid in the respective year itself and no accumulation of leave exist at the end of the financial year. Hence no Actuarial valuation report is obtained. In respect of previous year benefits, the same has been accounted as other income, since the directors waived off their rights.		
<b>34. Earnings per share</b>		
<b>Basic and Diluted earnings per share</b>		
From continuing operations	(32.02)	(47.99)
From discontinued operations	—	—
Total basic earnings per share	(32.02)	(47.99)
<b>The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:</b>		
Profit/(loss) for the year attributable to owners of the Company	(1,232.50)	(1,847.14)
Earnings used in the calculation of basic earnings per share	(1,232.50)	(1,847.14)
Profit/(loss) for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	—	—
Others	—	—
Earnings used in the calculation of basic earnings per share from continuing operations	(1,232.50)	(1,847.14)
Weighted average number of ordinary shares for the purposes of basic earnings per share	38,49,250	38,49,250
<b>35. Financial Instruments</b>		
<b>Capital management</b>		
The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.		
The Company determines the amount of capital required on the basis of annual operating plans and long-term product and other strategic investment plans. The funding requirements are met through equity, non-convertible debt securities, and other long-term/short-term borrowings.		
The capital structure of the Company consists of net debt (borrowings as detailed in notes 15 and 20 offset by cash and bank balances) and total equity of the Company. The Company monitors the capital structure on the basis of total debt to equity ratio and maturity profile of the overall debt portfolio of the Company.		
<b>Gearing Ratio :</b>		
Debt	1,531.92	4,552.89
Less : Cash and bank balances	15.67	15.26
Net debt	1,516.25	4,537.63
Total equity	(556.20)	599.81
Net debt to total equity ratio	(2.73)	7.57
<b>Categories of Financial Instruments:</b>		
a. Measured at amortised cost:		
Cash and bank balances	15.67	15.26
Trade Receivables	302.65	287.37
Loans		
Others	5.35	222.49
b. Mandatorily measured at fair value through profit or loss (FVTPL):		
Investments	129.54	126.68
Derivative instruments	—	—



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>Financial liabilities</b>		
a. Measured at amortised cost:		
Borrowings	1,531.92	4,552.89
Trade Payables	196.40	597.92
Others	420.21	972.79
b. Mandatorily measured at fair value through profit or loss (FVTPL):		
Derivative instruments	-	-

**Financial risk management objectives**

The treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives, and the investment of excess liquidity. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**Market risk**

Market risk is the risk that changes in market prices, liquidity and other factors that could have an adverse effect on realisable fair values or future cash flows to the Company. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates as future specific market changes cannot be normally predicted with reasonable accuracy.

**Interest rate risk management**

The Company is exposed to interest rate risk because it borrow funds at floating interest rates.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended March 31, 2020 would decrease/increase by Rs.Nil (March 31, 2019: decrease/increase by Rs.11.02 lakhs). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**Equity price risk**

Equity price risk is related to the change in market reference price of the investments in equity securities. The fair value of some of the Company's investments in available-for-sale securities exposes the Company to equity price risks. In general, these securities are not held for trading purposes.

Equity price sensitivity analysis

The fair value of equity instruments as at March 31, 2020 was Rs. Nil (March 31, 2019: Rs.Nil ). A 5% change in prices of equity instruments held as at March 31, 2020 would result in an impact of Rs. Nil n equity (March 31, 2019: Rs. Nil).



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
-------------	----------------------------	----------------------------

**Offsetting related disclosures:**

Offsetting of cash and cash equivalents to borrowings as per the consortium agreement is available only to the bank in the event of a default. Company does not have the right to offset in case of the counter party's bankruptcy, therefore, these disclosures are not required.

**Liquidity risk management:**

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements.

The Company has obtained fund and non-fund based working capital lines from various banks.

The Company also constantly monitors funding options available in the debt and capital markets with a view to maintaining financial flexibility.

**Liquidity tables:**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Particulars	Due in 1st year	Due in 2nd to 5th year	Due after 5th year	Carrying amount
<b>March 31, 2020</b>				
Trade payables	196.40	-	-	196.40
Other financial liabilities	420.21	-	-	420.21
Borrowings (including interest accrued thereon upto the reporting date)	-	-	-	-
	<b>616.61</b>	-	-	<b>616.61</b>
<b>March 31, 2019</b>				
Trade payables	597.92	-	-	597.92
Other financial liabilities	972.79	-	-	972.79
Borrowings (including interest accrued thereon upto the reporting date)	2,238.08	2,264.44	-	4,506.52
	<b>3,808.79</b>	<b>2,264.44</b>	-	<b>6,077.23</b>

**36. Related party disclosure****a) List of related parties :**

Name of the Related Party	Relationship
SPMM Health Care Services Private Limited	Associate
Sambandam Spinning Mills Limited	Enterprises in which KMP or their relatives have a significance influence
Sambandam Siva Textiles Private Limited	Enterprises in which KMP or their relatives have a significance influence
S. Palaniandi Mudaliar Charitable Trust	Enterprises in which KMP or their relatives have a significance influence
Kandagiri Spinning Mills Gratuity Trust	Enterprises in which KMP or their relatives have a significance influence
S. Devarajan - Chairman	Key managerial personnel (KMP)
R.Selvarajan - Managing Director	Key managerial personnel (KMP)
S.Vijay Shankar - Chief Financial Officer	Key managerial personnel (KMP)
J.Asifa - Company Secretary	Key managerial personnel (KMP)
Sarayu. A	Relative of KMP
Abhinav. V	Relative of KMP

Notes : As per sec 149(6) of Companies Act, 2013 independent directors are not considered as KMP. Also considering the roles and functions of independent directors stated under schedule IV of Companies Act 2013 they have not been disclosed as KMP for the purpose of disclosure requirement as per Ind AS 24 Related Party.



## Notes annexed to and forming part of the Consolidated Financial Statements

## b) Details of Transactions with Related Parties :

Name of Related Party	Nature of Transaction	2019 - 20	2018 - 19
Sambandam Spinning Mills Limited	Intercorporate loan received	–	50.00
	Inter-corporate loan repaid	<b>516.00</b>	84.00
	Interest paid on Inter-corporate loan	<b>59.37</b>	71.08
	Sale of cotton	–	222.39
	Yarn conversion charges paid	–	0.06
	Yarn testing charges paid	–	0.52
	Balance payable at the end of the year (inter-corporate loan)	–	516.00
	Sale of products and services	<b>0.22</b>	–
	Sale of Plant & Machinery	<b>1,816.00</b>	–
	Balance receivable at the end of the year (Sale of Plant & Machinery)	<b>302.65</b>	–
	*Corporate Guarantee given to CSB Bank Ltd for securing Sambandam Spinning Mills Limited's Loan	<b>1,270.00</b>	–
Sambandam Siva Textiles Private Limited	Yarn conversion charges received	–	21.56
S. Palaniandi Mudaliar Charitable Trust	Employee welfare services expenses	–	–
Kandagiri Spinning Mills Gratuity Trust	Contribution paid	–	–
R.Selvarajan Managing Director	Interest Payment	–	–
	Remuneration	–	–
	Fixed deposits received	<b>130.56</b>	277.00
	Fixed deposits repaid	<b>695.90</b>	–
S.Vijay Shankar Chief Financial Officer	Balances outstanding - Fixed deposits	<b>13.20</b>	578.54
	Interest Payment	–	–
	Remuneration	–	–
	Fixed deposits received	<b>152.00</b>	257.50
J.Asifa - Company Secretary	Fixed deposits repaid	<b>687.59</b>	–
	Balances outstanding - Fixed deposits	<b>19.20</b>	554.79
	Remuneration	<b>6.00</b>	5.85
Sarayu. A	Interest Payment	–	20.36
	Fixed deposits received	<b>34.32</b>	–
	Fixed deposits repaid	<b>311.32</b>	–
	Balances outstanding - Fixed deposits	–	277.00
Abhinav. V	Interest Payment	–	1.81
	Fixed deposit received	–	15.00
	Fixed deposits repaid	<b>20.50</b>	–
	Balances outstanding - Fixed deposits	–	20.50
S. Devarajan	Interest Payment	–	–
	Fixed deposit received	<b>2,043.57</b>	–
	Fixed deposits repaid	<b>602.00</b>	–
	Balances outstanding - Fixed deposits	<b>1,471.57</b>	30.00

\* In addition to Corporate Guarantee, the Land & Building of the Company is provided as security to CSB Bank Ltd., for securing Term Loan availed by Sambandam Spinning Mills Limited.



Notes annexed to and forming part of the Consolidated Financial Statements						
37. Details of non current borrowings						
Particulars	Particulars of repayment	Year	Non current	Current Maturities	Total	Rs. in Lakhs
						rate of interest
<b>a. Secured Borrowings</b>						
i. Term loans from banks						
State Bank of India TL 5	-	As at March 31, 2020 As at March 31, 2019	- 400.00	- 195.00	- 595.00	- 16.65
Karnataka Bank TL 6	-	As at March 31, 2020 As at March 31, 2019	- 225.50	- 97.50	- 320.00	- 15.05
Subtotal	-	As at March 31, 2020 As at March 31, 2019	- 622.50	- 292.50	- 915.00	- -
<b>b. Unsecured Borrowings</b>						
Fixed deposits	Repayable in 2020-21 Rs.245.00 lakhs 2021-22 Rs.1254.52 lakhs 2022-23 Rs. 32.40 lakhs	As at March 31, 2020 As at March 31, 2019	1,286.92 1,176.36	245.00 325.41	1,531.92 1,501.77	11to12 11to12
Intercompany Loan	-	As at March 31, 2020 As at March 31, 2019	- 516.00	- -	- 516.00	- 12.00
<b>Grand Total</b>		As at March 31, 2020 As at March 31, 2019	1,286.92 1,692.36	245.00 325.41	1,531.92 2,017.77	11to12 -
<b>Note :</b> 1. Term loans aggregating to Rs. Nil (2019: Rs.915.00 lakhs) are secured by a first charge on pari passu basis on all Property, Plant and equipment and second charge on pari passu basis on all current assets.						
2. All the above loans are guaranteed by three directors						
<b>Details of current borrowings</b>						
						Rs. in Lakhs
i. Cash credit facilities from banks						
State Bank of India	on demand	As at March 31, 2020 As at March 31, 2019	- -	1,041.01 -	- 1,041.01	- 16.65
Karnataka Bank	on demand	As at March 31, 2020 As at March 31, 2019	- -	- 1,021.77	- 1,321.75	- 15.05
Axis Bank	on demand	As at March 31, 2020 As at March 31, 2019	- -	- 211.30	- 211.30	- 13.65
<b>Grand Total</b>		As at March 31, 2020 As at March 31, 2019	- -	- 2,274.08	- 2,574.06	- -
<b>Note :</b> 1. Cash Credit facilities are secured by a first charge on the Company's current assets and by a second charge on the Company's Property, Plant and equipments excluding the charges.						
2. All the above loans are guaranteed by three directors.						



## Notes annexed to and forming part of the Consolidated Financial Statements

Particulars	31.03.2020 Rs. in Lakhs	31.03.2019 Rs. in Lakhs
<b>38. Contingent liabilities and Capital Commitments</b>		
<b>Contingent liabilities</b>		
(i) Self generation tax / cross subsidy charges to TNEB etc *	-	438.36
(ii) Sales Tax	0.36	0.36
(iii) Others	-	12.87
(iv) Corporate Guarantee	1,270.00	-
	1,270.36	451.59

\* By way of abundant caution, the Company has provides Rs.299.72 lakhs out of the total liability of Rs.463.00 lakhs

**a) Capital Commitments**

Capital Commitments (net of advances) not provided for	-	508.17
	-	508.17

The outflow in respect of the above is not practicable to ascertain in view of the uncertainties involved.

**39. CSR Expenditure:**

Since the Company is incurring continuous losses and does not have average net profits for the last three years calculated in accordance with provisions of section 135 of the Companies Act, 2013, there is no CSR obligation for the Company for the financial year 2019-20 and accordingly the Company has not spent CSR during the financial year 2019-20

**40. Based on and to the extent of information available with the Company under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars as at reporting date are furnished below:**

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Principal amount due to suppliers under MSMED Act, as at the end of the year	0.34	0.47
(ii) Interest accrued and due to suppliers under MSMED Act, on the above amount as at the end of the year	-	-
(iii) Payment made to suppliers (other than interest) beyond the appointed day, during the year	-	-
(iv) Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
(v) Interest paid to suppliers under MSMED Act (Section 16)	-	-
(vi) Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
(vii) Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (ii) + (vi)	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

**41. Auditor's Remuneration :**

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Statutory audit	3.70	3.70
2. Taxation matters	-	-
3. Other services	-	-

**42. Net Debt Reconciliation**

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019
1. Cash and Cash equivalents	5.70	2.75
2. Liquid investments	9.72	9.09
3. Current Borrowings	(245.00)	(2,238.02)
4. Non current borrowings	(1,286.92)	(2,314.86)
Net Debt	(1,516.50)	(4,541.10)





## Notes annexed to and forming part of the Consolidated Financial Statements

(Rs. in Lakhs)

Particulars	Other Assets		Liabilities from financing activities			Total
	Cash and Bank overdraft	Liquid Investments	Finance lease Obligations	Non current borrowings	Current Borrowings	
<b>Net debt as at March 31, 2019</b>	–	–	–	–	–	<b>(4,541.10)</b>
Cash Flows	2.95	0.63	–	1,027.94	1,993.02	3,024.60
Interest expense	(501.62)	–	–	–	–	(501.62)
Interest paid	501.62	–	–	–	–	501.62
<b>Net debt as at March 31, 2020</b>	<b>5.70</b>	<b>9.72</b>	<b>–</b>	<b>(1,286.92)</b>	<b>(245.00)</b>	<b>(1,516.50)</b>

43. The Company's primary segment is identified as business segment based on nature of products, risk, returns and internal reporting business systems the company is principally engaged in a single business segment viz. manufacture and sale of cotton yarn.

## 44. Disclosure as required under section 186(4) of the Companies Act, 2013:

(Rs. in Lakhs)

Particulars	As at March 31, 2020	As at March 31, 2019	Purpose
i. Loans	–	–	Funding for operations
ii. Investments (Refer note 4)	154.71	154.96	
iii. Guarantees (Corporate Guarantee given to CSB Bank Ltd., for securing Term Loan availed by Sambandam Spinning Mills Limited.)	1,270.00	–	

45. Pursuant to the shareholder's permission for disposing of part of the Companies assets, the Company had during the previous financial year 31.03.2019, identified prospective customers for sale of Unit II and part of Unit I undertakings. The said value of assets were earmarked as 'assets held for sale'. Based on the net realisable value quoted by the prospective customers, the carrying value of the 'assets held for sale' had been written down and the possible impairment loss of Rs.276.78 lakhs provided in the previous financial year 31.03.2019 in terms of Ind AS provisions.

## 46. Going Concern

The company has been incurring losses over the years and upto the third quarter of the current year. However the networth had remained positive and consequently, the yarn/textile business continued to be carried on. The Board of Directors had initiated a number of steps to reduce fixed costs, recover higher raw material costs through higher price realization of Yarn and negotiate lower borrowing/finance cost. These efforts could not effect a turnaround in the fortunes of the company and in the light of erosion in net worth in the fourth quarter, the refusal of bankers to lend further monies and their request to settle their dues and prevalent economic conditions, the company decided in March 2020 to cease yarn production, sell the Plant and Machinery, lease the immovable property and retire the liabilities to the extent possible. The Stock exchange and other regulatory authorities have been duly informed. It may also be recalled that necessary approvals from the shareholders for disposal of assets had already been obtained.

Necessary funds for retirement of dues and settlement of liabilities have been provided by the Directors/Promoters.

The quality of goods produced hitherto by company has generated goodwill and brand image that the Board of Directors hope to continue to use by engaging interalia in trading in Yarn. The cessation of Production of Yarn is thus to be viewed as an interim drastic measure to stem losses, protect shareholders' interests and retire all the bank liabilities to protect the reputation and credit ratings of the company. The situation arising out of Covid-19 Pandemic has justified the decision of the Board of Directors. The lease rentals from lease of Land and Building and the assurance of infusion by the Promoters of further interest-free funds as and when deemed necessary will ensure that all remaining liabilities will be fully discharged and accordingly, the Board of Directors deem it fit to continue adoption of Going Concern Concept in preparation of the financial statements although the Statutory auditors have qualified their opinion with respect to the same



## Notes annexed to and forming part of the Consolidated Financial Statements

## 47. Revenue from contract with customers (Ind AS 115)

## a) Disaggregated revenue information

(Rs. in Lakhs)

Particulars	March 31, 20120	March 31, 2019
<b>Type of goods and service</b>		
Sale of products		
Yarn	2,646.34	6,879.67
Process waste	10.78	59.04
<b>Revenue from services</b>		
Yarn testing charges	-	15.92
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	6,954.63
India	2,657.12	6,953.63
Outside India	-	-
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	6,954.63

## Timing of revenue recognition

(Rs. in Lakhs)

Particulars	March 31, 2020		March 31, 2019	
	At a point in time	Over a period of time	At a point in time	Over a period of time
Sale of products and other operating income	2,657.12	-	6,954.63	-
Less : Rebates and discounts	-	-	-	-
<b>Total revenue from contract with customers</b>	<b>2,657.12</b>	-	6,954.63	-

## b) Contract balance

(Rs. in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Trade receivables	302.65	287.37
Contract assets / Liabilities	-	-

Trade receivables are non-interest bearing and are generally on approval terms

## c) Reconciliation of revenue recognised in the statement of profit and loss with the contracted price

(Rs. in Lakhs)

Particulars	March 31, 2020	March 31, 2019
Revenue as per contracted price	2,657.12	6,954.63
Adjustments:-		
Rebates and discounts	-	-
<b>Revenue from contract with customers</b>	<b>2,657.12</b>	6,954.63


**Notes annexed to and forming part of the Consolidated Financial Statements**
**48. COVID 19**

In assessing the recoverability of assets, the Company has considered internal and external information up to the date of approval of these financial statements. The Company has performed sensitivity analysis on the assumption used and base on current estimates expects the carrying amount of the assets will be recovered. Given the uncertainty caused by COVID 19, the final impact on the Company's assets in future may differ from that estimated as at the date of approval of financial statements.

**49. Associates**
**Details of associates**
**Aggregate information of associates**

The Group's share of profit (loss) from continuing operations	3.11	12.33
The Group's share of post-tax profit (loss) from discontinued operations	-	-
The Group's share of total comprehensive income	3.11	12.33
Aggregate carrying amount of the Group's interests in these associates	<b>129.54</b>	126.68

**Unrecognised share of losses of associates**

The unrecognised share of loss of associates for the year	-	-
consequent to investment being nil under equity accounting		
Cumulative share of loss of associates	-	-

50. Previous year figures have been regrouped / reclassified / amended wherever necessary to conform to current year classification.

As per our report of even date

For **R. Sundararajan & Associates**

Chartered Accountants

Firm Registration no.008282S

**S. Krishnan** - Partner

Membership No. 26452

Salem

July 30, 2020

For and on behalf of the board

**R. Selvarajan**

Managing Director

DIN : 00001703

**Dr. A. Sarayu**

Director

DIN : 06953362

**J. Asifa**

Company Secretary

**S. Vijay Shankar**

Chief Financial Officer

# 44<sup>th</sup> Annual Report



**Kandagiri Spinning Mills Limited**

**Post Box No. 3, Udayapatti, Salem - 636 140**