



Kandagiri Spinning Mills Ltd.

Ref: KSML/CS/ 015/2019-20

17th July, 2019

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

Dear Sir,

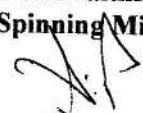
Sub: Enclosure of 43rd Annual Report of the Company for the financial year 2018-19
Ref: Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In accordance with regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we herewith enclosed Company's 43rd Annual Report for the financial year 2018-19.

Kindly take the same for your records.

Thanking you,

Yours faithfully,
For Kandagiri Spinning Mills Limited


J. Asifa
Company Secretary

Encl: As above



CIN: L1111TZ1976PLC000762

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



KANDAGIRI SPINNING MILLS LIMITED



**43rd Annual Report
2018 - 2019**



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| | | |
|----------------------------|--------------------------------------|---------------------------------------|
| Board of Directors | Mr. S. Devarajan | - Chairman and Non Executive Director |
| | Mr. R. Selvarajan | - Managing Director |
| | Mr. S. Vijay Shankar | - Non Executive Director |
| | Dr. (Mrs.) A. Sarayu | - Non Executive Director |
| | Mr. S. Sivakumar | - Non Executive Director |
| | Mr. S. Gnanasekharan | - Non Executive Independent Director |
| | Mr. Kameshwar M Bhat | - Non Executive Independent Director |
| | Dr. V. Sekar | - Non Executive Independent Director |
| | Dr. R. Ramarathnam | - Non Executive Independent Director |
| Mr. D. Balasundaram | - Non Executive Independent Director | |

Chief Financial Officer Mr. S. Vijay Shankar

Company Secretary Ms. J. Asifa

Statutory Auditors M/s R. Sundararajan & Associates

Secretarial Auditors M/s B.K. Sundaram & Associates

Cost Auditor CMA K.M. Krishnamurthy

Bankers

| | |
|-------------------------------|------------------------|
| State Bank of India | - Consortium Lead Bank |
| Karnataka Bank Limited | - Consortium Member |
| Axis Bank Limited | - Consortium Member |

Registered Office Post Box No. 3, Mill Premises,
Udayapatti P.O., Salem 636 140, Tamil Nadu.

Corporate Identity No. (CIN) : L17111TZ1976PLC000762

Spinning Plants

| | |
|---------------|--|
| Unit I | : Udayapatti P.O., Salem 636 140, Tamil Nadu. |
|---------------|--|

| | |
|----------------|---|
| Unit II | : Seshanchavadi P.O., Salem 636 111, Tamil Nadu. |
|----------------|---|



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 pursuant to section 96 and other applicable provisions of the Companies Act, 2013 that the Forty third (43rd) Annual General Meeting of the Company will be held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony, Salem 636 014 on **Sunday, the 11th August, 2019 at 11.30 a.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt
 - a. The Audited Financial Statements of the Company for the year ended March 31, 2019 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 year ended March 31, 2019 together with the notes annexed thereto and the report of the Auditors thereon.
2. Non-Executive Director Sri S. Vijay Shankar (holding DIN 00001711) who retires by rotation and being eligible, offers himself for re-appointment.
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) to conduct the statutory audit for the financial year 2019-2020 and to give their report thereon, be and is hereby fixed at Rs.3,70,000/- (Rupees Three Lakhs and Seventy thousand only) excluding the out of pocket expenses that may be incurred by them in connection with the audit and excluding the applicable GST."

SPECIAL BUSINESS

4. **Reappointment of Sri S. Gnanasekharan as a Non-Executive Independent Director**

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

RESOLVED THAT pursuant to the provisions of 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 the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Sri S. Gnanasekharan (DIN: 06796817), Non-Executive Independent Director of the Company, being eligible for reappointment and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, be and is hereby re-appointed as a Non-Executive Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of five consecutive years from 11/08/2019 to 10/08/2024 despite he has crossed the age of seventy five years.



5. Reappointment of Sri Kameshwar M. Bhat as a Non-Executive Independent Director

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

RESOLVED THAT pursuant to the provisions of 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 the applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Sri Kameshwar M. Bhat (DIN: 06951906), Non-Executive Independent Director of the Company, being eligible for reappointment and who has submitted a declaration that he meets the criteria of independence as provided in Section 149(6) of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, be and is hereby re-appointed as a Non-Executive Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of five consecutive years from 11/08/2019 to 10/08/2024.

6. Ratification of remuneration payable to the Cost Auditor

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

RESOLVED THAT the remuneration of Rs.50,000/- (Rupees fifty thousand only) payable for audit of cost accounts of the Company for the financial year ending 31st March, 2020 to CMA K.M. Krishnamurthy, (Membership No.10026, Firm Registration No: 102198) Cost Accountant as recommended by the Audit Committee and approved by the Board of Directors of the Company pursuant to section 148 of the Companies Act 2013 read with rule 14 and other applicable rules of the Companies (Audit and Auditors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) excluding the out of pocket expenses that may be incurred by him in connection with the audit and excluding the applicable GST be and is hereby ratified.

RESOLVED FURTHER THAT the Board of directors of the Company be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

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

Place : Salem
Date : May 26, 2019

J. Asifa
Company Secretary

NOTES :

1. A Member entitled to attend and vote is entitled to appoint proxy/proxies to attend and vote instead of himself/ herself and the proxy need not be a Member. Please read the instructions printed overleaf the Proxy Form attached to this notice before using the Form. The right of remote e-voting shall not be exercised by a Proxy.
2. 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 6 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from **5th August, 2019 to 11th August, 2019** (both days inclusive).
4. 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 ; ksmcs@kandagirimills.com
5. 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.



6. 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 provisions, during the year 2018-19, Company has transferred Unpaid/Unclaimed Final dividend of the FY 2010-11 along with the underlying shares of the year 2010-11 (Final Dividend) to IEPF a/c as detailed below:

Unpaid / Unclaimed Dividend amount transferred: Rs. 1,18,528/- on 10.10.2018

No. of transfer of underlying shares to IEPF: 9,628 shares transferred on 15.10.2018

Shareholders can claim the respective dividends and shares from IEPF by filing the requisite forms and following the procedures as stated in the IEPF rules.

7. 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 'Subramanian Building', No. 1, Club House Road, Chennai – 600 002.
8. 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 re-appointments at the AGM are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their re-appointment(s).
9. 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.
10. 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.
11. The Notice along with the Annual Report 2018-19 is being sent by electronic mode to those members whose email addresses are registered with the Company/Depositories, unless any member has requested for a physical copy of the same. For members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. Members may note that this Notice and Annual Report 2018-19 will also be available on the Company's website www.kandagirimills.com

12. 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 43rd AGM. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) for this purpose.

The voting period begins on **07.08.2019 at 9.15 a.m.** and ends on **10.08.2019 at 5.00 p.m.** During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on **4th August, 2019 (cut-off date)**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.



Instructions for members for voting electronically are as under:-

In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" "KANDAGIRI SPINNING MILLS LIMITED" from the drop down menu and click on "SUBMIT".
- (iv) Now Enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code (image verification) as displayed and Click on Login.
- (v) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used. If you are a first time user follow the steps given below.
- (vi) Now, fill up the following details in the appropriate boxes:

For Members holding shares in Demat Form or in Physical Form

| For Members holding shares in Demat Form or in Physical Form | |
|---|--|
| PAN* | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) * Members who have not updated their PAN with the Company / RTA / DP are requested to use the first two letters of their name and the sequence number in the 'PAN field'. The S.L. No. printed on your address slip pasted on the Annual Report envelope added with sufficient 0s in between the first two letters of your name and the S.L. No. to fill the ten digit PAN field for this purpose Example : If your name is Ramesh with S.L. No. 00003615 then enter RA00003615 in the ' PAN field'. If the name is V.K. Mohan with S.L. No. 00000005, enter VK00000005 in the 'PAN field'. |
| Date of Birth (DOB) # | Enter the Date of Birth (as recorded in your demat account or in the Company records for the said demat account or folio) in dd/mm/yyyy format. |
| Dividend Bank Details # | Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio. |

Please enter DOB or dividend bank details in order to login. In case both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.

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



- (xi) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- (xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify yours vote.
- (xiv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xv) If Demat account holder has forgotten the changed password then, enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
- (xvi) Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- (xvii) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cDSLindia.com.

In case of members acquiring shares after the dispatch of the notice:

Any person who acquires shares of the Company and becomes a member of the Company as on the cut-off date shall follow the above instructions to cast their vote through e-voting process.

13. VOTING AT THE VENUE OF THE AGM

In terms of Companies (Management and Administration) Amendment Rules, 2015 with respect to the voting through electronic means, the Company is pleased to offer the facility for voting by way of polling at the venue of the AGM. Members attending the meeting should note that those **who are entitled to vote but have not exercised their right to vote by 'Remote e-voting' may vote at the AGM through polling for all businesses specified in the Notice. Members who have exercised their right to vote by Remote e-voting may attend AGM but shall not vote at the AGM.**

- 14. 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 **Sunday, 4th August, 2019.**
- 15. **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 AGM venue voting processes in a fair and transparent manner.
- 16. 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.
- 17. 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.
- 18. The results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.kandagirimills.com and the website of the CDSL immediately after the declaration of result and shall also be immediately forwarded to the Stock Exchange where the Company's shares are listed.



19. 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.
20. Proxy and Attendance Slips are enclosed in Page No. 131

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

Item No. 3 – Remuneration of Statutory Auditors

At the 42nd 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 2019-20, before the member's for approval.

Item No. 4 - Re-appointment of Sri S. Gnanasekharan as a Non-Executive Independent director

Sri S. Gnanasekharan was appointed as a Non- Executive Independent Director of the Company by the members at the 38th AGM of the Company held on 28th September, 2014 for a period of five consecutive years commencing from the date of 38th AGM of the Company till the conclusion of the 43rd AGM of the Company.

Further, in accordance with the amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, dated 9th May, 2018 and effective from 01.04.2019, approval of members by way of special resolution was obtained for continuation of Non- Executive Independent Director, Sri S. Gnanasekharan for his remaining tenure (i.e., upto conclusion of the 43rd AGM of the Company), vide postal ballot on 27.03.2019, since he had crossed the age limit of 75 years.

As per the provisions of Section 149(10) and 149(11) of the Companies Act, 2013, an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of upto five consecutive years on the Board of a Company. Non- Executive Independent Director, Sri S. Gnanasekharan is of 80 years of age and in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the director's reappointment will require passing of special resolution, as he crossed the age limit of seventy five years.

Taking into consideration, his Professional qualification and expert knowledge in Company Law and other connected matters and his contribution to the Company and based on the performance evaluation of the Independent Director and as per the recommendation of Nomination and Remuneration Committee and in terms of the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Sri S. Gnanasekharan, being eligible for re-appointment as an Independent Director and offering himself for re-appointment, the Board of Directors at their Meeting held on 26th May, 2019 has recommended for re-appointment of Sri S. Gnanasekharan as a Non-Executive Independent Director for a second term of five consecutive years from 11/08/2019 to 10/08/2024, though he has crossed seventy five years of age.

The Company has received declaration from Sri S. Gnanasekharan stating that he meets the criteria of Independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. He has also given his consent to continue to act as Director of the Company, if so appointed by the members.

In the opinion of the Board, Sri S. Gnanasekharan fulfils the conditions specified under Section 149 (6) of the Act, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for his reappointment as a Non-Executive Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Sri S. Gnanasekharan as a Non-Executive Independent Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day until the date of AGM of the Company.



Accordingly, the Board recommends passing of this Special Resolution by the shareholders as set out under Item No: 4 of the Notice.

Except Sri S. Gnanasekharan, being an appointee, none of the 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. Sri S. Gnanasekharan is not related to any Director of the Company.

Item No. 5 - Re-appointment of Sri Kameshwar M. Bhat as a Non-Executive Independent Director

Sri Kameshwar M. Bhat was appointed as a Non- Executive Independent Director of the Company by the members at the 38th AGM of the Company held on 28th September, 2014 for a period of five consecutive years commencing from the date of 38th AGM of the Company till the conclusion of the 43rd AGM of the Company.

As per Section 149(10) and 149(11) of the Companies Act, 2013, an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of upto five consecutive years on the Board of a Company.

Taking into consideration, his Professional qualification and expert knowledge in Banking, Finance related matters and his contribution to the Company and based on the performance evaluation of the Independent Director and as per the recommendation of Nomination and Remuneration Committee and in terms of the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Sri Kameshwar M. Bhat, being eligible for re-appointment as an Independent Director and offering himself for re-appointment, the Board of Directors at their Meeting held on 26th May, 2019 has recommended for re-appointment of Sri Kameshwar M. Bhat as a Non-Executive Independent Director for a second term of five consecutive years from 11/08/2019 to 10/08/2024.

The Company has received declaration from Sri Kameshwar M. Bhat stating that he meets the criteria of Independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. He has also given his consent to continue to act as Director of the Company, if so appointed by the members.

In the opinion of the Board, Sri Kameshwar M. Bhat fulfils the conditions specified under Section 149 (6) of the Act, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for his reappointment as a Non-Executive Independent Director of the Company and is independent of the management. Copy of the draft letter for appointment of Sri Kameshwar M. Bhat as a Non-Executive Independent Director setting out terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day until the date of AGM of the Company. The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Sri Kameshwar M. Bhat as an Independent Director.

Accordingly, the Board recommends passing of this Special Resolution by the shareholders as set out under Item No: 5 of the Notice.

Except Sri Kameshwar M. Bhat, being an appointee, none of the 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. Sri Kameshwar M. Bhat is not related to any Director of the Company.



Item No.6 - Ratification of the Remuneration payable to Cost Auditor

Though the turnover of the Company for the financial year 2018-19 is below Rs. 100 Cr, 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, Board of Directors decided to continue the Cost Audit for the FY 2019-20. On the recommendation of the Audit Committee, Board of Directors has appointed CMA K.M. Krishnamurthy, Cost Accountant as Cost Auditor of the Company for audit of cost accounts of the Company for the FY 2019-20 on the remuneration of Rs.50,000/- (Rupees Fifty Thousand only) excluding out of pocket expenses and GST. As per the provisions of Section 148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules 2014 with subsequent amendments thereto, remuneration payable to the cost auditor as approved by the Board of directors of the Company shall be ratified by the shareholders. Resolution for this purpose is placed for consideration of members for ratification of the remuneration as stated in the resolution. None of the directors or the key managerial personnel or their relatives is interested in the resolution.

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 : May 26, 2019

J. Asifa
Company Secretary

Details of Directors Seeking Re-appointment

| Name of the Director | Sri S. Vijay Shankar | Sri S. Gnanasekharan | Sri Kameshwar M. Bhat |
|--|---|--|--|
| DIN | 00001711 | 06796817 | 06951906 |
| Date of birth | 23-01-1977 | 29-05-1938 | 21-07-1964 |
| Date of Appointment | 23-10-2002 | 14-02-2014 | 28-09-2014 |
| Qualification | MBA | FCS - Fellow Member of ICSI | M.sc (Agri). CAIIB, PGDM |
| Expertise in Specific Functional areas | He became the Joint Managing Director of the Company on 23rd October, 2002 and has served the company since then. Further, he resigned from the post of JMD and continued as CFO and Non-Executive Director from 01.04.2014. He has been on the Board of various companies and has more than four decades of experience in the field of textile industry. | He is a fellow Member of ICSI and has served in various senior positions in the Corporate Sector. He has over five decades of vast experience in the Corporate Profession including experience of more than three decades in Finance and Accounts, General Administration, Public Relations etc. Presently he is a Practising Company Secretary. | He is a Financial Consultant and partner in KMB Associates, LLP. He has over of 25 years of experience in Banking, Financial Services and Retail Operations Management. He retired in the position of Assistant General manager of Karnataka Bank Limited. |

Kandagiri Spinning Mills Limited



| Name of the Director | Sri S. Vijay Shankar | Sri S. Gnanasekharan | Sri Kameshwar M. Bhat |
|---|--|--|--|
| Directorship in other Companies | 1. SPMM Health Care Services Private Limited, Salem (SPMM) | 1. Non-Executive Independent Director in Sambandam Spinning Mills Limited (SSML) 2. Director in Annai Infra Developers Limited | 1. Non-Executive Independent Director in Sambandam Spinning Mills Limited (SSML) 2. Partner, KMB Associates, LLP |
| Committee Membership in other Companies | Nil | Holds following Committee Membership in SSML 1. Audit Committee – Member 2. Nomination and Remuneration Committee – Member 3. Stakeholders Relationship Committee - Chairman | Holds following Committee Membership in SSML 1. Audit Committee – Chairman 2. Nomination and Remuneration Committee – Chairman |
| No. of shares in the Company | 4,09,582 | NIL | NIL |
| Inter-se relationship with any other directors | He is son of Managing Director Sri. R. Selvarajan and husband of Non-Executive Director Dr. A. Sarayu | NIL | NIL |
| Number of Board meetings attended during the FY 2018-19 | Attended four out of four Board Meetings held during the year | Attended four out of four Board Meetings held during the year | Attended four out of four Board Meetings held during the year |
| Terms and conditions of reappointment | Reappointment of Sri S. Vijay Shankar as a Non-Executive director, liable to retire by rotation | Reappointment of Sri. S. Gnanasekharan as a Non-Executive Independent Director, not liable to retire by rotation and to hold office for a second term of five consecutive years from 11/08/2019 to 10/08/2024. | Reappointment of Sri. Kameshwar M. Bhat as a Non-Executive Independent Director, not liable to retire by rotation and to hold office for a second term of five consecutive years from 11/08/2019 to 10/08/2024. |
| Remuneration last drawn | Sri. S. Vijay Shankar do not receive any sitting fees in his capacity as Non-Executive director but only receives remuneration in the capacity of CFO, as may be decided by the Board from time to time. | Non-Executive Independent Director Sri. S. Gnanasekharan only receives sitting fees for attending Committee/Board meetings as shown below: (i) For Audit Committee Meeting: Rs. 25000/- per meeting (ii) For Nomination and Remuneration Committee Meeting: Rs.15000/- per meeting (iii) For Board Meeting : Rs. 15000/- per meeting (iv) For CSR Committee & Stakeholders' Relationship Committee meeting : Nil | Non-Executive Independent Director Sri. Kameshwar M. Bhat only receives sitting fees for attending Committee/Board meetings as shown below : (i) For Audit Committee Meeting: Rs. 25000/- per meeting (ii) For Nomination and Remuneration Committee Meeting: Rs. 15000/- per meeting (iii) For Board Meeting : Rs. 15000/- per meeting |
| Remuneration sought to be paid | As referred above | 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 43rd Annual Report together with the audited accounts for the year ended March 31, 2019 (the year).

| Performance Highlights | 2018 - 19 | 2017 - 18 |
|---|-------------------|-----------|
| | (Rupees in Lakhs) | |
| Sales - Domestic | 6939 | 5136 |
| Other Operating income | 16 | 302 |
| Total Turnover | 6955 | 5438 |
| Gross profit/(Loss) (i.e., Profit before interest and depreciation) | (622) | (437) |
| Cash profit/(Loss) (i.e., Profit / before depreciation) | (1262) | (1242) |
| Profit/(Loss) before exceptional Item and tax | (1583) | (1613) |
| Exceptional Item: | | |
| Impairment loss on assets | (276) | - |
| Loss on sale of industrial undertaking | - | (85) |
| Profit/(Loss) after exceptional Item (before tax) - PBT | (1859) | (1698) |
| Profit/(Loss) after exceptional Item and tax – PAT | (1859) | (1161) |
| Earnings per share - basic and diluted Rs. | (48.31) | (30.17) |

Dividend

In view of the loss incurred during the year, no dividend is recommended by your Board of Directors for the financial year 2018-19.

Retained Earnings

The aggregate of current year loss of (Rs. 1859 lakhs) and other comprehensive income of Rs. 4.32 lakhs works out to Rs. (1854.68 lakhs) and had been added to the negative retaining earnings as at the beginning of the year of (Rs. 699 lakhs) and the negative retained earnings aggregates to (Rs. 2553.68 lakhs) as at the end of the year.

Financial Performance with respect to Operational Performance:

During the financial year 2018-19, your Company's turnover was Rs. 6955 lakhs as against the previous year turnover of Rs. 5438 lakhs. The financial year 2018-19 continued witnessing adverse market behaviour of abnormal increase in cotton prices coupled with lower yarn prices. With production of more special varieties of yarn, Company was able to minimize the loss marginally in the financial year 2018-19 to Rs. 1583 lakhs as against the previous year loss of Rs. 1613 lakhs.

Though the production of special varieties of yarn had improved the Company's performance, Company could not achieve the desired profits because of higher raw material cost, higher interest costs and repayment obligations due to which the Company could not earmark sufficient funds towards working capital to increase the production of special yarn varieties.

To overcome the situation, 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. The sale of the assets is under progress.

Using the sale proceeds of the assets, the Company will reduce 50% of the Bank debts. With substantial reduction in interest costs and increased production of special varieties of yarn, Company could achieve better performance in the coming periods.

The impairment loss of assets of Rs. 276 lakhs is added to the current year loss of Rs. 1583 lakhs and the loss (before tax) for the FY 2018-19 is Rs. 1859 lakhs



MANAGEMENT DISCUSSION AND ANALYSIS

The core business of the company is manufacture and sale of cotton yarn. The management discussion and analysis given below discusses the key issues of the cotton yarn spinning sector.

(a) Industry structure and developments:

The textile Industry is facing lots of challenges and it is under transformation on following grounds:

- a) Excess spindle capacity due to unplanned expansion throughout the textile sectors from supply chain such as Ginning, spinning, weaving and till the end user stage of garments.
- b) Soaring cotton prices coupled with increasing wage costs and power costs.
- c) Fast and quick fashion changes among consumers and other market dynamics.
- d) Stiff price competition.
- e) Entire textile industry is facing labour shortage due to labour migration and urbanization of labour.
- f) Previous year economic challenges such as GST impact and tail end effect of demonetization.

(b) Outlook

In textile industry there will be an increase in demand due to increase in population coupled with vast potential domestic market. In addition to existing products, lot of value added product is expected to go up manifold in the market. Also there will be an exponential demand on technical textile products in the area of medical textiles, automobile textiles, agricultural textiles, flame retardant textiles, and other wide range of applications.

(c) Strategies and Future plans

Company has planned to increase the production of special yarns like Viscose, Polyester and Melange Varieties. The special yarns are well received in the market with better selling prices than Cotton yarn and yield increased profitability.

During the year, the Company has sold some of the non-core assets of the Company viz., windmill and its surrounded land situated at Udumalpet, investments in Sambandam Spinning Mills Limited etc. The sale proceeds were utilised towards operations of the Company and payment of Bank dues.

As a revival plan, Company has proposed for sale of some of its assets viz., Unit-II asset and a portion of land and building of Unit-I, at a total sale consideration of Rs. 25.50 Cr. Using the sale proceeds of assets the Company will be reduce 50% of the Bank debts and thereby reduce the interest cost.

With enormous reduction in the interest cost and functioning at full capacity with production of special yarns, Company will be able to perform better in the coming years.

(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.

(e) Internal control systems

The Company has in place a well established internal control procedures 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 resource. Your Company continues to create a favourable environment at work place.

The company also recognises the importance of training and consequently deutes 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

Board of Directors of the Company has constituted Corporate Social Responsibility (CSR) Committee and devised a CSR policy to carry out CSR initiatives in line with the requirements specified under the Companies Act, 2013. Since the Company has no average net profit, there was no CSR Obligation for the FY 2018-19.

(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)

| | FY 2018-19 | FY 2017-18 | change | change% |
|------------------------------|------------|------------|-----------|----------|
| a. Debtors turnover ratio | 24.20 | 18.92 | 5.28 | 27.89% |
| b. Inventory turnover ratio | 4.59 | 2.03 | 2.55 | 125.47% |
| c. Interest coverage ratio | (0.97) | (0.54) | (0.43) | 79.07% |
| d. Current ratio | 0.38 | 0.71 | (0.33) | (46.42)% |
| e. Debt equity ratio | 3.86 | 0.93 | 2.93 | 314.67% |
| f. Operating profit margin % | (8.93)% | (8.02)% | (0.91)% | |
| g. Net profit margin % | (26.73)% | (21.35)% | (5.38)% | |
| h. Return on net worth | (310.01)% | (47.14)% | (262.87)% | |

Explanations

- i) Increase in debtor turnover ratio is because of better collection management
- ii) Increase in Inventory turnover ratio is because of better inventory management
- iii) In view of losses incurred by the Company, the Interest coverage, current ratio and debt equity ratios got affected and also the networth got eroded.

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.

Secretarial Audit Report

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 2018-19 The report of the Secretarial Audit for the financial year 2018-19 in FORM MR-3 is annexed to this report and forms part of this report. There are no disqualifications, reservations or adverse remarks or disclaimers in Secretarial Audit Report.



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

There is no qualification in the Independent Auditors' Report except 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. With respect to the term loan principal and interest dues outstanding as on the Board report date, your directors wish to state that the same will be paid in due course.

With respect to 'Material uncertainty related to going concern' given in Independent Auditor's Report, the Management explanation is 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-rtp.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 next Board Meeting followed the meeting of the Independent directors. 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.



Independent Directors Sri Kameshwar M. Bhat and Sri S. Gnanasekharan is proposed for reappointment this year and based on the evaluation carried out, the Nomination and Remuneration Committee and the Board had recommended for their reappointments and the Board has placed the proposal before the members for approval.

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 given hereunder:

- (i) Previous year's observations and action taken
The following actions were taken based on previous year's observations
 - (a) More active participation of all the directors.
 - (b) Layout of strong succession plan
 - (c) Board discussions are made comprehensive and of subject importance
- (ii) Current year Observations and proposed actions based on current year observation
The following actions required to be taken based on current year's observations
 - (a) To make 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 levels in key areas like HR, Marketing, Finance, Production and other operational areas of the Company and to provide adequate training.

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 deposits covered under Chapter V of the Act

- i. Deposits at the beginning of the year on 01st April, 2018: Rs. 64.00 lakhs
- ii. Deposits Accepted from shareholders during the year (2018 - 19; till 11-08-2018) : Rs20.94 lakhs
- iii. Deposits repaid during the year (2018-19): Rs. 26.50 lakhs
- iv. Deposits outstanding at the end of the financial year on 31st March, 2019: Rs. 58.44lakhs
- 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.

Cost Audit Report

Cost Audit Report for the FY 2017-18 in XBRL format was filed with MCA on 21.08.2018 vide SRN H02147692. CMA K.M. Krishnamurthy, Cost Accountants were appointed as Cost Auditor of the Company for the FY 2018-19 and the Cost Audit report for the year 2018-19 in XBRL format will be filed with MCA well within the due date.

Though the turnover of the Company for the financial years 2016-17, 2017-18 & 2018-19 is below Rs. 100 Cr, 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, on the recommendation of the Audit Committee, Board of Directors decided to continue the Cost Audit for the FY 2019-20. Accordingly, on the recommendation of the Audit Committee, Board has appointed CMA K.M. Krishnamurthy, Cost Accountant as Cost Auditor for the FY 2019-20. Board places before the members the resolution for ratification of remuneration payable to the Cost Auditor for the FY 2019-20.



Directors

At the 42nd AGM of the Company held on 11.08.2018, Managing Director Sri R. Selvarajan was reappointed for a period of three years with effect from 01.10.2018.

During the year, special resolution was passed through postal ballot on 27.03.2019, in accordance with provisions of SEBI (LODR) Regulations, 2015, for continuation of Non-Executive Independent Director Sri. S. Gnanasekharan to hold his directorship up to his original tenure i.e., until the conclusion of 43rd AGM of the Company, as he crossed the age limit of 75 years.

Independent Directors Sri S. Gnanasekharan and Sri Kameshwar M. Bhat were appointed at the 38th AGM of the Company held on 28.09.2014 for a term of five consecutive years and shall hold office upto the conclusion of the ensuing 43rd AGM of the Company. The Board has recommended for the reappointment of these directors for a second term of five consecutive years and has placed the resolutions in the notice convening the 43rd AGM of the Company for member's approval.

Independent Directors Dr. V. Sekar, Dr. R. Ramarathnam and Sri D. Balasundaram were appointed at the 41st AGM of the Company held on 12.08.2017 and shall hold office upto the conclusion of 45th AGM of the Company.

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

At the 42nd AGM of the Company held on 11.08.2018, Managing Director Sri R. Selvarajan was reappointed for a period of three years on a monthly remuneration of Rs. 3,00,000/- with effect from 01.10.2018.

In view of the financial crisis of the Company, MD and CFO had waived their entire salary during the financial year 2018-19.

Auditors

At the 42nd 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 2019-20 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 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 2018-19, 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. 457.27 lakhs during the year 2018-19 as against Rs.437.73 lakhs in the previous year and profit after tax of Rs.24.65 lakhs during the year 2018-19 as against Rs.20.88 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 during the year, if any

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. Details of CSR Expenditure in Annexure - 7
8. Particulars of Remuneration in Annexure - 8
9. CEO/CFO Certification in Annexure - 9
10. Corporate Governance Report in Annexure - 10

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 demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other related factors such as litigation and industrial relations.

Acknowledgement

Directors of your Company record their sincere appreciation of the dedication and commitment of all employees in achieving and sustaining excellence in all areas of the business. Your directors thank the Shareholders, Customers, Suppliers, Bankers and other stakeholders for their continued support during the year. Your Company's consistent performance has been made possible by the hard work, solidarity, cooperation and support of the management team. The directors of your company thank State Bank of India, Karnataka Bank Limited and Axis Bank Limited, 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

Salem
May 26, 2019

S. Devarajan
Chairman
(DIN: 00001910)

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 2018-19, 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 consumption

1. Electricity

| | | 2018-19 | 2017-18 |
|---|-----------|---------|---------|
| (i) Purchased units | '000 KWH | 13830 | 15343 |
| Total cost | Rs. Lakhs | 1048 | 1264 |
| Cost/unit | Rs. | 7.58 | 8.24 |
| (ii) Own generation | | | |
| 1) Through diesel generator | | | |
| Generated units | '000 KWH | 6 | 4 |
| Units per litre of diesel | KWH | 2.23 | 2.92 |
| Cost/unit | Rs. | 32.81 | 19.26 |
| 2) Through steam turbine/generator | | - | - |
| 3) Through Wind energy converters | '000 KWH | - | 201 |
| Generated units (fed to TNEB Grid) | | | |
| Cost/unit | Rs. | - | 4.26 |
| *Cost includes maintenance charges, interest and depreciation | | | |

2. Coal

3. Furnace oil

4. Others

b) Consumption per unit of production

| | | | |
|-----------------------------|------------|-------|-------|
| Production (Yarn) | Kgs. Lakhs | 33.54 | 25.88 |
| Consumption of electricity | '000 KWH | 13836 | 15548 |
| Consumption Per kg. of Yarn | KWH | 4.12 | 6.01 |

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 | - | - |
| 2) Other expenditure in foreign Currency | | | |
| Other matters | Rs. Lakhs | - | - |
| 3) Foreign exchange earned | | | |
| Yarn export | Rs. Lakhs | - | - |

**FORM AOC - 1**

Annexure - 3

PART "A": SUBSIDIARIES

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.

| Sl. No. | Name of Associate | SPMM Healthcare Services Private Limited | |
|---------|--|---|---|
| 1. | Latest audited Balance Sheet Date | 31-03-2019 | 31-03-2018 |
| 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. 126.43 lakhs | Rs. 114.10 lakhs |
| 6. | Profit for the year | Rs. 24.65 lakhs | Rs. 20.88 lakhs |
| 7. | Profit attributable to the Shareholding | Rs. 12.33 lakhs | Rs. 10.44 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, May 26, 2019 | S. Devarajan Chairman (DIN : 0001910) | R. Selvarajan Managing Director (DIN : 00001703) | S. Vijay Shankar Chief Financial Officer | J. Asifa Company Secretary |
|------------------------|--|---|---|---|

Form No.AOC-2

Annexure - 4

(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**
- Details of material contracts or arrangement or transactions at arm's length basis : **NIL**

NOTE

All transactions entered by the Company with Related Parties were in the Ordinary Course of Business and at Arm's Length pricing basis. The Audit Committee granted omnibus approval for the transactions (which are repetitive in nature) and the same was reviewed by the Audit Committee and the Board of Directors. There were no materially significant transactions with Related Parties during the financial year 2018-19 which were in conflict with the interest of the Company. Hence the related party transactions of the Company for the financial year 2018-19 not fall under the purview of disclosure under Form AOC - 2. Suitable disclosures as required under Ind AS 24 have been made in Note 37 of the Notes to the financial statements.

Salem
May 26, 2019**S. Devarajan**
Chairman
(DIN: 00001910)



FORM NO. MGT - 9

**EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31.03.2019**

[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 HEALTHCARE 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 (01.04.2018) | | | | No. of Shares held at the end of the year (31.03.2019) | | | | % Change during the year |
|---|--|-----------|----------------|-------------------|--|-----------|----------------|-------------------|--------------------------|
| | Demat | Physi-cal | Total | % of Total Shares | Demat | Physi-cal | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual / HUF | 2512528 | 0 | 2512528 | 65.27 | 2497909 | 0 | 2497909 | 64.89 | -0.38 |
| 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 |
| Sub - Total (A) (1):- | 2512528 | 0 | 2512528 | 65.27 | 2497909 | 0 | 2497909 | 64.89 | -0.38 |
| (2) Foreign | | | | | | | | | |
| 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 |
| Sub - Total (A) (2):- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total shareholding of Promoter (A) = (A) (1) + (A) (2) | 2512528 | 0 | 2512528 | 65.27 | 2497909 | 0 | 2497909 | 64.89 | -0.38 |
| B. Public Shareholding | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| 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 |
| Sub - Total (B) (1) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |



| Category of Shareholders | No. of Shares held at the beginning of the year (01.04.2018) | | | | No. of Shares held at the end of the year (31.03.2019) | | | | % Change during the year |
|---|--|---------------|----------------|-------------------|--|---------------|----------------|-------------------|--------------------------|
| | Demat | Physi-cal | Total | % of Total Shares | Demat | Physi-cal | Total | % of Total Shares | |
| (2) Non - Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i. Indian | 56156 | 91700 | 147856 | 3.84 | 58634 | 91700 | 150334 | 3.90 | +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 | 456990 | 99590 | 556580 | 14.46 | 474856 | 82630 | 557486 | 14.48 | +0.02 |
| ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh | 523615 | 0 | 523615 | 13.60 | 523615 | 0 | 523615 | 13.60 | 0 |
| c) Qualified Foreign Investor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Any other | | | | | | | | | |
| Clearing Members | 3624 | 0 | 3624 | 0.09 | 0 | 0 | 0 | 0 | -0.09 |
| Hindu Undivided Families | 71044 | 0 | 71044 | 1.85 | 0 | 0 | 0 | 0 | -1.85 |
| IEPF | 32626 | 0 | 32626 | 0.85 | 42254 | 0 | 42254 | 1.09 | +0.25 |
| Non resident Indians | 1377 | 0 | 1377 | 0.04 | 1484 | 0 | 1484 | 0.04 | 0.00 |
| Sub - Total (B) (2):- | 1145432 | 191290 | 1336722 | 34.73 | 1177001 | 174340 | 1351341 | 35.11 | +0.38 |
| Total Shareholding (B) = (B) (1) + (B) (2) | 1145432 | 191290 | 1336722 | 34.73 | 1177001 | 174340 | 1351341 | 35.11 | +0.38 |
| C) Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total (A) + (B) + (C) | 3657960 | 191290 | 3849250 | 100.00 | 3674910 | 174340 | 3849250 | 100.00 | 0 |



ii). Shareholding of Promoters

| Sl. No. | Shareholders Name | Shareholding at the beginning of the year (01.04.2018) | | | Shareholding at the end of the year (31.03.2019) | | | % 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 | - Nil - | - |
| 2 | S VIJAY SHANKAR | 409582 | 10.64 | - Nil - | 409582 | 10.64 | - Nil - | - |
| 3 | S SIVAKUMAR | 278033 | 7.22 | - Nil - | 278033 | 7.22 | - Nil - | - |
| 4 | S DINAKARAN | 116466 | 3.03 | - Nil - | 116466 | 3.03 | - Nil - | - |
| 5 | S NIRMALA | 113040 | 2.94 | - Nil - | 113040 | 2.94 | - Nil - | - |
| 6 | S JEGARAJAN | 112057 | 2.91 | - Nil - | 112057 | 2.91 | - Nil - | - |
| 7 | S DEVARAJAN | 92227 | 2.40 | - Nil - | 95997 | 2.49 | - Nil - | +0.10 |
| 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 | 53340 | 1.38 | - Nil - | 38721 | 1.01 | - Nil - | -0.38 |
| 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 - | 17870 | 0.46 | - Nil - | - |
| 18 | D SENTHILNATHAN | 17220 | 0.45 | - Nil - | 17220 | 0.45 | - Nil - | - |
| 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 | S P SAMBANDAM | 3770 | 0.10 | - Nil - | 0 | 0 | - Nil - | -0.10 |
| 23 | V ABHINAV | 2800 | 0.07 | - Nil - | 2800 | 0.07 | - Nil - | - |
| 24 | D SUDHARSAN | 2000 | 0.05 | - Nil - | 2000 | 0.05 | - Nil - | - |
| 25 | J SAKTHIVEL | 2000 | 0.05 | - Nil - | 2000 | 0.05 | - Nil - | - |
| 26 | S DINAKARAN (HUF) | 1250 | 0.03 | - Nil - | 1250 | 0.03 | - Nil - | - |
| 27 | S JEGARAJAN (HUF) | 1250 | 0.03 | - Nil - | 1250 | 0.03 | - Nil - | - |
| 28 | J RAMYA | 1170 | 0.03 | - Nil - | 1170 | 0.03 | - Nil - | - |
| 29 | D ANUPAMA | 1170 | 0.03 | - Nil - | 1170 | 0.03 | - Nil - | - |
| 30 | D MINUSAKTHIPRIYA | 1000 | 0.03 | - Nil - | 1000 | 0.03 | - Nil - | - |
| 31 | D NIRANJANKUMAR | 1000 | 0.03 | - Nil - | 1000 | 0.03 | - Nil - | - |
| 32 | RATHIPRIYA D | 1000 | 0.03 | - Nil - | 1000 | 0.03 | - Nil - | - |
| 33 | V VALARNILA | 1000 | 0.03 | - Nil - | 1000 | 0.03 | - Nil - | - |
| | TOTAL | 2512528 | 65.27 | - | 2497909 | 64.89 | - | -0.38 |



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

| Sl. No. | Particulars | Shareholding at the beginning of the year 01.04.2018 | | 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 01-04-2018 | 2512528 | 65.27 | 2512528 | 65.27 |
| | 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.,) | | | | |
| | 06.04.2018 (Sale) R. Sakunthala | (-) 2610 | (-) 0.07 | 2509918 | 65.20 |
| | 13.04.2018 (Sale) R. Sakunthala | (-) 5000 | (-) 0.13 | 2504918 | 65.07 |
| | 20.04.2018 (Sale) R. Sakunthala | (-) 2017 | (-) 0.05 | 2502901 | 65.02 |
| | 27.04.2018 (Sale) R. Sakunthala | (-) 924 | (-) 0.02 | 2501977 | 65.00 |
| | 04.05.2018 (Sale) R. Sakunthala | (-) 2010 | (-) 0.05 | 2499967 | 64.95 |
| | 11.05.2018 (Sale) R. Sakunthala | (-) 213 | (-) 0.01 | 2499754 | 64.94 |
| | 18.05.2018 (Sale) R. Sakunthala | (-) 695 | (-) 0.02 | 2499059 | 64.92 |
| | 22.06.2018 (Sale) R. Sakunthala | (-) 1150 | (-) 0.03 | 2497909 | 64.89 |
| | 04.12.2018 (Transfer of shares by S. P. Sambandam way of inheritance) | (-) 3770 | (-) 0.10 | 2494139 | 64.80 |
| | 04.12.2018 (Transfer of shares by S. Devarajan way of inheritance) | (+) 3770 | (+) 0.10 | 2497909 | 64.89 |
| | At the end of the year 31.03.2019 | | | 2497909 | 64.89 |



(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 01-04-2018 | | Cumulative Shareholding during the year | | Shareholding at the end of the year 31-03-2019 | |
|---------|--|----------------|--|----------------------------------|---|----------------------------------|--|----------------------------------|
| | | | 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 Purchase of 17,735 shares on 23.11.2018 | 23.11.2018 | 53978 | 1.40 | 53978 +17735 | 1.74 +0.46 | 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 |
| 11 | INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS (Transfer of 9628 shares to IEPF beneficiary A/c as per the statutory requirements) | 15.10.2018 | 32626 | 0.85 | 32626 +9628 | 0.85 +0.25 | 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 01-04-2018 | | Cumulative Shareholding during the year | | Shareholding at the end of the year 31-03-2019 | |
|---------|--|--|----------------------------------|---|----------------------------------|--|----------------------------------|
| | | 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) Transfer of 3770 shares by way of inheritance on 04.12.2018 | 92227 | 2.40 | 92227 +3770 | 2.40 +0.10 | 95997 | 2.50 |
| 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) | 409582 | 10.64 | 409582 | 10.64 | 409582 | 10.64 |
| 4 | Dr. (Mrs.) A. SARAYU (Non- Executive Director) | 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. GNANASEKHARAN (Non- Executive Independent Director) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 7 | Sri KAMESHWAR M. BHAT (Non- Executive Independent Director) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 8 | Dr. V. SEKAR (Non-Executive Independent Director) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 9 | Dr. R. RAMARATHNAM (Non-Executive Independent Director) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 10 | Sri. D. BALASUNDARAM (Non-Executive Independent Director) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| 11 | Ms. J. ASIFA (Company Secretary) | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| | Total | 1611662 | 41.87 | 1615432 | 41.97 | 1615432 | 41.97 |

**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 |
|--|----------------------------------|-----------------|-----------------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | 4029.76 | 1863.23 | 64.00 | 5956.99 |
| ii) Interest due but not paid | 38.90 | – | – | 38.90 |
| iii) Interest accrued but not due | 25.70 | – | – | 25.70 |
| Total (i+ii+iii) | 4094.36 | 1863.23 | 64.00 | 6021.59 |
| Change in Indebtedness during the financial year | | | | |
| · Addition | – | 623.20 | 20.94 | 644.14 |
| · Reduction | 910.92 | 527.10 | 26.50 | 1464.52 |
| Net Change | (–) 910.92 | 96.10 | (–) 5.56 | (–) 820.38 |
| Indebtedness at the end of the financial year | | | | |
| 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 | – | – | – | – |
| Total (i+ii+iii) | 3183.44 | 1959.33 | 58.44 | 5201.21 |

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 |
| | Total (A) | Nil | Nil |
| | 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 2018-19, in view of financial crisis of the Company.

**B. Remuneration to other directors:**

Amount in Rs. Lakhs

| Sl. No. | Particulars of Remuneration | Name of Directors | | | | | Total Amount |
|---------|---|--|----------------------------|------------------------|----------------------------|--------------------------------|---------------------|
| | | Sri. S.Gnana sekharan | Sri.Kameshwar M Bhat | Dr. V.Sekar | Dr. R.Rama rathnam | Sri D. Bala sundaram | |
| | 3. Independent Directors | | | | | | |
| | Fee for attending Audit committee meeting | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 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 | 0.25 | 1.25 |
| | Fee for attending Board Meeting: | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 | 3.00 |
| | Commission | Nil | Nil | Nil | Nil | Nil | Nil |
| | Others (Committee of Directors Meeting) | Nil | Nil | 0.25 | Nil | 0.25 | Nil |
| | Total (1) | 2.40 | 2.40 | 2.65 | 2.10 | 2.35 | 11.90 |
| | 4. Other Non-Executive Directors | | Sri. S. Devarajan * | Dr. A. Sarayu * | Sri. S. Sivakumar * | Sri. S. Vijay Shankar # | Total Amount |
| | 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 |
| | Total (2) | | Nil | Nil | Nil | Nil | Nil |
| | Total (B) = (1+2) | | - | - | - | - | - |
| | 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 2018-19

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 | 5.85 | 5.85 |
| | (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 |
| | Total | Nil | 5.85 | 5.85 |

* Sri S. Vijay Shankar, CFO has waived the total remuneration of Rs.30.00 lakhs for the year 2018-19 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 |
|-------------------------------------|------------------------------|-------------------|---|-------------------------------|---------------------|
| A. COMPANY | | | | | |
| Penalty | | | -----None----- | | |
| Punishment | | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | -----None----- | | |
| Punishment | | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| 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 31ST MARCH 2019

[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 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 31st March 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by "the Company" for the financial year ended on 31st March 2019, 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 having a major bearing on the Company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc., referred to above.

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

Place : Trichy
Date : 26-05-2019

(B.KALYANASUNDARAM)
COMPANY SECRETARY
ACS NO. A672. CP. NO. 2209

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 31ST MARCH 2019

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 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

Place : Trichy
Date : 26-05-2019



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

2. The Composition of the CSR Committee

| | | | | |
|-----------------|---|-----------------------|---|------------------------------------|
| CHAIRMAN | : | Sri R. Selvarajan | - | Managing director |
| MEMBERS | : | Sri S. Devarajan | - | Chairman (Non- Executive Director) |
| | | Sri S. Vijay Shankar | - | Chief Financial Officer & Director |
| | | Sri. S. Gnanasekharan | - | Independent Director |

3. Average net profit of the Company for last three financial years : Rs.-1785.46 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 (2018-19) : 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 | | | | | | | |

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
May 26, 2019

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;**

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

* - In view of financial crisis of the Company, MD has waived his entire salary during the FY 2018-19.

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

| NON EXECUTIVE DIRECTORS * | % Increase in Remuneration |
|---|-----------------------------------|
| Sri S. Devarajan | — |
| Dr. A. Sarayu | — |
| Sri S. Sivakumar | — |
| Sri. S. Gnanasekharan | — |
| Sri Kameshwar M Bhat | — |
| Dr. V. Sekar | — |
| Dr. R. Ramarathnam | — |
| Sri D. Balasundaram | — |
| EXECUTIVE DIRECTOR | |
| Sri R. Selvarajan, MD | Nil |
| CHIEF FINANCIAL OFFICER & NON - EXECUTIVE DIRECTOR # | |
| Sri S. Vijay Shankar | Nil |
| COMPANY SECRETARY | |
| Ms. J. Asifa | 42.86% |

* 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 : 205**



- (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 FY 2018-19. Further, in view of the financial crisis of the Company, MD and CFO had waived their entire salary during the financial year 2018-19.

- (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 - 9

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 and Director 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
26.05.2019

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, 2019, the Company has ten Directors. Out of ten Directors, nine (i.e., 90 percent) are Non-Executive Directors, out of which five (i.e., 50 percent) are Independent Directors. The profiles of Directors can be found on the website of the Company 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, with the approval of members, Managing Directors was re-appointed at the 42nd AGM held on 11.08.2018, for a period of three years w.e.f. 01.10.2018.

During the year, special resolution was passed through postal ballot on 27.03.2019 for continuation of Non-Executive Independent Director Sri. S. Gnanasekharan to hold his directorship up to his original tenure i.e., until the conclusion of 43rd AGM of the Company, as he crossed the age limit of 75 years.

(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, 2019 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:



| 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 | Non – Executive (Promoter) | Relative of Sri R.Selvarajan and Sri S.Vijay Shankar |
| Sri S. Sivakumar | Non – Executive (Promoter) | Nil |
| Sri S.Gnanasekharan | 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 |

(vi) Four 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 27, 2018, August 11, 2018, November 11, 2019 and February 13, 2019. 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, 2019, 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 2019 | Whether attended last AGM held on 11.08.2018 | 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) | 4 | 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 2019 | Whether attended last AGM held on 11.08.2018 | 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) | 4 | 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) | 4 | Yes | - | - | - | - | 1. SPMM Health Care Services Private Limited (Director) |
| Dr. A. Sarayu | Non – Executive (Promoter) | 4 | Yes | - | - | - | - | - |
| Sri S. Sivakumar | Non – Executive (Promoter) | 1 | No | - | - | - | - | 1. Greenfield Shelters Private Limited (Director) 2. Greenfield Creations Private Limited (Director) |
| Sri S.Gnanasekharan | Non – Executive (Independent) | 4 | Yes | - | 2 | 1 | 1 | 1. Sambandam Spinning Mills Limited, (Director) 2. Annai Infra Developers Limited (Director) |
| Sri Kameshwar M. Bhat | Non – Executive (Independent) | 4 | Yes | - | 1 | 1 | - | 1. Sambandam Spinning Mills Limited, (Director) 2. KMB Associates, LLP (Designated Partner) |
| Dr. V. Sekar | Non – Executive (Independent) | 4 | Yes | - | 1 | - | 1 | 1. Sambandam Spinning Mills Limited (Director) |
| Dr. R. Ramarathnam | Non – Executive (Independent) | 4 | Yes | - | 1 | - | 1 | 1. Sambandam Spinning Mills Limited, (Director) 2. Dalmia Electrodyn Technologies Private Limited, (Director) 3. Westcott Electricals Private Limited (Director) 4. Universal Electro Dynamics Private Limited (Chairman) 5. Go Green Enterprises Private Limited (Director) 6. Basil Energetics Private Limited (Director) |
| Sri D. Balasundaram | Non – Executive (Independent) | 4 | Yes | - | 1 | - | 1 | 1. Sambandam Spinning Mills Limited (Director) |



(viii) Details of equity shares of the Company held by the Directors as on March 31, 2019 are given below:

| Name of the Director | Categories of Director | No. of equity shares held |
|-----------------------|-------------------------------------|---------------------------|
| Sri S. Devarajan | Chairman Non – Executive (Promoter) | 95,997 |
| Sri R.Selvarajan | Executive (Promoter) | 7,78,730 |
| Sri S.Vijay Shankar | Non – Executive (Promoter) | 4,09,582 |
| Dr. A.Sarayu | Non – Executive (Promoter) | 53,090 |
| Sri S. Sivakumar | Non – Executive (Promoter) | 2,78,033 |
| Sri S.Gnanasekharan | 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.

(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 13.02.2019. 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.
- General Administration and Management
 - Finance
 - Technical
 - HR
 - Sales and Marketing
 - Governance, Compliance and Legal

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 31st March, 2019 comprises of six members viz., Sri. S. Gnanasekharan, Independent Director as Chairman, Independent Directors, Sri. Kameshwar M. Bhat, Dr. V. Sekar, Dr. R. Ramarathnam, Sri. D. Balasundaram and Chairman (Non-Executive Director) Sri S. Devarajan as Members.

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 five 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 May 26, 2018, August 10, 2018, November 10, 2018, December, 15 2018 and February 12, 2019. Attendance at the Audit Committee meetings held during the year is as follows:

| Name of the Director | Position | No. of Meetings attended |
|-----------------------|----------|--------------------------|
| Sri S. Gnanasekharan | Chairman | 5 of 5 |
| Sri Kameshwar M. Bhat | Member | 5 of 5 |
| Dr. V. Sekar | Member | 5 of 5 |
| Dr. R. Ramarathnam | Member | 5 of 5 |
| Sri D. Balasundaram | Member | 5 of 5 |
| Sri S. Devarajan | Member | 5 of 5 |

(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, 2019 comprises of three members viz., Sri Kameshwar M Bhat, Independent Director as Chairman and Sri S. Gnanasekharan and Dr. V. Sekar, Independent Directors as Members.

(c) Meetings and Attendance

During the year two Nomination and Remuneration Committee Meetings were held on 27.05.2018 and 13.02.2019.

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. Gnanasekharan | 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 2018-19.

(b) Composition

The CSR Committee as on March 31, 2019 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. Gnanasekharan, Independent Director as Members.

(c) Meetings and Attendance

During the year one CSR Meeting was held on 26.05.2018. 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. Gnanasekharan | Member | 1 of 1 |

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

Stakeholders' Relationship Committee as on March 31, 2019 comprises of three members viz., Sri S. Gnanasekharan, Independent Director as Chairman, Sri R. Selvarajan, Managing Director and Sir. 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.

Details of investor requests received and redressed during the FY 2018-2019 are as follows:

| Opening Balance | Received during the year | Resolved during the year | Closing Balance |
|-----------------|--------------------------|--------------------------|-----------------|
| Nil | 69 | 69 | Nil |

(d) Complaints

No complaints were received and no complaint was pending as on March 31, 2019.

(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 2018-2019.

(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 2018-19 are as follows.

| Name of the Director | Sitting fees (#) Rs. Lakhs |
|----------------------|----------------------------|
| Sri S. Devarajan * | — |
| Sri R. Selvarajan | — |
| Sri S. Vijay Shankar | — |
| Dr. A. Sarayu * | — |
| Sri S. Sivakumar * | — |
| Sri S. Gnanasekharan | 2.40 |
| Sri Kameshwar M Bhat | 2.40 |
| Dr. V. Sekar | 2.65 |
| Dr. R. Ramarathnam | 2.10 |
| Sri D. Balasundaram | 2.35 |

* Non-Executive Promoter directors had waived their sitting fees during the FY year 2018-19 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 39th AGM of the Company held on 27.09.2015, Sri R. Selvarajan, Managing Director had been reappointed for a period of three years from 01.10.2015 to 30.09.2018. During the 42nd 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. | 1.10.2015 to 30.09.2018 | 2.40 | 1.60 | 4.00 |
| 2. | 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 2018-19

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. The Statutory Auditors had been fixed a remuneration of Rs. 3,70,000/- for conduct of the statutory audit for the FY 2018-19.

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 |
|-----------------------------|-----------------|-----------|---|
| 42 nd AGM - 2018 | August 11, 2018 | 11.30 a.m | Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem - 636 014. |
| 41 st AGM - 2017 | August 12, 2017 | | |
| 40 th AGM - 2016 | August 6, 2016 | | |



- (b) There was no special resolution passed at the AGM held during the years 2016 and 2017. One special resolution was passed at the 42nd 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.

The Company has proposed to pass two special resolutions at the 43rd Annual general Meeting of the Company to be held on 11.08.2019, for re-appointment of Non-Executive Independent Directors Sri.S. Gnanasekharan and Sri. Kameshwar M Bhat for the second term of five consecutive years effective from the date of the 43rd AGM of the Company until the conclusion of 48th AGM of the Company.

(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. 13.02.2019:

- (i) Approval for continuation of Sri. S. Gnanasekharan as a Non-Executive Independent Director – Special Resolution
- (ii) Approval for Inter-Corporate Borrowings from related party M/s Sambandam Spinning Mills Limited – Ordinary Resolution
- (iii) Approval for accepting security from related party M/s Sambandam Fabrics Private Limited – Ordinary Resolution

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 26.02.2019 at 9.00 a.m. and ended on 27.03.2019 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 Chairman on 29.03.2019 that all the resolutions contained in the postal ballot notice dt. 13.02.2019 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 27.03.2019. 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 continuation of Sri S.Gnanasekharan as a Non-Executive Independent Director (Special Resolution) | Postal Ballot | 48 | 2401 | – | 2 | 10 | – |
| | | E-Voting | 43 | 2069564 | – | 4 | 1250 | – |
| | | Total | 91 | 2071965 | 99.94 | 6 | 1260 | 0.06 |
| 2. | Approval for Inter-Corporate Borrowings from related party (Ordinary resolution) | Postal Ballot | 48 | 2401 | – | 2 | 10 | – |
| | | E-Voting | 26 | 1666114 | – | 4 | 1250 | – |
| | | Total | 74 | 1668515 | 99.92 | 6 | 1260 | 0.08 |
| 3. | Approval for accepting security from related party (Ordinary Resolution) | Postal Ballot | 48 | 2401 | – | 2 | 10 | – |
| | | E-Voting | 20 | 243352 | – | 4 | 1250 | – |
| | | Total | 68 | 245783 | 99.49 | 6 | 1260 | 0.51 |



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. 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 43rd Annual General Meeting to be held

Day : Sunday
Date : 11th August, 2019
Time : 11:30 a.m.
Venue : Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636014

(b) Financial Year : 1st April, 2018 to 31st March, 2019.

(c) Dividend Payment Date : Not Applicable since no dividend has been declared by the Company for the financial year 2018-19

(d) 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 - 2018 | 32.75 | 24.10 | 35213.30 | 32972.56 |
| May - 2018 | 31.95 | 24.30 | 35993.53 | 34302.89 |
| Jun - 2018 | 32.85 | 22.05 | 35877.41 | 34784.68 |
| Jul - 2018 | 32.35 | 21.15 | 37644.59 | 35106.57 |
| Aug - 2018 | 28.50 | 21.70 | 38989.65 | 37128.99 |
| Sep - 2018 | 26.30 | 20.25 | 38934.35 | 35985.63 |
| Oct - 2018 | 24.00 | 20.90 | 36616.64 | 33291.58 |
| Nov - 2018 | 21.85 | 18.05 | 36389.22 | 34303.38 |
| Dec - 2018 | 18.95 | 18.05 | 36554.99 | 34426.29 |
| Jan - 2019 | 20.70 | 18.50 | 36701.03 | 35375.51 |
| Feb - 2019 | 23.10 | 19.85 | 37172.18 | 35287.16 |
| Mar - 2019 | 25.45 | 21.70 | 38748.54 | 35926.94 |



(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, 2019, no share transfers/transmission was pending.

(j) Distribution of Shareholding as on 31st March, 2019

| Shareholding | Shareholders | | No. of shares | |
|------------------|--------------|---------------|----------------|---------------|
| | Number | % | Number | % |
| 10 – 5000 | 2462 | 91.39 | 245348 | 6.38 |
| 5001 – 10000 | 82 | 3.04 | 62514 | 1.62 |
| 10001 – 20000 | 42 | 1.56 | 60106 | 1.56 |
| 20001 – 30000 | 24 | 0.89 | 58167 | 1.51 |
| 30001 – 40000 | 15 | 0.56 | 52168 | 1.36 |
| 40001 – 50000 | 6 | 0.22 | 27721 | 0.72 |
| 50001 – 100000 | 22 | 0.82 | 164438 | 4.27 |
| 100001 and above | 41 | 1.52 | 3178788 | 82.58 |
| Total | 2694 | 100.00 | 3849250 | 100.00 |

Shareholding pattern as on March 31, 2019

| Sl. No. | Category | No. of Holders | No. of Shares | % to Paid up Capital |
|---------|--|----------------|------------------|----------------------|
| 1. | Promoters | 32 | 24,97,909 | 64.89 |
| 2. | Residents (Individuals / Clearing Members) | 2,325 | 10,81,101 | 28.09 |
| | HUF | 65 | 76,168 | 1.98 |
| 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 | 38 | 1,50,334 | 3.91 |
| 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 |
| | Total | 2,467 | 38,49,250 | 100.00 |



(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, 2019 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 List | 0 | 0 | 24,97,909 | 64.89% | 24,97,909 | 64.89% |
| Others | 1,74,340 | 4.53% | 11,77,001 | 30.58% | 13,51,341 | 35.11% |
| TOTAL | 1,74,340 | 4.53% | 36,74,910 | 95.47% | 38,49,250 | 100.00% |

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%)

(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) Plant Location

Unit – I Udayapatti P.O., Salem 636 140, Tamil Nadu.
Unit – II Seshanchavadi P.O., Salem 636 111, Tamil Nadu.

(o) Address for Correspondence

Registrar & Share Transfer Agents : M/s Cameo Corporate Services Limited
Subramanian Building
No.1 Club Road, Chennai 600 002.
Phone: 044 - 28460390 (5 lines)
Fax : 044 – 28460129

e-mail – For all Investor queries : investor@cameoindia.com &
for non-receipt of Annual Reports : agm@cameoindia.com

For any other general matters
or in case of any difficulties/ Secretarial Department
Kandagiri Spinning Mills Limited
Mill Premises, Post Box No. 3 Udayapatti,
Salem - 636 140
Phone : 0427 -2244400
Fax : 0427 – 2244422
e-mail: sales@kandagirimills.com
www.kandagirimills.com
ksmcs@kandagirimills.com

Website Address :
Email ID of Investor Grievances :
Name of the Compliance Officer : Ms. J. Asifa, Company Secretary



9. DISCLOSURES

- (a) During the financial year ended 31st March, 2019 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-rtp.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, 2019. A Certificate from Managing Director to this effect is attached to this report. The code has been displayed on the Company's website.
- (k) The details of credit rating for Bank facilities and Fixed deposits obtained from CARE Rating Agency during the FY 2018-19 as given below:

| S. No. | FACILITIES | RATINGS |
|--------|----------------------------------|---|
| 1. | Long/Short -Term Bank Facilities | CARE D (Single D) |
| 2. | Fixed Deposits | CARE D (FD) [Single D (Fixed Deposit)] |

- (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 2018-19, 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

(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 provisions, during the year 2018-19, Company has transferred Unpaid/Unclaimed Final dividend of the FY 2010-11 along with the underlying shares of the year 2010-11 (Final Dividend) to IEPF a/c as detailed below:

Unpaid / Unclaimed Dividend amount transferred: Rs.1,18,528/- on 10.10.2018

No. of. transfer of underlying shares to IEPF: 9,628 on 15.10.2018

Shareholders can claim the respective 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 and re-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 was no modified opinion in Independent Auditors' Report for the FY 2018-19.

(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, 2019.

Salem
May 26, 2019

R. Selvarajan
Managing Director
DIN: 00001703

Independent Auditor's Certificate on Corporate Governance

To
The Members of Kandagiri Spinning Mills Limited

We have examined the compliance of the conditions of Corporate Governance by Kandagiri Spinning Mills Limited ('the Company') for the year ended on March 31, 2019, as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of Regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

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

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on March 31, 2019.

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

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

Salem
May 26, 2019

S. Krishnan - Partner
Membership no.26452



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KANDAGIRI SPINNING MILLS LIMITED

Report on the audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone Ind AS Financial Statements of **KANDAGIRI SPINNING MILLS LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2019, 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, the aforesaid Standalone Ind AS 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, 2019, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone Ind AS 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 Ind AS 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 Ind AS financial statements.

Material uncertainty Related to Going Concern

The Company has generated negative cash flows and incurred substantial operating losses during the current period and earlier. In order to continue the Company is apparently dependent on infusion of sufficient funds and restructuring of operations. There is thus, in our opinion, existence of a material risk as to the Company's ability to continue as a going concern but the company is taking necessary steps to address the above.

Our conclusion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, 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 standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS 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 Ind AS financial statements.



A. REVENUE RECOGNITION

Key Audit Matter Description

Reference may be made to note 3 of significant accounting policies and note 23 to the standalone financial statements of the Company.

During the year, on account of adoption of new revenue standard Ind AS 115 – Revenue from contracts with customer, there have been changes in revenue recognition policy with regards to timing of recognition and related disclosures.

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. VALUATION OF INVENTORY

Key Audit Matter Description

Considering the risks involved, such as identification of stages of work in progress valuation of inventory is considered to be key audit matter.

Response to Key Audit Matter

Principal Audit Procedures

We have planned and performed the following audit procedures with respect to the Key audit matter identified.

- a. Verified the stock issue register to identify the stage of completion
- b. Validated the management internal control process for valuation of inventory.
- c. Recheck of valuation principles adopted for inventory.
- d. Discussed with the management on the management's process of identifying the stages of completion and valuing work in progress stock at the time of book closure process.



Conclusion

Based on the above procedures and physical verification of stock with identified stages of processes by the Management at the year end, we concluded that the valuation of Inventory at the year end is fair and in terms of accounting principles. We have also concluded that other alternate manual controls established ensure that there is no material misstatement in the standalone financial statements.

**C. Actuarial valuation
Key Audit Matter Description**

Reference may be made to note 6 of significant accounting policies and note 16, 20 and 21 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

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 Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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 Ind AS financial statements for the year ended March 31, 2019 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, the aforesaid standalone Ind AS 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, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 Ind AS financial statements and the operating effectiveness of such controls, refer to our separate report in "Annexure 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2019 has been paid/provided by the Company to its directors is 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 Ind AS Financial Statements. (Refer note 38 to the standalone Ind AS 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, 2019.
 - 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

S. Krishnan - Partner
Membership No. 26452

Salem
May 26, 2019



“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 Ind AS 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:

| Bank | Principal (Rs. in Lakhs) | | | |
|--|--------------------------|------------|-------------|------------|
| | Due Amount | Due Date | Paid Amount | Paid on |
| State Bank of India Corporate Loan 10 Cr. | | | | |
| Aug - 18 | 7.16 | 31-08-2018 | 7.16 | 14-11-2018 |
| Sep - 18 | 15.00 | 30-09-2018 | 15.00 | 14-11-2018 |
| Oct - 18 | 15.00 | 31-10-2018 | 15.00 | 14-11-2018 |
| Jan - 19 | 15.00 | 31-01-2019 | 15.00 | 01-02-2019 |
| Feb - 19 | 15.00 | 28-02-2019 | 15.00 | 20-03-2019 |
| Mar - 19 | 15.00 | 31-03-2019 | 15.00 | 16-05-2019 |
| Karnataka Bank Limited Corporate Loan 5 Cr. | | | | |
| Apr - 18 | 7.50 | 20-04-2018 | 0.67 | 23-04-2018 |
| | | | 6.83 | 22-06-2018 |
| May - 18 | 7.50 | 20-05-2018 | 7.50 | 22-06-2018 |
| June - 18 | 7.50 | 20-06-2018 | 7.50 | 13-09-2018 |
| July - 18 | 7.50 | 20-07-2018 | 7.50 | 20-09-2018 |
| Aug - 18 | 7.50 | 20-08-2018 | 7.50 | 14-11-2018 |
| Sep - 18 | 7.50 | 20-09-2018 | 7.50 | 14-11-2018 |
| Oct - 18 | 7.50 | 20-10-2018 | 7.50 | 14-11-2018 |
| Jan - 19 | 7.50 | 20-01-2019 | 7.50 | 19-02-2019 |
| Feb - 19 | 7.50 | 20-02-2019 | 7.50 | 27-03-2019 |
| Mar - 19 | 7.50 | 20-03-2019 | 7.50 | Not Paid |

Details of Term Loan interest repayment during the year 2018-19

| Bank | Interest (Rs. in Lakhs) | | | |
|--|-------------------------|------------|-------------|------------|
| | Due Amount | Due Date | Paid Amount | Paid on |
| State Bank of India Corporate Loan 10 Cr. | | | | |
| Apr - 18 | 8.64 | 30-04-2018 | 8.64 | 29-05-2018 |
| May - 18 | 8.95 | 31-05-2018 | 8.95 | 05-07-2018 |
| June - 18 | 8.67 | 30-06-2018 | 8.67 | 30-08-2018 |
| July - 18 | 8.97 | 31-07-2018 | 8.97 | 30-08-2018 |
| Aug - 18 | 9.06 | 31-08-2018 | 9.06 | 14-11-2018 |
| Sep - 18 | 8.67 | 30-09-2018 | 8.67 | 14-11-2018 |
| Oct - 18 | 9.18 | 31-10-2018 | 9.18 | 14-11-2018 |
| Nov - 18 | 8.31 | 30-11-2018 | 8.31 | 06-12-2018 |
| Dec - 18 | 8.01 | 31-12-2018 | 8.01 | 22-01-2019 |
| Jan - 19 | 8.34 | 31-01-2019 | 8.34 | 15-02-2019 |
| Feb - 19 | 7.38 | 28-02-2019 | 7.38 | 20-03-2019 |
| Mar - 19 | 8.43 | 31-03-2019 | 8.43 | 16-05-2019 |
| Karnataka Bank Limited Corporate Loan 5 Cr. | | | | |
| Apr - 18 | 4.64 | 30-04-2018 | 4.64 | 22-06-2018 |
| May - 18 | 4.69 | 31-05-2018 | 4.69 | 22-06-2018 |
| June - 18 | 4.53 | 30-06-2018 | 4.53 | 13-09-2018 |
| July - 18 | 4.57 | 31-07-2018 | 4.57 | 20-09-2018 |
| Aug - 18 | 4.68 | 31-08-2018 | 4.68 | 14-11-2018 |
| Sep - 18 | 4.46 | 30-09-2018 | 4.46 | 14-11-2018 |
| Oct - 18 | 4.44 | 31-10-2018 | 4.44 | 14-11-2018 |
| Nov - 18 | 3.97 | 30-11-2018 | 3.90 | 07-12-2018 |
| | | | 0.07 | 24-12-2018 |
| Dec - 18 | 3.79 | 31-12-2018 | 3.79 | 19-02-2019 |
| Jan - 19 | 3.81 | 31-01-2019 | 3.81 | 19-02-2019 |
| Feb - 19 | 3.57 | 28-02-2019 | 3.57 | 27-03-2019 |
| Mar - 19 | 3.86 | 31-03-2019 | 3.86 | Not Paid |



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 Ind AS 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
May 26, 2019

S. Krishnan - Partner
Membership No. 26452

“ANNEXURE 2” to the Independent Auditor’s Report of even date on the Standalone Ind AS 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, 2019 in conjunction with our audit of the Standalone Ind AS 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

Salem
May 26, 2019

Kandagiri Spinning Mills Limited



Standalone Balance Sheet as at March 31, 2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------|----------------------------|----------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 1 | 2,641.42 | 5,289.86 |
| Financial assets | | | |
| Investments | 2 | 154.96 | 154.71 |
| Other financial asset | 3 | 195.11 | 260.15 |
| Advance tax assets(net) | 4 | 20.70 | 14.96 |
| Other non-current assets | 5 | 354.13 | 354.13 |
| Deferred tax asset (net) | 17 | 157.98 | 157.98 |
| | | <u>3,524.30</u> | <u>6,231.79</u> |
| Current assets | | | |
| Inventories | 6 | 1,515.80 | 2,672.38 |
| Financial assets | | | |
| Investments | 7 | — | 58.81 |
| Trade receivables | 8 | 287.37 | 282.67 |
| Cash and cash equivalents | 9a | 2.75 | 8.52 |
| Other Bank balances | 9b | 12.51 | 9.33 |
| Others | 10 | 8.21 | 120.42 |
| Other current assets | 11 | 19.17 | 86.86 |
| Assets held for sale | 12 | 2,550.00 | — |
| | | <u>4,395.81</u> | <u>3,238.99</u> |
| Total assets | | <u>7,920.11</u> | <u>9,470.78</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 13 | 385.74 | 385.74 |
| Other equity | 14 | 214.07 | 2,077.85 |
| | | <u>599.81</u> | <u>2,463.59</u> |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 15 | 2,314.86 | 2,293.87 |
| Provisions | 16 | 156.08 | 154.03 |
| | | <u>2,470.94</u> | <u>2,447.90</u> |
| Current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 18 | 2,238.08 | 2,855.03 |
| Trade payables | 19 | | |
| (a) total outstanding dues of micro enterprises and small enterprises | | 0.47 | — |
| (b) total outstanding dues of creditors other than micro enterprises and small enterprises | | 597.45 | 450.89 |
| Provisions | 20 | 3.21 | 4.99 |
| Other financial liabilities | 21 | 972.79 | 1,195.39 |
| Other current liabilities | 22 | 1,037.35 | 52.99 |
| | | <u>4,849.36</u> | <u>4,559.29</u> |
| Total equity and liabilities | | <u>7,920.11</u> | <u>9,470.78</u> |

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Ind AS 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

May 26, 2019

For and on behalf of the board

S. Devarajan

Chairman
DIN : 00001910

R. Selvarajan

Managing Director
DIN : 00001703

S. Vijay Shankar
Chief Financial Officer

J. Asifa
Company Secretary


Standalone Statement of Profit and Loss for the year ended March 31, 2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------|----------------------------|----------------------------|
| Income | | | |
| Revenue from operations | 23 | 6,954.63 | 5,438.14 |
| Other income | 24 | 138.74 | 69.09 |
| Total income | | <u>7,093.37</u> | <u>5,507.23</u> |
| Expenses | | | |
| Cost of materials consumed | 25 | 5,163.42 | 3,102.21 |
| Changes in inventories of finished goods and work-in- progress | 26 | 437.86 | 489.49 |
| Employee benefits expense | 27 | 814.16 | 779.38 |
| Finance cost | 28 | 639.91 | 804.72 |
| Depreciation and amortization expense | 29 | 320.79 | 371.21 |
| Other expenses | 30 | 1,299.92 | 1,572.95 |
| Total Expenses | | <u>8,676.06</u> | <u>7,119.96</u> |
| Profit/(loss) before exceptional items and tax | | (1,582.69) | (1,612.73) |
| Exceptional item | 31 | (276.78) | (85.02) |
| Profit/(loss) before tax | | (1,859.47) | (1,697.75) |
| Tax expense : | | | |
| Current tax - current year | | - | - |
| - prior year | | - | 24.83 |
| Deferred tax | | - | (561.14) |
| Income tax expense | | - | (536.31) |
| Profit/(loss) for the period from continuing operations | | (1,859.47) | (1,161.44) |
| Other comprehensive income | | | |
| Other comprehensive income not to reclassified to profit or loss in subsequent periods | | - | - |
| Re-measurement gains/(losses) on defined benefit plans | | (4.32) | (88.43) |
| Income tax effect | | - | - |
| Other comprehensive income | | (4.32) | (88.43) |
| Total comprehensive income for the year | | (1,863.79) | (1,249.87) |
| Earning per share (Face value Rs.10 per share) | | | |
| -Basic and diluted (Rs.) (Refer note 34) | | (48.31) | (30.17) |

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Ind AS 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

S. Vijay Shankar
Chief Financial Officer

R. Selvarajan
Managing Director
DIN : 00001703

J. Asifa
Company Secretary

Kandagiri Spinning Mills Limited



Standalone Statement of cash flows for the year ended March 31, 2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Loss before tax | | (1,859.47) | (1,697.75) |
| Adjustments for : | | | |
| Depreciation | | 320.79 | 371.21 |
| Interest Expense | | 639.91 | 804.72 |
| Interest Income | | (15.40) | (15.11) |
| Unrealised Exchange Fluctuation | | | |
| Dividend income | | (0.65) | (3.60) |
| Net gain or loss arising on financial asset mandatorily measured at FVTPL | | - | (19.24) |
| (Profit)/loss on sale of property, Plant Equipment (PPE) | | (122.69) | 106.45 |
| Loss / (Profit) on sale of Long term investments | | 17.89 | (21.43) |
| Impairment loss on assets | | 276.78 | - |
| Operating profit before working capital changes | | (742.83) | (474.74) |
| Adjustments for changes in : | | | |
| Inventories | | 1,156.58 | (475.16) |
| Trade receivables | | (4.71) | 245.25 |
| Non current and current financial assets | | 174.07 | 23.19 |
| Other non current and current assets | | 67.69 | 3.03 |
| Trade payables | | 147.03 | (223.38) |
| Non current and current financial liabilities | | (1,300.81) | 283.15 |
| Other non current and current liabilities | | (44.64) | (53.56) |
| Other non current and current provisions | | 0.27 | 4.99 |
| Other financial Assets | | - | 49.49 |
| Income Tax paid | | (5.74) | (11.51) |
| Net Cash Flow from Operating Activities | (A) | (553.09) | (629.25) |
| Cash Flows from Investing Activities | | | |
| Payments for acquisition of assets | | (216.93) | (34.91) |
| Sale of assets and undertaking (refer note 44) | | 227.91 | 2,133.32 |
| Advance received for sale of undertakings | | 1,029.00 | - |
| Interest received | | 15.40 | 15.11 |
| Dividend received | | 0.65 | 3.60 |
| Purchase of shares | | (0.25) | - |
| Proceeds from sale of shares | | 40.91 | 132.66 |
| | (B) | 1,096.69 | 2,249.78 |
| Cash Flows from Financing Activities | | | |
| Finance cost paid | | (639.91) | (804.72) |
| Proceeds from inter corporate loan - related party | | 50.00 | 50.00 |
| Proceeds from unsecured loan - directors | | 319.20 | - |
| Repayments of inter - corporate loan - related party | | (84.00) | - |
| Repayments of long term borrowings | | (194.66) | (712.70) |
| Repayments of short term borrowings | | - | (146.78) |
| Net Cash Flow from Financing Activities | (C) | (549.37) | (1,614.20) |
| NET CASH INFLOW / (OUTFLOW) | (A+B+C) | (5.77) | (6.33) |
| Opening Cash and Cash Equivalents | (D) | 8.52 | 2.19 |
| Closing Cash and Cash Equivalents | (E) | 2.75 | 8.52 |
| NET INCREASE/ (DECREASE) IN CASH | (E-D) | (5.77) | 6.33 |

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Ind AS 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

S. Vijay Shankar
Chief Financial Officer

R. Selvarajan
Managing Director
DIN : 00001703

J. Asifa
Company Secretary



Statement of Changes in Equity

A. Equity share Capital

Rs. in Lakhs

| | Balance as at 01-04-2017 | Changes in equity capital during the year | Balance as at 31-03-2018 | Changes in equity share capital during the year | Balance as at 31-03-2019 |
|----------------------|--------------------------|---|--------------------------|---|--------------------------|
| 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, 2017 | 548.62 | 2,229.04 | 550.06 | 3,327.72 |
| (Loss) for the year | – | – | (1,161.44) | (1,161.44) |
| Other Comprehensive income | – | – | (88.43) | (88.43) |
| Total Comprehensive income for the year | – | – | (1,249.87) | (1,249.87) |
| Balance at the end of March 31, 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) |
| Total Comprehensive income for the year | – | – | (1,863.79) | (1,863.79) |
| Balance at the end of March 31, 2019 | 548.62 | 2,229.04 | (2,563.60) | 214.07 |

Significant Accounting Policies and Notes to accounts form an integral part of the Standalone Ind AS Financial Statements are an integral part of this Balance Sheet

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

S. Devarajan
Chairman
DIN : 00001910

R. Selvarajan
Managing Director
DIN : 00001703

Salem
May 26, 2019

S. Vijay Shankar
Chief Financial Officer

J. Asifa
Company Secretary



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

| 2018 - 2019 | Gross Carrying Amount(Cost/deemed cost) | | | | | Accumulated depreciation / Impairment | | | Net Carrying Amount 31.03.2019 |
|------------------------|---|-----------------|-----------------|---------------|---------------------|---------------------------------------|---------------|-----------------|-----------------------------------|
| | 01.04.2018 | | 31.03.2019 | | 01.04.2018 | | 31.03.2019 | | |
| | Additions | (Deletions) | 31.03.2019 | 01.04.2018 | Charge for the year | Disposal | | | |
| Land - Freehold land | 1,424.42 | 914.18 | 510.24 | - | - | - | - | 510.24 | |
| Buildings | 1,812.12 | 1,101.12 | 745.58 | 165.12 | 72.87 | 128.59 | 109.40 | 636.18 | |
| Plant and Equipment | 2,687.83 | 934.95 | 1,935.23 | 529.99 | 237.65 | 283.99 | 483.65 | 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 | 2.25 | 3.57 | |
| Vehicles | 77.06 | 2.88 | 74.18 | 25.75 | 9.97 | 1.19 | 34.53 | 39.65 | |
| Office equipment | 0.61 | - | 0.61 | 0.40 | 0.10 | 0.09 | 0.41 | 0.20 | |
| Total | 6,013.39 | 2,958.66 | 3,271.66 | 723.53 | 320.79 | 414.08 | 630.24 | 2,641.42 | |

| 2017 - 2018 | Gross Carrying Amount(Cost/deemed cost) | | | | | Accumulated depreciation | | | Net Carrying Amount 31.03.2018 |
|------------------------|---|-----------------|-----------------|---------------|---------------------|--------------------------|---------------|-----------------|-----------------------------------|
| | 01.04.2017 | | 31.03.2018 | | 01.04.2017 | | 31.03.2018 | | |
| | Additions | (Deletions) | 31.03.2018 | 01.04.2017 | Charge for the year | Disposal | | | |
| Land - Freehold land | 1,614.57 | 190.15 | 1,424.42 | - | - | - | - | 1,424.42 | |
| Buildings | 2,555.40 | 743.28 | 1,812.12 | 116.67 | 80.25 | 31.80 | 165.12 | 1,647.00 | |
| Plant and Equipment | 3,702.16 | 1,049.24 | 2,687.83 | 421.08 | 277.56 | 168.65 | 529.99 | 2,157.84 | |
| Wind Energy Converters | 4.85 | - | 4.85 | - | - | - | - | 4.85 | |
| Furniture and Fixtures | 7.05 | 0.55 | 6.50 | 2.14 | 0.22 | 0.09 | 2.27 | 4.23 | |
| Vehicles | 85.30 | 8.24 | 77.06 | 19.63 | 13.07 | 6.95 | 25.75 | 51.31 | |
| Office equipment | 0.61 | - | 0.61 | 0.30 | 0.10 | - | 0.40 | 0.21 | |
| Total | 7,969.94 | 1,991.46 | 6,013.39 | 559.82 | 371.20 | 207.49 | 723.53 | 5,289.86 | |

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 38



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 2. Non current financial asset - Investments | | |
| Unquoted | | |
| Investments in Equity instruments | | |
| Associates | | |
| 19,90,000 (2018: 19,90,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited | 154.71 | 154.71 |
| Others | | |
| 90 (2018: nil) Equity shares of Rs.10 each in ARS Steel and alloy international | 0.25 | - |
| | <u>154.96</u> | <u>154.71</u> |
| a. # represents quoted investments | | |
| Aggregate value of quoted investments (at fair value) | | |
| Aggregate market value of quoted investments | | |
| Aggregate value of unquoted investments | 154.96 | 154.71 |
| Aggregate value of impairment in value of investments | | |
| b. Investments are fully paid-up unless otherwise stated | - | - |
| 3. Non current - Other financial asset | | |
| Security deposit | 194.66 | 259.75 |
| Employee advances | 0.45 | 0.40 |
| | <u>195.11</u> | <u>260.15</u> |
| 4. Non current - Advance tax assets (net) | | |
| Advance income tax (net) | 20.70 | 14.96 |
| | <u>20.70</u> | <u>14.96</u> |
| 5. Other non current assets | | |
| (Unsecured, considered good) | | |
| Capital advances | 53.40 | 53.40 |
| Balances with Government authorities (paid under protest) | 300.73 | 300.73 |
| | <u>354.13</u> | <u>354.13</u> |
| 6. Inventories | | |
| Raw materials | 1,026.39 | 1,747.18 |
| Work-in-progress | 167.16 | 511.32 |
| Finished goods | 309.63 | 403.33 |
| Stores and spares | 12.62 | 10.55 |
| | <u>1,515.80</u> | <u>2,672.38</u> |
| Note : | | |
| 1. Goods in transit included above are as follows | | |
| Raw materials | 102.59 | 68.35 |
| 2. Cost of materials consumed during the year, refer note no. 25 | | |
| 3. For details of assets given as securities for borrowings, refer note no. 36 | | |
| 7. Current financial asset - Investments | | |
| Investments in Equity instruments | | |
| Nil (2018 - 39,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited | - | 58.81 |
| | <u>-</u> | <u>58.81</u> |
| 8. Trade receivables | | |
| (Unsecured, considered good) | | |
| Trade receivables | | |
| - Others | 287.37 | 282.67 |
| | <u>287.37</u> | <u>282.67</u> |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 9a. Cash and cash equivalents | | |
| Cash on hand | 2.45 | 8.19 |
| Balances with banks-current accounts | 0.30 | 0.33 |
| | <u>2.75</u> | <u>8.52</u> |
| 9b. Bank balances other than above | | |
| Unclaimed dividend accounts (earmarked) | - | 1.34 |
| Liquid assets deposits # | 9.09 | 7.65 |
| Deposits with Banks held as margin money # | 3.42 | 0.34 |
| | <u>12.51</u> | <u>9.33</u> |
| # represents deposits with original maturity of more than 3 months and less than 12 months | | |
| 10. Other financial assets - current (Unsecured considered good) | | |
| Windmills income receivable | - | 82.56 |
| Interest accrued on deposits | 0.26 | 0.99 |
| Interest subsidy receivable | 2.91 | 2.91 |
| Employee advances | - | - |
| Other receivable | 5.04 | 33.96 |
| | <u>8.21</u> | <u>120.42</u> |
| 11. Other current assets (Unsecured considered good) | | |
| Prepaid expenses | 14.17 | 4.55 |
| Supplier advances | 5.00 | 47.75 |
| Balance with government authorities | - | 34.56 |
| | <u>19.17</u> | <u>86.86</u> |
| 12. Assets held for sale | | |
| Net realisable value of assets earmarked for sale (Refer Note 44) | 2,550.00 | - |
| | <u>2,550.00</u> | <u>-</u> |
| 13. Equity | | |
| Authorised share capital | | |
| 50,00,000 equity shares (March 31, 2018 50,00,000) of Rs. 10 each with voting rights | 500.00 | 500.00 |
| Issued share capital | | |
| 38,65,650 equity shares (March 31, 2018 38,65,650) of Rs. 10 each with voting rights | 386.57 | 386.57 |
| Subscribed and paid up share capital | | |
| 38,49,250 equity shares (March 31, 2018 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 |
| | <u>385.74</u> | <u>385.74</u> |
| 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. 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, 2019 is Rs. Nil (2018: Rs.Nil). | | |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 14. Other equity | | |
| Securities premium - Note A | 548.62 | 548.62 |
| General reserve - Note B | 2,229.04 | 2,229.04 |
| Retained earnings - Note C | (2,563.60) | (699.81) |
| | <u>214.07</u> | <u>2,077.85</u> |
| Refer Statement of Changes in Equity for additions/ deletions in each reserve. | | |
| Notes : | | |
| 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 (i.e., 1.4.16) may not be available for distribution. | | |
| 15. Non current - Financial liabilities - Borrowings | | |
| Secured Borrowings | | |
| Term loan from banks | 622.50 | 907.82 |
| Unsecured | | |
| Fixed deposits | 1,176.36 | 836.05 |
| Intercorporate loan from related party | 516.00 | 550.00 |
| | <u>2,314.86</u> | <u>2,293.87</u> |
| Note : | | |
| 1. These are carried at amortised cost | | |
| 2. Refer note 21 for current maturities of non current borrowings | | |
| 3. Refer note 36 for security and terms of borrowings | | |
| 4. Refer note 37 for fixed deposits held by related parties | | |
| 16. Non current liabilities - Provisions | | |
| Provision for employee benefits | | |
| Compensated absences | 156.08 | 154.03 |
| | <u>156.08</u> | <u>154.03</u> |
| 17. Deferred tax asset/liability (net) | | |
| Deferred tax liability | 666.88 | 666.88 |
| Deferred tax assets | 192.79 | 192.79 |
| Deferred tax liability-net | 474.09 | 474.09 |
| Unused tax credits (MAT credit entitlement) | 632.07 | 632.07 |
| Net deferred tax/liability | <u>(157.98)</u> | <u>(157.98)</u> |
| Note : refer note 32 for details of deferred tax liability and asset | | |
| 18. Current financial liabilities - borrowings | | |
| Secured borrowings - from banks | | |
| Cash credit facilities | 2,238.08 | 2,855.03 |
| | <u>2,238.08</u> | <u>2,855.03</u> |
| 19. Current financial liabilities - trade payables | | |
| Trade payables (refer note 39) | | |
| (a) total outstanding dues of micro enterprises and small enterprises | 0.47 | - |
| (b) total outstanding dues of creditors other than micro enterprises and small enterprises | 597.45 | 450.89 |
| | <u>597.92</u> | <u>450.89</u> |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 20. Current provisions | | |
| Compensated absences | 3.21 | 4.99 |
| | <u>3.21</u> | <u>4.99</u> |
| 21. Other Current financial liabilities | | |
| Current maturities of long-term debts | 617.91 | 743.50 |
| Interest accrued and not due on borrowings | - | 25.70 |
| Interest accrued and due on borrowings | 30.36 | 38.90 |
| Unclaimed Dividends | - | 1.34 |
| Contribution to Gratuity Fund | 176.71 | 148.99 |
| Accrued expenses/liabilities | 138.45 | 180.66 |
| Employee payable | 9.36 | 56.30 |
| | <u>972.79</u> | <u>1,195.39</u> |
| Note : 1. Refer note 36 for security and terms of borrowings | | |
| 22. Other Current liabilities | | |
| Advance from customers | 3.93 | 35.31 |
| Advance for sale of assets | 1,029.00 | - |
| Statutory liabilities | 4.42 | 17.68 |
| | <u>1,037.35</u> | <u>52.99</u> |
| 23. Revenue from operations | | |
| Sale of products | | |
| Yarn | 6,879.67 | 5,059.93 |
| Process waste | 59.04 | 76.35 |
| | <u>6,938.71</u> | <u>5,136.28</u> |
| Revenue from services | | |
| Yarn conversion charges | 15.92 | 301.35 |
| Other operating revenues | | |
| Scrap sales | - | 0.40 |
| Hank yarn obligation charges received | - | 0.11 |
| Export incentives | - | - |
| | <u>6,954.63</u> | <u>5,438.14</u> |
| 24. Other income | | |
| Interest income from | | |
| Security deposits and bank deposits | 15.40 | 15.11 |
| Dividend income from Non-current investments | 0.65 | 3.60 |
| Net gain or loss arising on financial asset mandatorily measured at FVTPL | - | 19.24 |
| Profit on sale of assets | 122.69 | 31.14 |
| | <u>138.74</u> | <u>69.09</u> |
| 25. Cost of materials consumed | | |
| Cotton, viscose, modaal | 5,144.11 | 3,086.38 |
| Others | 19.31 | 15.83 |
| | <u>5,163.42</u> | <u>3,102.21</u> |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 26. Changes in Inventories of finished goods and work-in-progress | | |
| Closing stock | | |
| Finished goods | 309.63 | 403.33 |
| Work-in-progress | 167.16 | 511.31 |
| | <u>476.79</u> | <u>914.64</u> |
| Opening stock | | |
| Finished goods | 403.33 | 379.54 |
| Work-in-progress | 511.32 | 1,024.59 |
| | <u>914.65</u> | <u>1,404.13</u> |
| Net change in inventories | <u>437.86</u> | <u>489.49</u> |
| 27. Employee benefits expense | | |
| Salaries, wages and bonus | 733.25 | 690.38 |
| Contribution to provident, gratuity and other funds | 71.67 | 69.10 |
| Welfare expenses | 9.24 | 19.90 |
| | <u>814.16</u> | <u>779.38</u> |
| 28. Finance costs | | |
| Interest expense on borrowings | 639.91 | 804.72 |
| | <u>639.91</u> | <u>804.72</u> |
| 29. Depreciation and amortisation expense | | |
| Property, Plant and Equipment | | |
| Buildings | 72.87 | 80.25 |
| Plant and machinery | 237.65 | 277.56 |
| Wind energy converters | - | - |
| Furniture and fittings | 0.20 | 0.23 |
| Office equipments | 0.10 | 0.10 |
| Vehicles | 9.97 | 13.07 |
| Total depreciation on property, plant and equipment | <u>320.79</u> | <u>371.21</u> |
| 30. Other expenses | | |
| Conversion charges | - | 46.04 |
| Consumption of stores and spares | 101.22 | 51.65 |
| Power and fuel-net | 1,050.09 | 1,252.71 |
| Repairs and maintenance - Buildings | 1.04 | 1.60 |
| - Plant and machinery | 3.68 | 30.27 |
| Insurance | 4.12 | 6.68 |
| Rates and taxes | 6.98 | 11.65 |
| Packing and forwarding chages | 30.01 | 31.62 |
| Brokerage and commission on sales | 0.81 | 6.86 |
| Travel and vehicle upkeep expenses | 58.64 | 55.33 |
| Donation and charity | - | - |
| Expenditure on corporate social responsibility | - | 0.54 |
| Loss on sale of assets | 17.89 | - |
| Bank and other financial charges | 13.20 | 48.25 |
| Miscellaneous expenses | 12.24 | 29.75 |
| | <u>1,299.92</u> | <u>1,572.95</u> |
| 31. Exceptional item | | |
| Impairment loss on assets (Refer note 44) | (276.78) | - |
| Profit on sale of shares | - | 21.43 |
| Loss on sale of industrial undertaking | - | (106.45) |
| | <u>(276.78)</u> | <u>(85.02)</u> |



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

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):

The financial statements of the Company have been prepared in accordance with the Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act).

The business performance of the Company over the past few years, was impacted by unfavorable business conditions and as a result, the company incurred losses and its accumulated losses have substantially eroded its network. One of the units of the company has been sold during the year and the sale consideration was used to repay loan creditors. In order to continue operations for a reasonable period of time, the company is dependent on infusion of sufficient funds and restructuring of operations. The Board of directors determined that significant curtailment of business operations impacted its continuity and thereby adversely affected the company's ability to continue the business as a going concern.

The financial statements have been prepared on an accrual basis and under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

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 26th May 2019.

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 despatched 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.



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

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 and rental income and 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.

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.



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

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.

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. 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.

9. 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



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

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.

10. 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

11. 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.

12. 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.

13. 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.



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

14. 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.

15. 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 flows; 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".



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

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).

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.

The Company has applied the de-recognition requirements of financial assets prospectively for transactions occurring on or after April 1, 2015 (the transition date).

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 cost 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 a 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 Ind AS Financial Statements for the year ended March 31, 2019 (Contd.)

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.

The Company has applied the de-recognition requirements of financial liabilities prospectively for transactions occurring on or after April 1, 2015 (the transition date).

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



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

**16. Changes in accounting policies and disclosures
New and amended standards and interpretations**

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1st April, 2018. The nature and impact of each amendments is described below:

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 supersedes Ind AS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with this customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company adopted Ind AS 115 using the full retrospective method of adoption. Ind AS 115 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

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 spit (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.



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

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 judgements, 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.

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

Tax expense is calculated using applicable tax rate and laws that have been enacted or substantially enacted. In arriving at taxable profit 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 recognized 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 periods.

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. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 3.6.



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 32. Income taxes relating to continuing operations | | |
| a) Income tax recognised in Statement of profit and loss | | |
| Current tax | | |
| In respect of the current year * | — | 24.83 |
| | — | 24.83 |
| * prior year tax | | |
| Deferred tax | | |
| In respect of the current year | — | (561.14) |
| Deferred tax reclassified from equity to profit or loss | — | — |
| | — | (561.14) |
| Total income tax expense recognised in the current year relating to continuing operations | — | (536.31) |
| b) The income tax expense for the year can be reconciled to the accounting profit as follows: | | |
| Profit/(loss) before tax from continuing operations | (1,859.47) | (1,697.75) |
| Effect of prior year taxes | — | 24.83 |
| Effect of exceptional items | — | (561.14) |
| Income tax expense recognised in profit or loss (relating to continuing operations) | — | (536.31) |
| The tax rate used for the reconciliations above is the corporate tax rate of 27.62% (for FY 2018-33.063%) payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction. | | |
| c) Income tax recognised in other comprehensive income | | |
| Current tax | — | — |
| Total income tax recognised in other comprehensive income | — | — |

There is no tax for the current year as per the Income tax Act 1961, considering allowances/exemptions and consequently tax effect on the components in other comprehensive income is Nil

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 and 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 2018-19 (Rs. in Lakhs)

| Particulars | Opening balance | Recognised in profit or loss | Closing balance |
|--|-----------------|------------------------------|-----------------|
| Deferred tax (liabilities)/assets in relation to: | | | |
| 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 |
| | (157.98) | — | 157.98 |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|-------------|----------------------------|----------------------------|
|-------------|----------------------------|----------------------------|

33. 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.48.27 lakhs (for the year ended March 31, 2018: Rs.51.76 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 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.

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) | 7.75% | 7.73% |
| Expected rate(s) of salary increase | 5.00% | 3.50% |

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 | 11.85 | 14.00 |
| Net interest expense | 11.55 | 3.34 |

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

| | | |
|--|--------------|---------------|
| | <u>23.40</u> | <u>17.34</u> |
| Remeasurement on the net defined benefit liability comprising: | | |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 7.09 | (3.23) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 17.24 | (7.68) |
| Actuarial (gains)/losses arising from experience adjustments | (38.55) | 106.36 |
| Return on plan assets (excluding amounts included in net interest expense) | 18.55 | (7.01) |
| Components of defined benefit costs recognised in other comprehensive income | 4.32 | 88.44 |
| Total | <u>27.72</u> | <u>105.78</u> |

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 Ind AS Financial Statements

33. Retirement benefit plans continued..

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows: | | |
| Present value of defined benefit obligation | 197.48 | 214.25 |
| Fair value of plan assets | 20.77 | 65.26 |
| Net liability arising from defined benefit obligation - Funded | <u>176.71</u> | <u>148.99</u> |
| The above provisions are reflected under 'Current Financial Liabilities - Others (Refer notes 21) to the Standalone Ind AS Financial Statements. | | |
| Movements in the present value of the defined benefit obligation in the current year were as follows: | | |
| Opening defined benefit obligation | 214.25 | 111.53 |
| Current service cost | 11.85 | 14.00 |
| Interest cost | 15.45 | 8.05 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 7.09 | (3.23) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 17.24 | (7.68) |
| Actuarial (gains)/losses arising from experience adjustments | (38.55) | 106.36 |
| Benefits paid | 29.84 | 14.78 |
| Closing defined benefit obligation | <u>197.48</u> | <u>214.25</u> |
| Movements in the fair value of the plan assets in the current year were as follows: | | |
| Opening fair value of plan assets | 65.26 | 68.32 |
| Interest Income | 3.90 | 4.71 |
| Return on plan assets (excluding amounts included in net interest expense) | - | - |
| Contributions | - | - |
| Benefits paid | 29.84 | 14.78 |
| Actuarial (gains)/losses | (2.36) | 7.01 |
| Closing fair value of plan assets | <u>20.77</u> | <u>65.26</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. 9.23 lakhs (2017-18: Rs.11.72 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 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 185.05 | 234.33 |
| Increase by | 210.58 | 196.88 |

If the expected salary is 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 209.97 | 196.67 |
| Increase by | 185.41 | 234.31 |

If the attrition rate is 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 199.33 | 206.87 |
| Increase by | 194.55 | 220.96 |

2. Compensated Absences

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, 2018: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2019 is 28.30 years (as at March 31, 2018: 27.30 years).


Notes annexed to and forming part of the Standalone Ind AS Financial Statements
33. Retirement benefit plans continued..

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| Compensated Balances | | |
| The principal assumptions used for the purposes of the actuarial valuations were as follows : | | |
| Discount rate(s) | 7.60% | 7.71% |
| Expected rate(s) of salary increase | 7.50% | 7.50% |
| 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 | 0.81 | 0.92 |
| Net interest expense | 12.08 | 11.29 |
| Actuarial (gains)/losses arising during the period | (12.61) | (12.27) |
| Components of defined benefit costs recognised in profit or loss | 0.27 | (0.06) |
| The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Statement of profit or loss. | | |
| The remeasurement of the net defined benefit liability is included in other comprehensive income. | | |
| The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows: | | |
| Present value of defined benefit obligation | 156.99 | 156.72 |
| Fair value of plan assets | - | - |
| Net liability arising from defined benefit obligation - Unfunded | 156.99 | 156.72 |
| The above provisions are reflected under 'Current Financial Liabilities - Others [Refer note 16]. | | |
| Movements in the present value of the defined benefit obligation in the current year were as follows: | | |
| Opening defined benefit obligation | 156.72 | 156.78 |
| Current service cost | 0.81 | 0.92 |
| Interest cost | 12.08 | 11.29 |
| Actuarial (gains)/losses arising during the period | (12.61) | (12.27) |
| Benefits paid | - | - |
| Closing defined benefit obligation | 156.99 | 156.72 |
| Movements in the fair value of the plan assets in the current year were as follows: | | |
| Opening fair value of plan assets | - | - |
| Interest Income | - | - |
| Return on plan assets (excluding amounts included in net interest expense) | - | - |
| Contributions | - | - |
| Benefits paid | - | - |
| Others | - | - |
| Closing fair value of plan assets | - | - |

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.



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | Year ended March 31, 2019 Rs. in Lakhs | Year ended March 31, 2018 Rs. in Lakhs |
|--|--|--|
| 34. Earnings per share | | |
| Basic and Diluted earnings per share | | |
| From continuing operations | (48.31) | (30.17) |
| From discontinued operations | - | - |
| Total basic earnings per share | <u>(48.31)</u> | <u>(30.17)</u> |
| The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows: | | |
| Profit/(loss) for the year attributable to owners of the Company | (1,859.47) | (1,161.44) |
| Earnings used in the calculation of basic earnings per share | (1,859.47) | (1,161.44) |
| 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 | <u>(1,859.47)</u> | <u>(1,161.44)</u> |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | <u>38,49,250</u> | <u>38,49,250</u> |

35. Financial Instruments**Capital management**

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 18 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.

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| Gearing Ratio : | | |
| Debt | 4,552.89 | 5,148.90 |
| Less : Cash and bank balances | 15.26 | 17.85 |
| Net debt | 4,537.63 | 5,131.05 |
| Total equity | 599.81 | 2,463.59 |
| Net debt to total equity ratio | 7.57 | 2.08 |
| Categories of Financial Instruments: | | |
| a. Measured at amortised cost: | | |
| Cash and bank balances | 15.26 | 17.85 |
| Trade Receivables | 287.37 | 282.67 |
| Others | 222.49 | 380.56 |
| b. Mandatorily measured at fair value through profit or loss (FVTPL): | | |
| Investments | 154.96 | 154.71 |
| Derivative instruments | - | - |


Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| Financial liabilities | | |
| a. <u>Measured at amortised cost:</u> | | |
| Borrowings | 4,552.89 | 5,148.90 |
| Trade Payables | 597.92 | 450.89 |
| Others | 972.79 | 1,195.39 |
| 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, 2019 would decrease/increase by Rs. 11.02 lakhs (March 31, 2018: decrease/increase by Rs.13.41 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, 2019 was Rs.Nil (March 31, 2018: Rs. Nil). A 5% change in prices of equity instruments held as at March 31, 2019 would result in an impact of Rs. Nil on equity (March 31, 2018: Rs.Nil).

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.


Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|-------------|----------------------------|----------------------------|
|-------------|----------------------------|----------------------------|

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 |
|--|------------------------|---------------------------|-----------------------|------------------------|
| March 31, 2019 | | | | |
| Trade payables | 597.92 | - | - | 597.92 |
| Other financial liabilities | 972.79 | - | - | 972.79 |
| Borrowings (including interest accrued thereon upto the reporting date) | <u>2,238.08</u> | <u>2,264.44</u> | <u>-</u> | <u>4,506.52</u> |
| | <u>3,808.79</u> | <u>2,264.44</u> | <u>-</u> | <u>6,077.23</u> |
| March 31, 2018 | | | | |
| Trade payables | 450.89 | - | - | 450.89 |
| Other financial liabilities | 1,195.39 | - | - | 1,195.39 |
| Borrowings (including interest accrued thereon upto the reporting date) | <u>2,855.02</u> | <u>2,293.87</u> | <u>-</u> | <u>5,148.90</u> |
| | <u>4,501.31</u> | <u>2,293.87</u> | <u>-</u> | <u>6,795.18</u> |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

36. Details of non current borrowings

| Particulars | Particulars of repayment | Year | Non current | Current Maturities | Total | Rs. in Lakhs | |
|---|--|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| | | | | | | rate of interest | |
| a. Secured Borrowings | | | | | | | |
| i. Term loans from banks | | | | | | | |
| State Bank of India TL 5 | 25 monthly instalment of Rs.15 lakhs each and 11 monthly instalments of 20 lakhs each (2019-20 Rs.195 lakhs, 2020-21 Rs.180 lakhs, and 2021-22 Rs.220 lakhs) | As at March 31, 2019 As at March 31, 2018 | 400.00 579.65 | 195.00 112.51 | 595.00 692.16 | 16.65 15.50 | |
| Karnataka Bank TL 6 | 28 monthly instalment of Rs.7.50 lakhs each, 11 monthly instalment of Rs.10 lakhs each (2019-20 Rs.97.50 lakhs, 2020-21 Rs.90 lakhs and 2021-22 Rs.112.50 lakhs) 2022-23 Rs.20 lakhs | As at March 31, 2019 As at March 31, 2018 | 225.50 328.17 | 97.50 89.33 | 320.00 417.50 | 15.05 13.65 | |
| Subtotal | | As at March 31, 2019 As at March 31, 2018 | 622.50 907.82 | 292.50 201.84 | 915.00 1,109.66 | - - | |
| HDFC Bank bus loan | | As at March 31, 2019 As at March 31, 2018 | - - | - 0.48 | - 0.48 | - 10.01 | |
| b. Unsecured Borrowings | | | | | | | |
| Fixed deposits | Repayable in 2018-19 Rs.325.41 lakhs 2019-20 Rs.505.39 lakhs 2020-21 Rs.670.97 lakhs | As at March 31, 2019 As at March 31, 2018 | 1,176.36 836.05 | 325.41 541.18 | 1,501.77 1,377.23 | 11to12 11to12 | |
| Intercorporate Loan | Repayable in May 2019 | As at March 31, 2019 As at March 31, 2018 | 516.00 550.00 | - - | 516.00 550.00 | 12.00 13.95 | |
| | | As at March 31, 2019 As at March 31, 2018 | 1,692.36 1,386.05 | 325.41 541.18 | 2,017.77 1,927.23 | - - | |
| Note : 1. Term loans aggregating to Rs.915.00 lakhs (2018: Rs.1107.66 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. Term loan from banks to the extent of Rs.Nil (2018: Rs. 0.48 lakhs) is secured by hypothecation of car. | | | | | | | |
| 3. All the above loans are guaranteed by three directors. | | | | | | | |
| Details of current borrowings | | | | | | Rs. in Lakhs | |
| a. Secured Borrowings | | | | | | | |
| i. Cash credit facilities from banks | | | | | | | |
| State Bank of India | on demand | As at March 31, 2019 As at March 31, 2018 | - - | 1,041.01 1,285.33 | 121.77 1,321.75 | 16.65 15.05/ 14.5 | |
| Karnataka Bank | on demand | As at March 31, 2019 As at March 31, 2018 | - - | 1,021.77 1,321.57 | 1,321.75 1,253.64 | 15.05 14.95 | |
| Axis Bank | on demand | As at March 31, 2019 As at March 31, 2018 | - - | 211.30 248.12 | 211.30 248.12 | 13.65 12.35 | |
| Grand Total | | As at March 31, 2019 As at March 31, 2018 | - - | 2,238.05 2,855.02 | 2,855.02 2,855.02 | - - | |
| Note : 1. Cash credit/ short term loans/ Buyer's credit are secured by a first charge on the Company's current assets and by a second charge on the Company's Property, Plant and equipment excluding the charges mentioned above. | | | | | | | |
| 2. All the above loans are guaranteed by three directors. | | | | | | | |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

37. 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.

b) Details of Transactions with Related Parties :

| Name of Related Party | Nature of Transaction | 2018 - 19 | 2017 - 18 |
|---|--|------------------|------------------|
| | Intercorporate loan received | 50.00 | 50.00 |
| | Inter-corporate loan repaid | 84.00 | - |
| | Interest paid on the above loan | 71.08 | 71.36 |
| | Interest accrued on the above loan | - | 25.70 |
| Sambandam Spinning Mills Limited | purchase of waste cotton | - | 45.11 |
| | Sale of cotton | 222.39 | - |
| | Yarn conversion charges paid | 0.06 | - |
| | Yarn testing charges paid | 0.52 | - |
| | Trade payable | - | 22.12 |
| | Balance of inter-corporate loan and interest | 516.00 | 597.82 |
| | Yarn conversion charges received | 21.56 | 85.34 |
| Sambandam Siva Textiles Private Limited | Purchase of raw material | - | 0.51 |
| | Trade receivable | - | 3.95 |
| | Trade payable | - | 0.51 |
| S. Palaniandi Mudaliar Charitable Trust | Employee welfare services expenses | - | - |
| Kandagiri Spinning Mills Gratuity Trust | Contribution paid | - | - |
| | Interest Payment | - | - |
| | Remuneration | - | 4.37 |
| R.Selvarajan Managing Director | Fixed deposits received | 277.00 | - |
| | Fixed deposits repaid | - | - |
| | Balances outstanding - Fixed deposits | 578.54 | 301.54 |
| | Interest Payment | - | 0.14 |
| | Remuneration | - | 8.31 |
| S.Vijay Shankar Chief Financial Officer | Fixed deposits received | 257.50 | - |
| | Fixed deposits repaid | - | 21.00 |
| | Balances outstanding - Fixed deposits | 554.79 | 297.29 |
| J.Asifa - Company Secretary | Remuneration | 5.85 | 4.20 |
| | Interest Payment | 20.36 | 20.87 |
| Sarayu. A | Fixed deposits received | - | - |
| | Balances outstanding - Fixed deposits | 277.00 | 277.00 |
| Abhinav. V | Interest Payment | 1.81 | 0.61 |
| | Fixed deposit received | 15.00 | - |
| | Balances outstanding - Fixed deposits | 20.50 | 5.50 |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 38. Contingent liabilities and Capital Commitments | | |
| Contingent liabilities | | |
| (i) Self Generation /Electricity Tax (TANGEDCO) | 438.36 | 408.42 |
| (ii) Sales Tax | 0.36 | 0.36 |
| (iii) Others | 12.87 | 12.87 |
| | 451.59 | 421.65 |

These have been disputed by the Company on account of issues of applicability and classification. Future cash outflows in respect of the above are determinable only on receipt of judgement / decisions pending with various forums / authorities.

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. 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 | (Rs. in Lakhs) | |
|---|-------------------------|-------------------------|
| | As at March 31, 2019 | As at March 31, 2018 |
| (i) Principal amount due to suppliers under MSMED Act, as at the end of the year | 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 | 2019 | 2018 |
|---------------------|------|------|
| 1. Statutory audit | 3.70 | 3.70 |
| 2. Taxation matters | - | - |
| 3. Other services | - | - |

41. Net Debt Reconciliation

(Rs. in Lakhs)

| Particulars | (Rs. in Lakhs) | |
|------------------------------|-------------------------|-------------------------|
| | As at March 31, 2019 | As at March 31, 2018 |
| 1. Cash and Cash equivalents | 2.75 | 8.52 |
| 2. Liquid investments | 9.09 | 7.65 |
| 3. Current Borrowings | (2,238.02) | (2,855.02) |
| 4. Non current borrowings | (2,314.86) | (2,293.87) |
| Net Debt | (4,541.10) | (5,132.72) |



Notes annexed to and forming part of the Standalone Ind AS 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 | |
| Net debt as at March 31, 2018 | | | | | | (5,132.72) |
| Cash Flows | (5.77) | 1.44 | – | (20.99) | 616.95 | 591.62 |
| Interest expense | (639.91) | – | – | – | – | (639.91) |
| Interest paid | 639.91 | – | – | – | – | 639.91 |
| Net debt as at March 31, 2019 | (5.77) | 1.44 | – | (20.99) | 616.95 | (4,541.10) |

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, 2019 | As at March 31, 2018 | Purpose |
|--------------------------------|----------------------|----------------------|---------|
| i. Loans | – | – | |
| ii. Investments (Refer note 2) | 154.96 | 154.71 | |
| iii. Guarantees | – | – | |

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

45. The Company has been incurring losses due to both internal factors such as under utilization of capacities and consequent higher fixed costs and external factors such as market slowdown etc. However, the Company has initiated proactive steps for better utilisation of capacities by disposing part of the Units, undertakings, restructuring of operations, rationalization of product mix, cost reduction actions and focus on working capital management. The promoters of the Company have also undertaken to infuse such funds as may be necessary for the Company to fulfil its obligations as and when they fall due. These factors will make the Company return to profitability and improve overall cash flow. Therefore in the opinion of the management, material risk that leads to significant doubt about the Company's ability to continue as the going concern, if any, are addressed and accordingly the standalone financial statements have been prepared on a going concern basis.

46. Revenue from contract with customers.

a) Disaggregated revenue information

(Rs. in Lakhs)

| Particulars | March 31, 2019* |
|---|-----------------|
| Type of goods and service | |
| Sale of products | |
| Yarn | 6,879.67 |
| Process waste | 59.04 |
| Revenue from services | |
| Yarn conversion charges | 15.92 |
| Other operating revenues | – |
| Total revenue from contract with customers | 6,954.63 |
| India | 6,954.63 |
| Outside India | – |
| Total revenue from contract with customers | 6,954.63 |



Notes annexed to and forming part of the Standalone Ind AS Financial Statements

Timing of revenue recognition

(Rs. in Lakhs)

| Particulars | March 31, 2019* | |
|---|--------------------|-----------------------|
| | At a point in time | Over a period of time |
| Sale of products and other operating income | 6,954.63 | — |
| Less : Rebates and discounts | — | — |
| Total revenue from contract with customers | 6,954.63 | — |

b) Contract balance

(Rs. in Lakhs)

| Particulars | March 31, 2019* |
|-------------------------------|-----------------|
| Trade receivables | 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, 2019* |
|---|-----------------|
| Revenue as per contracted price | 6,954.63 |
| Adjustments:- | |
| Rebates and discounts | — |
| Revenue from contract with customers | 6,954.63 |

* Pursuant to transitional provisions in Ind AS 115, the relevant disclosures for the comparative period are not disclosed

d) Changes in accounting policy-on account of adoption of Ind AS 115

The Company applied Ind AS 115 for the first time by using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the company recognised the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of retained earnings as at 1 April, 2018. Comparative prior has not been adjusted. The Company has applied the revenue standard only to contracts that are not completed as at the date of initial application. The impact on account of applying the erstwhile Ind AS 18 Revenue instead of Ind AS 115 Revenue from Contracts with customers on the financial results of the company for the year ended March 31, 2019 and other adjustments as at March 31, 2019 on adoption of Ind AS 115 is Nil.

47. 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

R. Selvarajan
Managing Director
DIN : 00001703

S. Vijay Shankar
Chief Financial Officer

J. Asifa
Company Secretary



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KANDAGIRI SPINNING MILLS LIMITED

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS Financial Statements of **KANDAGIRI SPINNING MILLS LIMITED** ("Investee Company/the Company") and its associate, which comprise the Consolidated Balance Sheet as at March 31, 2019, 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 Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us 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 Ind AS 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, 2019, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated Ind AS 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 Ind AS 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 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 Ind AS financial statements.

Material uncertainty Related to Going Concern

The Company has generated negative cash flows and incurred substantial operating losses during the current period and earlier. In order to continue the Company is apparently dependent on infusion of sufficient funds and restructuring of operations. There is thus, in our opinion, existence of a material risk as to the Company's ability to continue as a going concern but the company is taking necessary steps to address the above.

Our conclusion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, 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 Ind AS 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 Ind AS 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 consolidated Ind AS financial statements.



A. REVENUE RECOGNITION

Key Audit Matter Description

Reference may be made to note 3 of significant accounting policies and note 23 to the consolidated Ind AS financial statements of the Company.

During the year, on account of adoption of new revenue standard Ind AS 115 – Revenue from contracts with customer, there have been changes in revenue recognition policy with regards to timing of recognition and related disclosures.

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 Ind AS 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. VALUATION OF INVENTORY

Key Audit Matter Description

Considering the risks involved, such as identification of stages of work in progress valuation of inventory is considered to be key audit matter.

Response to Key Audit Matter

Principal Audit Procedures

We have planned and performed the following audit procedures with respect to the Key audit matter identified.

- a. Verified the stock issue register to identify the stage of completion
- b. Validated the management internal control process for valuation of inventory.
- c. Recheck of valuation principles adopted for inventory.
- d. Discussed with the management on the management's process of identifying the stages of completion and valuing work in progress stock at the time of book closure process.



Conclusion

Based on the above procedures and physical verification of stock with identified stages of processes by the Management at the year end, we concluded that the valuation of Inventory at the yearend is fair and in terms of accounting principles. We have also concluded that other alternate manual controls established ensure that there is no material misstatement in the consolidated Ind AS financial statements.

C. Actuarial valuation

Key Audit Matter Description

Reference may be made to note 6 of significant accounting policies and note 16, 20 and 21 to the consolidated Ind AS 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

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 Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of 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, amended. The respective Board of Directors of the Company and of 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 Ind AS 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 Ind AS financial statements, the respective Board of Directors of the Company and its associates are responsible for assessing the ability of the company and its associates 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 financial reporting process of the company and its associates.

Auditor's Responsibilities for the Audit of the consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Investee 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 consolidated Ind AS 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 Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the company of which we are the independent auditors and whose financial formation we have audited, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are independent auditors. For the other entities included in the consolidated financial statements, 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 of the company and its associates included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the year ended March 31, 2019 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

- (a) The consolidated Ind AS financial statements include the Group's share of net profit of Rs.12.33 lakhs for the year ended March 31, 2019, as considered in the consolidated Ind AS financial statements, in respect of one associate, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts of disclosures included in respect of these associates, and our report in terms of sub-section (3) of section 143 of the Act, in so far as it relates to the aforesaid associates, is based solely on the report of such other auditors.

Report on Other Legal and Regulatory Requirements

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 Ind AS 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 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 the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS 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 of the investee company as on March 31, 2019 taken on record by the Board of Directors of the investee company and the reports of the statutory auditors who are appointed under section 139 of the Act, its associates, none of the directors company and its associates is disqualified as on March 31, 2019 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 Ind AS 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;

In our opinion and based on the consideration of reports of other statutory auditors of the associates, the managerial remuneration for the year ended March 31, 2019 has been paid/provided by the Company, its associates to their directors is in accordance with the provisions of section 197 read with Schedule V to the Act;



- (g) 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 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 consolidated Ind AS financial statements disclosed the impact of pending litigations on its consolidated financial position of the company, its associates in its consolidated Ind AS Financial Statements. (Refer note 38 to the consolidated Ind AS 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, 2019.
 - 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
Registration No. 008282S

Salem
May 26, 2019

S. Krishnan - Partner
Membership No. 26452

“ANNEXURE 1” to the Independent Auditor's Report of even date on the Consolidated Ind AS 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 investee Company”) and its associates as of March 31, 2019 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. 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 Act.

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
4. 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 Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.



5. 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.

6. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

7. 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

8. 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

9. 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, 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.

Other Matters

10. 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 these two associates, is based on the corresponding reports of the auditors of such associate companies.

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

Salem
May 26, 2019

S. Krishnan - Partner
Membership No. 26452

Kandagiri Spinning Mills Limited



Consolidated Balance Sheet as at March 31, 2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------|----------------------------|----------------------------|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 1 | 2,641.42 | 5,289.86 |
| Financial assets | | | |
| Investments | 2 | 126.68 | 114.10 |
| Other financial asset | 3 | 195.11 | 260.15 |
| Advance tax assets(net) | 4 | 20.70 | 14.96 |
| Other non-current assets | 5 | 354.13 | 354.13 |
| Deferred tax asset (net) | 17 | 157.98 | 157.98 |
| | | <u>3,496.02</u> | <u>6,191.18</u> |
| Current assets | | | |
| Inventories | 6 | 1,515.80 | 2,672.38 |
| Financial assets | | | |
| Investments | 7 | — | 58.81 |
| Trade receivables | 8 | 287.37 | 282.67 |
| Cash and cash equivalents | 9a | 2.75 | 8.52 |
| Other Bank balances | 9b | 12.51 | 9.33 |
| Others | 10 | 8.21 | 120.42 |
| Other current assets | 11 | 19.17 | 86.86 |
| Assets held for sale | 12 | 2,550.00 | — |
| | | <u>4,395.81</u> | <u>3,238.99</u> |
| Total assets | | <u>7,891.83</u> | <u>9,430.17</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 13 | 385.74 | 385.74 |
| Other equity | 14 | 185.78 | 2,037.23 |
| | | <u>571.52</u> | <u>2,422.97</u> |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 15 | 2,314.86 | 2,293.87 |
| Provisions | 16 | 156.08 | 154.03 |
| | | <u>2,470.94</u> | <u>2,447.90</u> |
| Current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 18 | 2,238.08 | 2,855.03 |
| Trade payables | 19 | | |
| (a) total outstanding dues of micro enterprises and small enterprises | | 0.47 | — |
| (b) total outstanding dues of creditors other than micro enterprises and small enterprises | | 597.45 | 450.89 |
| Provisions | 20 | 3.21 | 4.99 |
| Other financial liabilities | 21 | 972.79 | 1,195.39 |
| Other current liabilities | 22 | 1,037.37 | 53.00 |
| | | <u>4,849.37</u> | <u>4,559.30</u> |
| Total equity and liabilities | | <u>7,891.83</u> | <u>9,430.17</u> |

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Ind AS 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

May 26, 2019

For and on behalf of the board

S. Devarajan

Chairman

DIN : 00001910

R. Selvarajan

Managing Director

DIN : 00001703

S. Vijay Shankar

Chief Financial Officer

J. Asifa

Company Secretary


Consolidated Statement of Profit and Loss for the year ended March 31, 2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------|----------------------------|----------------------------|
| Income | | | |
| Revenue from operations | 23 | 6,954.63 | 5,438.14 |
| Other income | 24 | 138.74 | 69.09 |
| Total income | | <u>7,093.37</u> | <u>5,507.23</u> |
| Expenses | | | |
| Cost of materials consumed | 25 | 5,163.42 | 3,102.21 |
| Changes in inventories of finished goods and work-in- progress | 26 | 437.86 | 489.49 |
| Employee benefits expense | 27 | 814.16 | 779.38 |
| Finance cost | 28 | 639.91 | 804.72 |
| Depreciation and amortization expense | 29 | 320.79 | 371.21 |
| Other expenses | 30 | 1,299.92 | 1,572.95 |
| Total Expenses | | <u>8,676.06</u> | <u>7,119.96</u> |
| Profit/(loss) before exceptional items and tax | | (1,582.69) | (1,612.73) |
| Share of profit of associate | | 12.33 | 10.44 |
| | | <u>(1,570.36)</u> | <u>(1,602.29)</u> |
| Exceptional item | 31 | (276.78) | (85.02) |
| Profit/(loss) before tax | | (1,847.14) | (1,687.31) |
| Tax expense : | | | |
| Current tax - current year | | - | - |
| - prior year | | - | 24.83 |
| Deferred tax | | - | (561.14) |
| Income tax expense | | <u>-</u> | <u>(536.31)</u> |
| Profit/(loss) for the period from continuing operations | | (1,847.14) | (1,151.00) |
| Other comprehensive income | | | |
| Other comprehensive income not to reclassified to profit or loss in subsequent periods | | - | - |
| Re-measurement gains/(losses) on defined benefit plans | | (4.32) | (88.43) |
| Income tax effect | | - | - |
| Other comprehensive income | | (4.32) | (88.43) |
| Total comprehensive income for the year | | <u>(1,851.46)</u> | <u>(1,239.43)</u> |
| Earning per share (Face value Rs.10 per share) | | | |
| -Basic and diluted (Rs.) (Refer note 35) | | (47.99) | (29.90) |

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Ind AS 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

S. Vijay Shankar
Chief Financial Officer

R. Selvarajan
Managing Director
DIN : 00001703

J. Asifa
Company Secretary

Kandagiri Spinning Mills Limited



Consolidated Statement of cash flows for the year ended March 31,2019

| Particulars | Note No. | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Loss before tax | | (1,847.14) | (1,687.31) |
| Adjustments for : | | | |
| Associate share of profit | | (12.33) | (10.44) |
| Depreciation | | 320.79 | 371.21 |
| Interest Expense | | 639.91 | 804.72 |
| Interest Income | | (15.40) | (15.11) |
| Unrealised Exchange Fluctuation | | | |
| Dividend income | | (0.65) | (3.60) |
| Net gain or loss arising on financial asset mandatorily measured at FVTPL | | - | (19.24) |
| (Profit)/loss on sale of property, Plant Equipment (PPE) | | (122.69) | 106.45 |
| Loss / (Profit) on sale of Long term investments | | 17.89 | (21.43) |
| Impairment loss on assets | | 276.78 | - |
| Operating profit before working capital changes | | (742.83) | (474.74) |
| Adjustments for changes in : | | | |
| Inventories | | 1,156.58 | (475.16) |
| Trade receivables | | (4.71) | 245.25 |
| Non current and current financial assets | | 174.07 | 23.19 |
| Other non current and current assets | | 67.69 | 3.03 |
| Trade payables | | 147.03 | (223.38) |
| Non current and current financial liabilities | | (1,300.81) | 283.15 |
| Other non current and current liabilities | | (44.64) | (53.56) |
| Other non current and current provisions | | 0.27 | 4.99 |
| Other financial Assets | | - | 49.49 |
| | | (547.35) | (617.74) |
| Income Tax paid | | (5.74) | (11.51) |
| Net Cash Flow from Operating Activities | (A) | (553.09) | (629.25) |
| Cash Flows from Investing Activities | | | |
| Payments for acquisition of assets | | (216.93) | (34.91) |
| Sale of assets and undertaking (refer note 44) | | 227.91 | 2,133.32 |
| Advance received for sale of undertakings | | 1,029.00 | - |
| Interest received | | 15.40 | 15.11 |
| Dividend received | | 0.65 | 3.60 |
| Purchase of shares | | (0.25) | - |
| Proceeds from sale of shares | | 40.91 | 132.66 |
| | (B) | 1,096.69 | 2,249.78 |
| Cash Flows from Financing Activities | | | |
| Finance cost paid | | (639.91) | (804.72) |
| Proceeds from inter corporate loan - related party | | 50.00 | 50.00 |
| Proceeds from unsecured loan - directors | | 319.20 | - |
| Repayments of inter - corporate loan - related party | | (84.00) | - |
| Repayments of long term borrowings | | (194.66) | (712.70) |
| Repayments of short term borrowings | | - | (146.78) |
| Net Cash Flow from Financing Activities | (C) | (549.37) | (1,614.20) |
| NET CASH INFLOW / (OUTFLOW) | (A+B+C) | (5.77) | (6.33) |
| Opening Cash and Cash Equivalents | (D) | 8.52 | 2.19 |
| Closing Cash and Cash Equivalents | (E) | 2.75 | 8.52 |
| NET INCREASE/ (DECREASE) IN CASH | (E-D) | (5.77) | 6.33 |

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Ind AS 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

S. Vijay Shankar
Chief Financial Officer

R. Selvarajan
Managing Director
DIN : 00001703

J. Asifa
Company Secretary



Consolidated Statement of Changes in Equity

A. Equity share Capital

Rs. in Lakhs

| | Balance as at 01-04-2017 | Changes in equity capital during the year | Balance as at 31-03-2018 | Changes in equity share capital during the year | Balance as at 31-03-2019 |
|----------------------|--------------------------|---|--------------------------|---|--------------------------|
| 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, 2017 | 548.62 | 2,229.04 | 499.00 | 3,276.66 |
| (Loss) for the year | – | – | (1,151.00) | (1,151.00) |
| Other Comprehensive income | – | – | (88.43) | (88.43) |
| Total Comprehensive income for the year | – | – | (1,239.43) | (1,239.43) |
| Balance at the end of March 31, 2018 | 548.62 | 2,229.04 | (740.43) | 2,037.23 |
| (Loss) for the year | – | – | (1,847.14) | (1,847.14) |
| Other Comprehensive income | – | – | (4.32) | (4.32) |
| Total Comprehensive income for the year | – | – | (1,851.46) | (1,851.46) |
| Balance at the end of March 31, 2019 | 548.62 | 2,229.04 | (2,591.89) | 185.78 |

Significant Accounting Policies and Notes to accounts form an integral part of the Consolidated Ind AS 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

S. Devarajan
Chairman
DIN : 00001910

R. Selvarajan
Managing Director
DIN : 00001703

Salem
May 26, 2019

S. Vijay Shankar
Chief Financial Officer

J. Asifa
Company Secretary



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

1. PROPERTY, PLANT AND EQUIPMENT (PPE)

| 2018 - 2019 | Gross Carrying Amount(Cost/deemed cost) | | | | | Accumulated depreciation / Impairment | | | Net Carrying Amount 31.03.2019 |
|------------------------|---|-----------------|---------------|-----------------|---------------------|---------------------------------------|---------------|-----------------|-----------------------------------|
| | 01.04.2018 | | 31.03.2019 | | 01.04.2018 | | 31.03.2019 | | |
| | Additions | (Deletions) | Additions | (Deletions) | Charge for the year | Disposal | | | |
| Land - Freehold land | 1,424.42 | 914.18 | - | 510.24 | - | - | - | 510.24 | |
| Buildings | 1,812.12 | 1,101.12 | 34.58 | 745.58 | 165.12 | 128.59 | 109.40 | 636.18 | |
| Plant and Equipment | 2,687.83 | 934.95 | 182.35 | 1,935.23 | 529.99 | 283.99 | 483.65 | 1,451.58 | |
| Wind Energy Converters | 4.85 | 4.85 | - | - | - | - | - | - | |
| Furniture and Fixtures | 6.50 | 0.68 | - | 5.82 | 2.27 | 0.22 | 2.25 | 3.57 | |
| Vehicles | 77.06 | 2.88 | - | 74.18 | 25.75 | 1.19 | 34.53 | 39.65 | |
| Office equipment | 0.61 | - | - | 0.61 | 0.40 | 0.09 | 0.41 | 0.20 | |
| Total | 6,013.39 | 2,958.66 | 216.93 | 3,271.66 | 723.53 | 414.08 | 630.24 | 2,641.42 | |

| 2017 - 2018 | Gross Carrying Amount(Cost/deemed cost) | | | | | Accumulated depreciation | | | Net Carrying Amount 31.03.2018 |
|------------------------|---|-----------------|--------------|-----------------|---------------------|--------------------------|---------------|-----------------|-----------------------------------|
| | 01.04.2017 | | 31.03.2018 | | 01.04.2017 | | 31.03.2018 | | |
| | Additions | (Deletions) | Additions | (Deletions) | Charge for the year | Disposal | | | |
| Land - Freehold land | 1,614.57 | 190.15 | - | 1,424.42 | - | - | - | 1,424.42 | |
| Buildings | 2,555.40 | 743.28 | - | 1,812.12 | 116.67 | 31.80 | 165.12 | 1,647.00 | |
| Plant and Equipment | 3,702.16 | 1,049.24 | 34.91 | 2,687.83 | 421.08 | 168.65 | 529.99 | 2,157.84 | |
| Wind Energy Converters | 4.85 | - | - | 4.85 | - | - | - | 4.85 | |
| Furniture and Fixtures | 7.05 | 0.55 | - | 6.50 | 2.14 | 0.09 | 2.27 | 4.23 | |
| Vehicles | 85.30 | 8.24 | - | 77.06 | 19.63 | 6.95 | 25.75 | 51.31 | |
| Office equipment | 0.61 | - | - | 0.61 | 0.30 | - | 0.40 | 0.21 | |
| Total | 7,969.94 | 1,991.46 | 34.91 | 6,013.39 | 559.82 | 207.49 | 723.53 | 5,289.86 | |

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 40



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 2. Non current financial asset - Investments | | |
| Unquoted | | |
| Investments in Equity instruments | | |
| Associates | | |
| 19,90,000 (2018: 19,90,000) 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 | <u>73.57</u> | <u>85.90</u> |
| | <u>126.43</u> | <u>114.10</u> |
| Others | | |
| 90 (2018: nil) Equity shares of Rs.10 each in ARS Steel and alloy international Private Limited | | |
| | <u>0.25</u> | <u>-</u> |
| | <u>126.68</u> | <u>114.10</u> |
| a. # represents quoted investments | | |
| Aggregate value of quoted investments (at fair value) | | |
| Aggregate market value of quoted investments | | |
| Aggregate value of unquoted investments | 126.68 | 114.10 |
| Aggregate value of impairment in value of investments | | |
| b. Investments are fully paid-up unless otherwise stated | | |
| 3. Non current - Other financial asset | | |
| Security deposit | 194.66 | 259.75 |
| Employee advances | <u>0.45</u> | <u>0.40</u> |
| | <u>195.11</u> | <u>260.15</u> |
| 4. Non current - Advance tax assets (net) | | |
| Advance income tax (net) | <u>20.70</u> | <u>14.96</u> |
| | <u>20.70</u> | <u>14.96</u> |
| 5. Other non current assets | | |
| (Unsecured, considered good) | | |
| Capital advances | 53.40 | 53.40 |
| Balances with Government authorities (paid under protest) | <u>300.73</u> | <u>300.73</u> |
| | <u>354.13</u> | <u>354.13</u> |
| 6. Inventories | | |
| Raw materials | 1,026.39 | 1,747.18 |
| Work-in-progress | 167.16 | 511.32 |
| Finished goods | 309.63 | 403.33 |
| Stores and spares | <u>12.62</u> | <u>10.55</u> |
| | <u>1,515.80</u> | <u>2,672.38</u> |
| Note : | | |
| 1. Goods in transit included above are as follows | | |
| Raw materials | 102.59 | 68.35 |
| 2. Cost of materials consumed during the year, refer note 25 | | |
| 3. For details of assets given as securities for borrowings, refer note 37 | | |
| 7. Current financial asset - Investments | | |
| Investments in Equity instruments | | |
| Nil (2018 - 39,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited | | |
| | <u>-</u> | <u>58.81</u> |
| | <u>-</u> | <u>58.81</u> |
| 8. Trade receivables | | |
| (Unsecured, considered good) | | |
| Trade receivables | | |
| - Others | 287.37 | 282.67 |
| | <u>287.37</u> | <u>282.67</u> |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 9a. Cash and cash equivalents | | |
| Cash on hand | 2.45 | 8.19 |
| Balances with banks-current accounts | 0.30 | 0.33 |
| | <u>2.75</u> | <u>8.52</u> |
| 9b. Bank balances other than above | | |
| Unclaimed dividend accounts (earmarked) | - | 1.34 |
| Liquid assets deposits # | 9.09 | 7.65 |
| Deposits with Banks held as margin money # | 3.42 | 0.34 |
| | <u>12.51</u> | <u>9.33</u> |
| # represents deposits with original maturity of more than 3 months and less than 12 months | | |
| 10. Other financial assets - current (Unsecured considered good) | | |
| Windmills income receivable | - | 82.56 |
| Interest accrued on deposits | 0.26 | 0.99 |
| Interest subsidy receivable | 2.91 | 2.91 |
| Employee advances | - | - |
| Other receivable | 5.04 | 33.96 |
| | <u>8.21</u> | <u>120.42</u> |
| 11. Other current assets (Unsecured considered good) | | |
| Prepaid expenses | 14.17 | 4.55 |
| Supplier advances | 5.00 | 47.75 |
| Balance with government authorities | - | 34.56 |
| | <u>19.17</u> | <u>86.86</u> |
| 12. Assets held for sale | | |
| Net realisable value of assets earmarked for sale (refer note 46) | 2,550.00 | - |
| | <u>2,550.00</u> | <u>-</u> |
| 13. Equity | | |
| Authorised share capital | | |
| 50,00,000 equity shares (March 31, 2018 50,00,000) of Rs. 10 each with voting rights | 500.00 | 500.00 |
| Issued share capital | | |
| 38,65,650 equity shares (March 31, 2018 38,65,650) of Rs. 10 each with voting rights | 386.57 | 386.57 |
| Subscribed and paid up share capital | | |
| 38,49,250 equity shares (March 31, 2018 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 |
| | <u>385.74</u> | <u>385.74</u> |
| 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. 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, 2019 is Rs. Nil (2018 : Nil). | | |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 14. Other equity | | |
| Securities premium - Note A | 548.62 | 548.62 |
| General reserve - Note B | 2,229.04 | 2,229.04 |
| Retained earnings - Note C | (2,591.89) | (740.43) |
| | <u>185.78</u> | <u>2,037.23</u> |
| Refer Statement of Changes in Equity for additions / deletions in each reserve. | | |
| Notes : | | |
| 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. | | |
| 15. Non current - Financial liabilities - Borrowings | | |
| Secured Borrowings | | |
| Term loan from banks | 622.50 | 907.82 |
| Unsecured | | |
| Fixed deposits | 1,176.36 | 836.05 |
| Intercorporate loan from related party | 516.00 | 550.00 |
| | <u>2,314.86</u> | <u>2,293.87</u> |
| Note : | | |
| 1. These are carried at amortised cost | | |
| 2. Refer note 21 for current maturities of non current borrowings | | |
| 3. Refer note 37 for security and terms of borrowings | | |
| 4. Refer note 38 for fixed deposits held by related parties | | |
| 16. Non current liabilities - Provisions | | |
| Provision for employee benefits | | |
| Compensated absences | 156.08 | 154.03 |
| | <u>156.08</u> | <u>154.03</u> |
| 17. Deferred tax asset/liability (net) | | |
| Deferred tax liability | 666.88 | 666.88 |
| Deferred tax assets | 192.79 | 192.79 |
| Deferred tax liability-net | 474.09 | 474.09 |
| Unused tax credits (MAT credit entitlement) | 632.07 | 632.07 |
| Net deferred tax/liability | <u>(157.98)</u> | <u>(157.98)</u> |
| Note : refer note 33 for details of deferred tax liability and asset | | |
| 18. Current financial liabilities - borrowings | | |
| Secured borrowings - from banks | | |
| Cash credit facilities | 2,238.08 | 2,855.03 |
| | <u>2,238.08</u> | <u>2,855.03</u> |
| Note: These are carried at amortised cost | | |
| 19. Current financial liabilities - trade payables | | |
| Trade payables (refer note 41) | | |
| (a) total outstanding dues of micro enterprises and small enterprises | 0.47 | - |
| (b) total outstanding dues of creditors other than micro enterprises and small enterprises | 597.45 | 450.89 |
| | <u>597.92</u> | <u>450.89</u> |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 20. Current provisions | | |
| Compensated absences | 3.21 | 4.99 |
| | <u>3.21</u> | <u>4.99</u> |
| 21. Other Current financial liabilities | | |
| Current maturities of long-term debts | 617.91 | 743.50 |
| Interest accrued and not due on borrowings | - | 25.70 |
| Interest accrued and due on borrowings | 30.36 | 38.90 |
| Unclaimed Dividends | - | 1.34 |
| Contribution to Gratuity Fund | 176.71 | 148.99 |
| Accrued expenses/liabilities | 138.45 | 180.66 |
| Employee payable | 9.36 | 56.30 |
| | <u>972.79</u> | <u>1,195.39</u> |
| Note : | | |
| 1. Refer note 37 for security and terms of borrowings | | |
| 22. Other Current liabilities | | |
| Advance from customers | 3.93 | 35.31 |
| Advance for sale of assets | 1,029.00 | - |
| Statutory liabilities | 4.44 | 17.69 |
| | <u>1,037.37</u> | <u>53.00</u> |
| 23. Revenue from operations | | |
| Sale of products | | |
| Yarn | 6,879.67 | 5,059.93 |
| Process waste | 59.04 | 76.35 |
| | <u>6,938.71</u> | <u>5,136.28</u> |
| Revenue from services | | |
| Yarn conversion charges | 15.92 | 301.35 |
| Other operating revenues | | |
| Scrap sales | - | 0.40 |
| Hank yarn obligation charges received | - | 0.11 |
| Export incentives | - | - |
| | <u>6,954.63</u> | <u>5,438.14</u> |
| 24. Other income | | |
| Interest income from | | |
| Security deposits and bank deposits | 15.40 | 15.11 |
| Dividend income from Non-current investments | 0.65 | 3.60 |
| Net gain or loss arising on financial asset mandatorily measured at FVTPL | - | 19.24 |
| Profit on sale of assets | 122.69 | 31.14 |
| | <u>138.74</u> | <u>69.09</u> |
| 25. Cost of materials consumed | | |
| Cotton, viscose, modaal | 5,144.11 | 3,086.38 |
| Others | 19.31 | 15.83 |
| | <u>5,163.42</u> | <u>3,102.21</u> |



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2019

1. Corporate Information

Kandagiri Spinning Mills Limited ("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):

The financial statements of the Company have been prepared in accordance with the Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act).

The business performance of the Company over the past few years, was impacted by unfavorable business conditions and as a result, the company incurred losses and its accumulated losses have substantially eroded its networth. One of the units of the company has been sold during the year and the sale consideration was used to repay loan creditors. In order to continue operations for a reasonable period of time, the company is dependent on infusion of sufficient funds and restructuring of operations. The Board of directors determined that significant curtailment of business operations impacted its continuity and thereby adversely affected the company's ability to continue the business as a going concern.

The financial statements have been prepared on an accrual basis and under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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. Fair value for measurement and/ or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

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 26th May 2019.



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

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 despatched 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.

5. Other Income

Other Income comprises of Dividend and Interest income and rental income and 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).



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

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:

- ❖ 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.



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

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. 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



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

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.

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).



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

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.

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 flows; 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".



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

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).

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.

The Company has applied the de-recognition requirements of financial assets prospectively for transactions occurring on or after April 1, 2015 (the transition date).

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 cost 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 a debt instrument.



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

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.

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.

The Company has applied the de-recognition requirements of financial liabilities prospectively for transactions occurring on or after April 1, 2015 (the transition date).

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



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2019 (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 a 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. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1st April, 2018. The nature and impact of each amendments is described below:

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 supersedes Ind AS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with this customers. Ind AS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company adopted Ind AS 115 using the full retrospective method of adoption. Ind AS 115 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

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 spit (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.



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

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 judgements, 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.

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

Tax expense is calculated using applicable tax rate and laws that have been enacted or substantially enacted. In arriving at taxable profit 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 recognized 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 periods.

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. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 3.6.



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements
32. Basis of Consolidation

32.1 The Consolidated Financial Statements relate to Kandagiri Spinning Mills Limited ("the Investee Company") and its Associate. prescribed under Section 133 of the Companies Act, 2013. The Financial Statements of Associates used in the consolidation are drawn

32.2 Principles of Consolidation

- a. The Consolidated Financial Statements have been prepared in accordance with Ind AS 28 "Investment in Associates and Joint Ventures" upto the same reporting date as of the investee Company i.e., year ended March 31, 2019.
- b. The following Associate 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 | |
|--------|---|----------------------|--------------------------|-------------------------|------------|
| | | | | 31-03-2019 | 31-03-2018 |
| 1. | SPMM Health Care Services Private Limited | Health care services | India | 50.00% | 50.00% |

32.3 Additional Information, required under Schedule III to the Companies Act, 2013 of entity consolidated as Associates Rs. in Lakhs

| 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.) | As a % of Consolidated Profit or (Loss) | Amount (Rs.) | As a % of Consolidated Profit or (Loss) | Amount (Rs.) | As a % of Consolidated Profit or (Loss) | Amount (Rs.) |
| 1. | Investee Company Kandagiri Spinning Mills Limited Associate (Investment as per equity method) | 78% | 443.09 | 100.67% | (1,859.47) | 100% | (4.32) | 100.67% | (1,863.79) |
| 2. | SPMM Health Care Services Private Limited | 22% | 126.43 | -0.67% | 12.33 | - | - | -0.67% | 12.33 |
| | Subtotal | 100% | 571.52 | 100.00% | (1,847.14) | 100% | (4.32) | 100.00% | (1,851.46) |
| | Add / (Less) : Effect of intercompany adjustments/ eliminations | - | - | - | - | - | - | - | - |
| | Total | 100% | 571.52 | 100.00% | (1,847.14) | 100% | (4.32) | 100.00% | (1,851.46) |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| 33. Income taxes relating to continuing operations | | |
| a) Income tax recognised in Statement of profit and loss | | |
| Current tax | | |
| In respect of the current year * | — | 24.83 |
| | — | 24.83 |
| * prior year tax | | |
| Deferred tax | | |
| In respect of the current year | — | (561.14) |
| Deferred tax reclassified from equity to profit or loss | — | — |
| | — | (561.14) |
| Total income tax expense recognised in the current year relating to continuing operations | — | (536.31) |
| b) The income tax expense for the year can be reconciled to the accounting profit as follows: | | |
| Profit/(loss) before tax from continuing operations | (1,859.47) | (1,697.75) |
| Effect of prior year taxes | — | 24.83 |
| Effect of exceptional items | — | (561.14) |
| Income tax expense recognised in profit or loss (relating to continuing operations) | — | (536.31) |
| The tax rate used for the reconciliations above is the corporate tax rate of 27.62% (for FY 2018-33.063%) payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction. | | |
| c) Income tax recognised in other comprehensive income | | |
| Current tax | — | — |
| Total income tax recognised in other comprehensive income | — | — |

There is no tax for the current year as per the Income tax Act 1961, considering allowances/exemptions and consequently tax effect on the components in other comprehensive income is Nil

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 and 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 2018-19 (Rs. in Lakhs)

| Particulars | Opening balance | Recognised in profit or loss | Closing balance |
|--|-----------------|------------------------------|-----------------|
| Deferred tax (liabilities)/assets in relation to: | | | |
| 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 |
| | (157.98) | — | 157.98 |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|---|----------------------------|
| 34. 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.48.27 lakhs (for the year ended March 31, 2018: Rs.51.76 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 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. | | |
| 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) | 7.75% | 7.73% |
| Expected rate(s) of salary increase | 5.00% | 3.50% |
| 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 | 11.85 | 14.00 |
| Net interest expense | 11.55 | 3.34 |
| Components of defined benefit costs recognised in Statement of profit and loss | 23.40 | 17.34 |
| Remeasurement on the net defined benefit liability comprising: | | |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 7.09 | (3.23) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 17.24 | (7.68) |
| Actuarial (gains)/losses arising from experience adjustments | (38.55) | 106.36 |
| Return on plan assets (excluding amounts included in net interest expense) | 18.55 | (7.01) |
| Components of defined benefit costs recognised in other comprehensive income | 4.32 | 88.44 |
| Total | 27.72 | 105.78 |

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 Ind AS Financial Statements

34. Retirement benefit plans continued..

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows: | | |
| Present value of defined benefit obligation | 197.48 | 214.25 |
| Fair value of plan assets | 20.77 | 65.26 |
| Net liability arising from defined benefit obligation - Funded | <u>176.71</u> | <u>148.99</u> |
| The above provisions are reflected under 'Current Financial Liabilities - Others (Refer notes 21) to the Consolidated Ind AS Financial Statements. | | |
| Movements in the present value of the defined benefit obligation in the current year were as follows: | | |
| Opening defined benefit obligation | 214.25 | 111.53 |
| Current service cost | 11.85 | 14.00 |
| Interest cost | 15.45 | 8.05 |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 7.09 | (3.23) |
| Actuarial (gains)/losses arising from changes in financial assumptions | 17.24 | (7.68) |
| Actuarial (gains)/losses arising from experience adjustments | (38.55) | 106.36 |
| Benefits paid | 29.84 | 14.78 |
| Closing defined benefit obligation | <u>197.48</u> | <u>214.25</u> |
| Movements in the fair value of the plan assets in the current year were as follows: | | |
| Opening fair value of plan assets | 65.26 | 68.32 |
| Interest Income | 3.90 | 4.71 |
| Return on plan assets (excluding amounts included in net interest expense) | - | - |
| Contributions | - | - |
| Benefits paid | 29.84 | 14.78 |
| Actuarial (gains)/losses | (2.36) | 7.01 |
| Closing fair value of plan assets | <u>20.77</u> | <u>65.26</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. 9.23 lakhs (2017-18: Rs.11.72 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 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 185.05 | 234.33 |
| Increase by | 210.58 | 196.88 |

If the expected salary is 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 209.97 | 196.67 |
| Increase by | 185.41 | 234.31 |

If the attrition rate is 100 basis points higher/ lower, the defined benefit obligation would

| | | |
|-------------|--------|--------|
| Decrease by | 199.33 | 206.87 |
| Increase by | 194.55 | 220.96 |

2. Compensated Absences

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, 2018: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2019 is 28.30 years (as at March 31, 2018: 27.30 years).


Notes annexed to and forming part of the Consolidated Ind AS Financial Statements
34. Retirement benefit plans continued..

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| Compensated Balances | | |
| The principal assumptions used for the purposes of the actuarial valuations were as follows : | | |
| Discount rate(s) | 7.60% | 7.71% |
| Expected rate(s) of salary increase | 7.50% | 7.50% |
| 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 | 0.81 | 0.92 |
| Net interest expense | 12.08 | 11.29 |
| Actuarial (gains)/losses arising during the period | (12.61) | (12.27) |
| Components of defined benefit costs recognised in profit or loss | 0.27 | (0.06) |
| The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Statement of profit or loss. | | |
| The remeasurement of the net defined benefit liability is included in other comprehensive income. | | |
| The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit plans is as follows: | | |
| Present value of defined benefit obligation | 156.99 | 156.72 |
| Fair value of plan assets | - | - |
| Net liability arising from defined benefit obligation - Unfunded | 156.99 | 156.72 |
| The above provisions are reflected under 'Current Financial Liabilities - Others [Refer note 16]. | | |
| Movements in the present value of the defined benefit obligation in the current year were as follows: | | |
| Opening defined benefit obligation | 156.72 | 156.78 |
| Current service cost | 0.81 | 0.92 |
| Interest cost | 12.08 | 11.29 |
| Actuarial (gains)/losses arising during the period | (12.61) | (12.27) |
| Benefits paid | - | - |
| Closing defined benefit obligation | 156.99 | 156.72 |
| Movements in the fair value of the plan assets in the current year were as follows: | | |
| Opening fair value of plan assets | - | - |
| Interest Income | - | - |
| Return on plan assets (excluding amounts included in net interest expense) | - | - |
| Contributions | - | - |
| Benefits paid | - | - |
| Others | - | - |
| Closing fair value of plan assets | - | - |

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.



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | Year ended March 31, 2019 Rs. in Lakhs | Year ended March 31, 2018 Rs. in Lakhs |
|--|--|--|
| 35. Earnings per share | | |
| Basic and Diluted earnings per share | | |
| From continuing operations | (47.99) | (29.90) |
| From discontinued operations | - | - |
| Total basic earnings per share | (47.99) | (29.90) |
| The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows: | | |
| Profit/(loss) for the year attributable to owners of the Company | (1,847.14) | (1,151.00) |
| Earnings used in the calculation of basic earnings per share | (1,847.14) | (1,151.00) |
| 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 | (1,847.14) | (1,151.00) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 38,49,250 | 38,49,250 |

36. Financial Instruments**Capital management**

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 18 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.

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|---|----------------------------|----------------------------|
| Gearing Ratio : | | |
| Debt | 4,552.89 | 5,148.90 |
| Less : Cash and bank balances | 15.26 | 17.85 |
| Net debt | 4,537.63 | 5,131.05 |
| Total equity | 599.81 | 2,463.59 |
| Net debt to total equity ratio | 7.57 | 2.08 |
| Categories of Financial Instruments: | | |
| a. Measured at amortised cost: | | |
| Cash and bank balances | 15.26 | 17.85 |
| Trade Receivables | 287.37 | 282.67 |
| Others | 222.49 | 380.56 |
| b. Mandatorily measured at fair value through profit or loss (FVTPL): | | |
| Investments | 126.68 | 114.10 |
| Derivative instruments | - | - |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| Financial liabilities | | |
| a. <u>Measured at amortised cost:</u> | | |
| Borrowings | 4,552.89 | 5,148.90 |
| Trade Payables | 597.92 | 450.89 |
| Others | 972.79 | 1,195.39 |
| 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, 2019 would decrease/increase by Rs. 11.02 lakhs (March 31, 2018: decrease/increase by Rs.13.41 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, 2019 was Rs.Nil (March 31, 2018: Rs. Nil). A 5% change in prices of equity instruments held as at March 31, 2019 would result in an impact of Rs. Nil on equity (March 31, 2018: Rs.Nil).

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.


Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|-------------|----------------------------|----------------------------|
|-------------|----------------------------|----------------------------|

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 |
|--|------------------------|---------------------------|-----------------------|------------------------|
| March 31, 2019 | | | | |
| Trade payables | 597.92 | - | - | 597.92 |
| Other financial liabilities | 972.79 | - | - | 972.79 |
| Borrowings (including interest accrued thereon upto the reporting date) | <u>2,238.08</u> | <u>2,264.44</u> | - | <u>4,506.52</u> |
| | <u>3,808.79</u> | <u>2,264.44</u> | - | <u>6,077.23</u> |
| March 31, 2018 | | | | |
| Trade payables | 450.89 | - | - | 450.89 |
| Other financial liabilities | 1,195.39 | - | - | 1,195.39 |
| Borrowings (including interest accrued thereon upto the reporting date) | <u>2,855.02</u> | <u>2,293.87</u> | - | <u>5,148.90</u> |
| | <u>4,501.31</u> | <u>2,293.87</u> | - | <u>6,795.18</u> |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements
37. Details of non current borrowings

| Particulars | Particulars of repayment | Year | Non current | Current Maturities | Total | Rs. in Lakhs | |
|---|--|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| | | | | | | rate of interest | |
| a. Secured Borrowings | | | | | | | |
| i. Term loans from banks | | | | | | | |
| State Bank of India TL 5 | 25 monthly instalment of Rs.15 lakhs each and 11 monthly instalments of 20 lakhs each (2019-20 Rs.195 lakhs, 2020-21 Rs.180 lakhs, and 2021-22 Rs.220 lakhs) | As at March 31, 2019 As at March 31, 2018 | 400.00 579.65 | 195.00 112.51 | 595.00 692.16 | 16.65 15.50 | |
| Karnataka Bank TL 6 | 28 monthly instalment of Rs.7.50 lakhs each, 11 monthly instalment of Rs.10 lakhs each (2019-20 Rs.97.50 lakhs, 2020-21 Rs.90 lakhs and 2021-22 Rs.112.50 lakhs) 2022-23 Rs.20 lakhs | As at March 31, 2019 As at March 31, 2018 | 225.50 328.17 | 97.50 89.33 | 320.00 417.50 | 15.05 13.65 | |
| Subtotal | | As at March 31, 2019 As at March 31, 2018 | 622.50 907.82 | 292.50 201.84 | 915.00 1,109.66 | — — | |
| HDFC Bank bus loan | | As at March 31, 2019 As at March 31, 2018 | — — | 0.48 | 0.48 | 10.01 | |
| b. Unsecured Borrowings | | | | | | | |
| Fixed deposits | Repayable in 2018-19 Rs.325.41 lakhs 2019-20 Rs.505.39 lakhs 2020-21 Rs.670.97 lakhs | As at March 31, 2019 As at March 31, 2018 | 1,176.36 836.05 | 325.41 541.18 | 1,501.77 1,377.23 | 11to12 11to12 | |
| Intercorporate Loan | Repayable in May 2019 | As at March 31, 2019 As at March 31, 2018 | 516.00 550.00 | — — | 516.00 550.00 | 12.00 13.95 | |
| | | As at March 31, 2019 As at March 31, 2018 | 1,692.36 1,386.05 | 325.41 541.18 | 2,017.77 1,927.23 | — — | |
| Note : 1. Term loans aggregating to Rs.915.00 lakhs (2018: Rs.1107.66 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. Term loan from banks to the extent of Rs.Nil (2018: Rs. 0.48 lakhs) is secured by hypothecation of car. | | | | | | | |
| 3. All the above loans are guaranteed by three directors. | | | | | | | |
| Details of current borrowings | | | | | | Rs. in Lakhs | |
| a. Secured Borrowings | | | | | | | |
| i. Cash credit facilities from banks | | | | | | | |
| State Bank of India | on demand | As at March 31, 2019 As at March 31, 2018 | — — | 1,041.01 1,285.33 | 121.77 1,321.75 | 16.65 15.05/ 14.5 | |
| Karnataka Bank | on demand | As at March 31, 2019 As at March 31, 2018 | — — | 1,021.77 1,321.57 | 1,321.75 1,253.64 | 15.05 14.95 | |
| Axis Bank | on demand | As at March 31, 2019 As at March 31, 2018 | — — | 211.30 248.12 | 211.30 248.12 | 13.65 12.35 | |
| Grand Total | | As at March 31, 2019 As at March 31, 2018 | — — | 2,238.05 2,855.02 | 2,855.02 2,855.02 | — — | |
| Note : 1. Cash credit/ short term loans/ Buyer's credit are secured by a first charge on the Company's current assets and by a second charge on the Company's Property, Plant and equipment excluding the charges mentioned above. | | | | | | | |
| 2. All the above loans are guaranteed by three directors. | | | | | | | |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

38. 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.

b) Details of Transactions with Related Parties :

| Name of Related Party | Nature of Transaction | 2018 - 19 | 2017 - 18 |
|---|--|-----------|-----------|
| | Intercorporate loan received | 50.00 | 50.00 |
| | Inter-corporate loan repaid | 84.00 | - |
| | Interest paid on the above loan | 71.08 | 71.36 |
| | Interest accrued on the above loan | - | 25.70 |
| Sambandam Spinning Mills Limited | purchase of waste cotton | - | 45.11 |
| | Sale of cotton | 222.39 | - |
| | Yarn conversion charges paid | 0.06 | - |
| | Yarn testing charges paid | 0.52 | - |
| | Trade payable | - | 22.12 |
| | Balance of inter-corporate loan and interest | 516.00 | 597.82 |
| | Yarn conversion charges received | 21.56 | 85.34 |
| Sambandam Siva Textiles Private Limited | Purchase of raw material | - | 0.51 |
| | Trade receivable | - | 3.95 |
| | Trade payable | - | 0.51 |
| S. Palaniandi Mudaliar Charitable Trust | Employee welfare services expenses | - | - |
| Kandagiri Spinning Mills Gratuity Trust | Contribution paid | - | - |
| | Interest Payment | - | - |
| | Remuneration | - | 4.37 |
| R.Selvarajan Managing Director | Fixed deposits received | 277.00 | - |
| | Fixed deposits repaid | - | - |
| | Balances outstanding - Fixed deposits | 578.54 | 301.54 |
| | Interest Payment | - | 0.14 |
| | Remuneration | - | 8.31 |
| S.Vijay Shankar Chief Financial Officer | Fixed deposits received | 257.50 | - |
| | Fixed deposits repaid | - | 21.00 |
| | Balances outstanding - Fixed deposits | 554.79 | 297.29 |
| J.Asifa - Company Secretary | Remuneration | 5.85 | 4.20 |
| | Interest Payment | 20.36 | 20.87 |
| Sarayu. A | Fixed deposits received | - | - |
| | Balances outstanding - Fixed deposits | 277.00 | 277.00 |
| Abhinav. V | Interest Payment | 1.81 | 0.61 |
| | Fixed deposit received | 15.00 | - |
| | Balances outstanding - Fixed deposits | 20.50 | 5.50 |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

| Particulars | 31.03.2019 Rs. in Lakhs | 31.03.2018 Rs. in Lakhs |
|--|----------------------------|----------------------------|
| 39. Associate | | |
| Details of associate | | |
| Aggregate information of associate | | |
| The Group's share of profit (loss) from continuing operations | 12.33 | 10.44 |
| The Group's share of post-tax profit (loss) from discontinued operations | - | - |
| The Group's share of other comprehensive income | - | - |
| The Group's share of total comprehensive income | 12.33 | 10.44 |
| Aggregate carrying amount of the Group's interests in these associate | <u>126.43</u> | <u>114.10</u> |
| Unrecognised share of losses of associate | | |
| The unrecognised share of loss of associate for the year | - | - |
| Cumulative share of loss of associate | - | - |
| 40. Contingent liabilities and Capital Commitments | | |
| Contingent liabilities | | |
| (i) Self Generation /Electricity Tax (TANGEDCO) | 438.36 | 408.42 |
| (ii) Sales Tax | 0.36 | 0.36 |
| (iii) Others | 12.87 | 12.87 |
| | <u>451.59</u> | <u>421.65</u> |

These have been disputed by the Company on account of issues of applicability and classification.

Future cash outflows in respect of the above are determinable only on receipt of judgement / decisions pending with various forums / authorities.

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.

41. 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 | (Rs. in Lakhs) | |
|---|-------------------------|-------------------------|
| | As at March 31, 2019 | As at March 31, 2018 |
| (i) Principal amount due to suppliers under MSMED Act, as at the end of the year | 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.

42. Auditor's Remuneration :

(Rs. in Lakhs)

| Particulars | 2019 | 2018 |
|---------------------|------|------|
| 1. Statutory audit | 3.70 | 3.70 |
| 2. Taxation matters | - | - |
| 3. Other services | - | - |

43. Net Debt Reconciliation

(Rs. in Lakhs)

| Particulars | March 31, 2019 | March 31, 2018 |
|------------------------------|-------------------|-------------------|
| 1. Cash and Cash equivalents | 2.75 | 8.52 |
| 2. Liquid investments | 9.09 | 7.65 |
| 3. Current Borrowings | (2,238.02) | (2,855.02) |
| 4. Non current borrowings | (2,314.86) | (2,293.87) |
| Net Debt | <u>(4,541.10)</u> | <u>(5,132.72)</u> |



Notes annexed to and forming part of the Consolidated Ind AS 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 | |
| Net debt as at March 31, 2018 | | | | | | (5,132.72) |
| Cash Flows | (5.77) | 1.44 | — | (20.99) | 616.95 | 591.62 |
| Interest expense | (639.91) | — | — | — | — | (639.91) |
| Interest paid | 639.91 | — | — | — | — | 639.91 |
| Net debt as at March 31, 2019 | (5.77) | 1.44 | — | (20.99) | 616.95 | (4,541.10) |

44. 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.

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

Rs. in Lakhs

| Particulars | As at March 31, 2019 | As at March 31, 2018 | Purpose |
|--------------------------------|----------------------|----------------------|---------|
| i. Loans | — | — | |
| ii. Investments (Refer note 2) | 154.96 | 154.71 | |
| iii. Guarantees | — | — | |

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

47. The Company has been incurring losses due to both internal factors such as under utilization of capacities and consequent higher fixed costs and external factors such as market slowdown etc. However, the Company has initiated proactive steps for better utilisation of capacities by disposing part of the Units, undertakings, restructuring of operations, rationalization of product mix, cost reduction actions and focus on working capital management. The promoters of the Company have also undertaken to infuse such funds as may be necessary for the Company to fulfil its obligations as and when they fall due. These factors will make the Company return to profitability and improve overall cash flow. Therefore in the opinion of the management, material risk that leads to significant doubt about the Company's ability to continue as the going concern, if any, are addressed and accordingly the standalone financial statements have been prepared on a going concern basis.

48. Revenue from contract with customers.

a) Disaggregated revenue information

(Rs. in Lakhs)

| Particulars | March 31, 2019* |
|---|-----------------|
| Type of goods and service | |
| Sale of products | |
| Yarn | 6,879.67 |
| Process waste | 59.04 |
| Revenue from services | |
| Yarn conversion charges | 15.92 |
| Other operating revenues | — |
| Total revenue from contract with customers | 6,954.63 |
| India | 6,954.63 |
| Outside India | — |
| Total revenue from contract with customers | 6,954.63 |



Notes annexed to and forming part of the Consolidated Ind AS Financial Statements

Timing of revenue recognition

(Rs. in Lakhs)

| Particulars | March 31, 2019* | |
|---|--------------------|-----------------------|
| | At a point in time | Over a period of time |
| Sale of products and other operating income | 6,954.63 | — |
| Less : Rebates and discounts | — | — |
| Total revenue from contract with customers | 6,954.63 | — |

b) Contract balance

(Rs. in Lakhs)

| Particulars | March 31, 2019* |
|-------------------------------|-----------------|
| Trade receivables | 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, 2019* |
|---|-----------------|
| Revenue as per contracted price | 6,954.63 |
| Adjustments:- | |
| Rebates and discounts | — |
| Revenue from contract with customers | 6,954.63 |

* Pursuant to transitional provisions in Ind AS 115, the relevant disclosures for the comparative period are not disclosed

d) Changes in accounting policy-on account of adoption of Ind AS 115

The Company applied Ind AS 115 for the first time by using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the company recognised the cumulative effect of initially applying Ind AS 115 as an adjustment to the opening balance of retained earnings as at 1 April, 2018. Comparative prior has not been adjusted. The Company has applied the revenue standard only to contracts that are not completed as at the date of initial application. The impact on account of applying the erstwhile Ind AS 18 Revenue instead of Ind AS 115 Revenue from Contracts with customers on the financial results of the company for the year ended March 31, 2019 and other adjustments as at March 31, 2019 on adoption of Ind AS 115 is Nil.

49. 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
May 26, 2019

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

S. Vijay Shankar
Chief Financial Officer

R. Selvarajan
Managing Director
DIN : 00001703

J. Asifa
Company Secretary



KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762

Registered Office : POST BOX NO.3, UDAYAPATTI P.O., SALEM – 636 140

Tel : 0427 2244400 Fax : 0427 2244422

Email : sales@kandagirimills.com Website : www.kandagirimills.com

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013
and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :

Registered Address :

E-mail Id :

Folio No..... DP ID No Client ID No

I / We, being the Member(s) of Kandagiri Spinning Mills Limited, holding Shares hereby
appoint

1. Name:E-mail Id

Address:

.....Signature..... or failing him

2. Name:E-mail Id

Address:

.....Signature..... or failing him

3. Name:E-mail Id

Address:

.....Signature..... or failing him

as my / our proxy to attend for me/us and on my / our behalf at the Forty third Annual General Meeting of
the Company held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony.
Salem – 636 014 on Sunday, the 11th August, 2019 at 11.30 a.m and at adjournment thereof in respect of
such resolutions as are indicated below: (Please turn to next page)



KANDAGIRI SPINNING MILLS LIMITED

Corporate Identity Number (CIN) : L17111TZ1976PLC000762

Registered Office : POST BOX NO.3, UDAYAPATTI P.O., SALEM – 636 140

Attendance Slip

(To be presented at the entrance of the venue of the AGM)

I hereby record my presence at the Forty third Annual General Meeting of the Company held at the Mill
Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony. Salem – 636 014 on Sunday,
the 11th August, 2019 at 11.30 a.m and any adjournment thereof

Folio No / DP ID No / Client ID No

Name of the Member Signature.....

Name of the Proxy holder Signature.....

1. Only Member / Proxy holder can attend the Meeting.

2. Member / Proxy holder should bring the AGM notice and the Annual Report for reference at the meeting

Please put a tick (✓) mark at the appropriate column against the respective Resolutions to record your assent (Yes) or your dissent (No). If you leave the 'Yes' or 'No' column blank against any or all the resolutions, your proxy will be entitled to vote in the manner he / she thinks appropriate.

| Sl. No. | Resolutions | Type of Resolution | No. of Shares Held | Yes | No |
|---------------------------|---|--------------------|--------------------|-----|----|
| ORDINARY BUSINESS: | | | | | |
| 1. | ADOPTION OF FINANCIAL STATEMENTS | ORDINARY | | | |
| 2. | RE- APPOINTMENT OF SRI S.VIJAY SHANKAR, NON EXECUTIVE DIRECTOR- RETIRES BY ROTATION | ORDINARY | | | |
| 3. | REMUNERATION OF STATUTORY AUDITORS | ORDINARY | | | |
| SPECIAL BUSINESS: | | | | | |
| 4. | RE- APPOINTMENT OF SRI S.GNANASEKHARAN AS NON EXECUTIVE - INDEPENDENT DIRECTOR | SPECIAL | | | |
| 5. | RE-APPOINTMENT OF SRI KAMESHWAR M BHAT AS NON EXECUTIVE - INDEPENDENT DIRECTOR | SPECIAL | | | |
| 6. | RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR | ORDINARY | | | |

Place :

Date :

(Signature of Member)

Signed this day of August 2019

Signature of Member

Signature of Proxy holder(s)

| |
|-----------------------------------|
| Affix Re.1 Revenue Stamp |
|-----------------------------------|

Note : This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e., before 11.30 a.m on 09-08-2019.

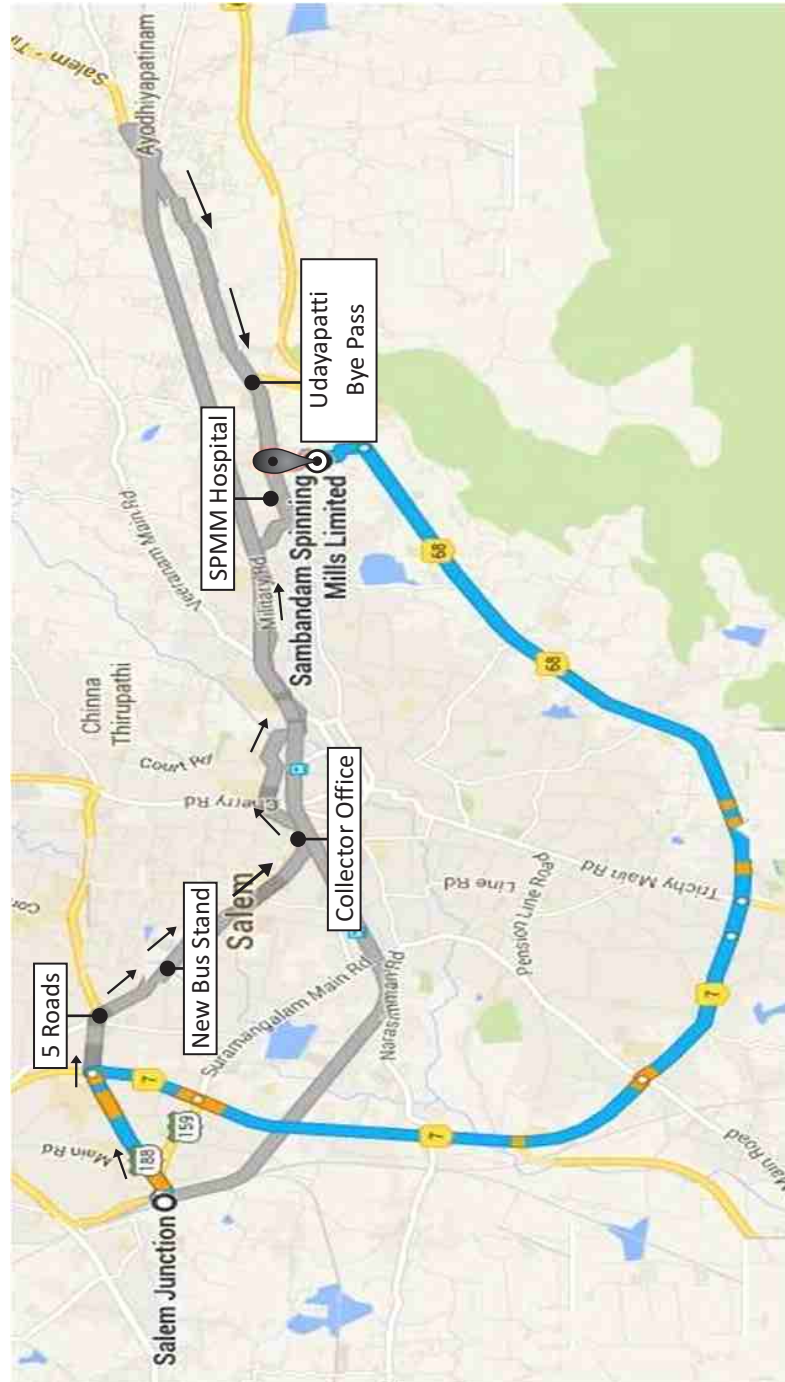
Note [Proxy]:

- 1) This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e. before 11.30 a.m on 09-08-2019.
- 2) Proxies submitted on behalf of Limited Companies, Societies, etc., must be supported by appropriate Resolutions / Authority, as applicable. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
- 3) During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member is entitled to inspect the proxies lodged at any time during the business hours of the Company, provided not less than 3 days advance notice in writing is given to the Company.

Kandagiri Spinning Mills Limited



AGM Venue
 Mill Premises
 Sambandam Spinning Mills Limited,
 Kamaraj Nagar Colony, Salem - 636 014.



43rd Annual Report



Kandagiri Spinning Mills Limited

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