



Kandagiri Spinning Mills Ltd.

Ref: KSML/CS/ 043/2018-19

16th August, 2018

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

Dear Sir,

**Sub: Annual Report 2017-18 duly approved and adopted at the 42nd
AGM of the Company held on 11.08.2018**

**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 Annual Report for the financial year 2017-18 which was duly approved and adopted by the members as per the provisions of the Companies Act, 2013 at the 42nd Annual General Meeting of the Company held on 11.08.2018.

Kindly take the same for your records.

Thanking you,

Yours faithfully,
For Kandagiri Spinning Mills Limited

J. Asifa

Company Secretary

Encl: As above



CIN : L17111TZ1976PLC000762

Regd. Off: Mill Premises, Udayapatti (P.O), P.B.No.3, Salem – 636 140. Phone : Mill 0427-2244400

Fax:0427-2244422; Grams:SUPERSPINE; e-mail:sales @kandagirimills.com; Web.: www.kandagirimills.com



KANDAGIRI SPINNING MILLS LIMITED



42nd Annual Report
2017 - 2018



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ISO 9001 REGISTERED



DNV-GL

ISO 14001 REGISTERED



DNV-GL



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.

Wind Energy Converter Gudimangalam Village, Udumalpet Taluk, Tamil Nadu
Coimbatore District, 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 Second (42nd) 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 Saturday, the 11th August, 2018 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, 2018 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, 2018 together with the notes annexed thereto and the report of the Auditors thereon.
2. Non-Executive Director Dr.A.Sarayu (holding DIN 06953362) who retires by rotation and being eligible, offers herself for re-appointment.
3. **Appointment of Statutory Auditors**

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

"RESOLVED THAT pursuant to the provisions of section 139(2) and other applicable provisions, if any, of the Companies Act 2013 and the rules framed there under (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), M/s. R. Sundararajan and Associates, Chartered Accountants (Firm registration No.008282S) be and are hereby re-appointed as Statutory Auditors of the Company from the conclusion of this (42nd) Annual General Meeting until the conclusion of the 46th Annual General Meeting from the financial year 2018-2019 to 2021-2022, subject to ratification in every subsequent Annual General Meeting, if applicable.

RESOLVED FURTHER THAT the Statutory Auditors shall be paid a remuneration of Rs.3,70,000/- (Rupees Three Lakhs and Seventy thousand only) for the financial year 2018-2019 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 R. Selvarajan as Managing Director**

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

"RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to approval of the Company's Bankers, approval of the members of the Company be and is hereby accorded to the re-appointment of Sri R. Selvarajan (DIN: 00001703) as Managing Director of the Company, for a period of 3 (three) years with effect from 01st October, 2018 eventhough he has attained seventy three years of age on the following terms and conditions as approved by the Nomination and Remuneration Committee and the Board

- (i) Basic Salary – Rs. 1,80,000/- per month (Rupees One lakh and Eighty Thousand Only)
- (ii) Perquisites and Allowances – Rs. 1,20,000/- per month (Rupees One lakh and Twenty Thousand Only) details of which are set out in the Explanatory Statement annexed thereto

RESOLVED FURTHER THAT Sri R. Selvarajan will draw the remuneration as stated above as the minimum remuneration even in the absence of or inadequacy of profit in any financial year."



5. Acceptance of Fixed deposits from Members of the Company

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

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to accept deposits from the members of the Company in accordance with the provisions of Section 73(2) and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed there under (including any statutory modifications(s) or re-enactment(s) thereof for the time being in force) duly observing the procedure for accepting deposits from the members of the Company and within the limits prescribed there under.

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.”

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, 2019 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 27, 2018

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. 4 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, 2018 to 11th August, 2018** (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 2017-18, Company has transferred Unpaid/Unclaimed Interim dividend of the FY 2010-11 along with the underlying shares of the year 2010-11 (Interim Dividend) to IEPF a/c as detailed below:

Unpaid/Unclaimed Dividend amount transferred: Rs.1,41,146/- on 15th March, 2018

No. of. transfer of underlying shares to IEPF: 32,626 on 14th & 15th March, 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.

Shareholders are also requested to be noted that as per the above referred provisions of IEPF rules, the Company is required to transfer the unpaid/unclaimed final dividend of the FY 2010-11 along with the underlying to IEPF authority within 30 days from 16.09.2018. Shareholders who have not claimed their Final dividend for the year 2010-11 can write to the Company or RTA- M/s Cameo Corporate Services Limited, at 'Subramanian Building', No.1, Club House Road, Chennai – 600 002 who are the Registrars and Share Transfer Agents for further details and for claiming unclaimed/unpaid dividend. In case no valid claim is received, unpaid /unclaimed dividend amounts along with underlying shares will be transferred to IEPF authority on the referred due date.

Pursuant to the provisions of rule 8 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 12th August, 2017 (date of last AGM) on the website of the Company (www.kandagirimills.com) and the relevant form is filed with Ministry of Corporate Affairs. Shareholders can ascertain the status of their unclaimed amounts from these websites.

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 in respect of Directors seeking appointment/re-appointment at the AGM are furnished and forms part of the Notice. The Directors have furnished the requisite consents / declarations for their 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 2017-18 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 2017-18 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 42nd AGM. The Company has engaged the services of Central Depository Services (India) Limited (CDSL) for this purpose.

The voting period begins on **07.08.2018 at 9.15 a.m.** and ends on **10.08.2018 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, 2018 (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 **Saturday, 4th August, 2018.**



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 135.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013
ITEMS No. 4 - RE-APPOINTMENT OF MANAGING DIRECTOR SRI R. SELVARAJAN

Board of directors of the Company at their meeting dated 28th May, 2015 had recommended the reappointment of Sri R. Selvarajan as Chairman and Managing Director of the Company, for a period of 3 (three) years on a monthly remuneration (inclusive of salary, perquisites and allowances) of Rs. 4,00,000/- [increased from earlier monthly remuneration of Rs. 3,00,000/-] with effect from 01st October, 2015 on the recommendation of the Nomination and Remuneration Committee and the same was approved by the members by passing of special resolution at the 39th AGM held on 27.09.2015.

Over the three years, in view of unsatisfactory performance of the Company, Sri R. Selvarajan had not received the increased remuneration and was receiving only the earlier monthly remuneration of Rs. 3,00,000/-. Further, Sri R. Selvarajan has waived his remuneration during the major part of the financial year 2017-18.

Chairman and Managing Director Sri R. Selvarajan, resigned from the position of Chairman of the Company and continues as Managing Director with effect from 01.06.2017.

The current tenure of Managing Director Sri R. Selvarajan expires on 30th September, 2018. In view of the roles and responsibilities shouldered by Sri R. Selvarajan mainly during the critical situation Company was facing over the past three years, Nomination and Remuneration Committee at its meeting held on 27th May, 2018 had recommended the reappointment of Sri R. Selvarajan as Managing Director of the Company for a period of three years with effect from 01.10.2018 even though he has attained seventy three years of age, on the payment of the remuneration as set out hereunder and the same was approved by the Board at its meeting held on 27th May, 2018. The Nomination and Remuneration Committee and the Board are of the opinion that Managing Director Sri R. Selvarajan is fit and proper person to hold the said office and the payment of proposed remuneration (as set out hereunder) will be in the best interest of the Company.

The proposed remuneration is in accordance with the provisions of Section II of Part II of Schedule V of Companies Act, 2013. There was delay in repayment of Bank dues during the financial year 2017-18 and hence, the proposed remuneration will be paid on receipt of prior approval obtained from the Company's Bankers.

Managing Director Sri R. Selvarajan has attained seventy three years of age and the provisions of section 196 of the Companies Act, 2013, enables for passing of special resolution for his reappointment.

The Board seeks the approval of the members by way of passing special resolution for the reappointment and remuneration payable to Managing Director Sri R. Selvarajan even in the absence of or inadequacy of profit in any financial year as per the requirements specified under the provisions of Section 196, 197 read with Section II of Part II of Schedule V of Companies Act, 2013.

**Remuneration :**

- (a) Basic Salary : Rs.1,80,000/- per month (Rupees One lakh and Eighty thousand only)
- (b) Perquisites and Allowances: In addition to salary the following perquisites/ allowances may be payable to the Managing Director, Sri R.Selvarajan.
- (i) Company's contribution to provident fund; (ii) Payment of Gratuity and other retirement benefits; (iii) Leave with full pay as per the rules of the Company with encashment of unavailed leave being allowed; (iv) Maintenance of residential accommodation, gas, water, electricity and power, furnishings and utility allowance; (v) reimbursement of medical expenses incurred in India and abroad for self and family including, in case of medical treatment abroad, air fare, boarding and lodging for patient and attendant; (vi) leave travel assistance and allowance; (vii) membership fees for clubs, including admission and life membership; (viii) hospitalisation and accident insurance; (ix) cost of insurance cover against the risk of any financial liability or loss because of any error of judgment; (x) free use of Company's car with driver for Company's work as well as for personal purpose along with driver, (xi) telephone, tele-fax and other communication facilities at Company's cost, (xii) subject to any statutory ceiling(s), the appointee may be given any other perquisites, benefits and facilities as the Nomination and Remuneration committee may, from time to time decide. Provided, however, that the aggregate of the perquisites stated above shall not exceed Rs.1,20,000/- (Rupees one lakh and twenty thousand only) per month.
- (c) Valuation of perquisites: Perquisites shall be valued as per the income tax rules, wherever applicable and at actual cost to the company in other cases.
- (d) The Company's contribution to provident fund as per para (b)(i) above, payment of gratuity as per para (b)(ii) above and encashment of leave at the end of the tenure as per para (b)(iii) above shall not be included in the computation of perquisites for the purpose of ceiling.

The re-appointment and the remuneration proposed fulfil the conditions stipulated in Schedule V of the Companies Act, 2013 and hence approval of Central Government is not required. A copy of the agreement containing the terms and conditions of reappointment of MD Sri R. Selvarajan is available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day upto and including the date of the Annual General Meeting.

Information required under Section II of Part II of Schedule V of the Companies Act, 2013:**I General Information**

- (1) Nature of the industry : Textile
- (2) Date of commencement of Commercial Production : June 1976
- (3) Financial Performance :

Financial Highlights**(Rs. Lakhs)**

Particulars	2018	2017
Share Holder's funds	2463.59	3713.47
Non-Current Liabilities	2447.90	3410.91
Current Liabilities	4559.28	4253.49
Non-Current Assets	6231.79	8349.40
Current Assets	3238.99	3028.47
Income	5507.23	7857.48
Expenses	7119.95	10467.33
Profit / (Loss) before tax	(1697.75)	(1065.23)
Profit / (Loss) after tax	(1161.44)	(1065.23)
Earnings per Equity share (Face value Rs.10)		
– basic and diluted (in Rs.)	(30.17)	(27.67)
Net worth per share (Rs.)	64.00	96.47
Profit/(Loss) before Interest and Depreciation	(436.80)	(649.66)
Retained earnings	(1249.87)	550.06
Dividend (%)	Nil	Nil



(Rs. Lakhs)		
Particulars	2017-2018	2016-2017
Export Performance and Net Foreign Exchange		
(i) Earnings in Foreign Exchange	Nil	803.45
(ii) Expenditure in Foreign Currencies	Nil	217.90
Foreign Investments or Collaborations, if any	Nil	Nil

(II) Information about the appointee :

- 1) Background details : Sri. R. Selvarajan, 73 years of age, is a Matriculate. He became the Chairman and Managing Director of the Company on October 23, 2002 and has the distinction of leading the Company since then. He has been on the Board of various companies and has more than four decades of experience in the field of textiles
- 2) Past remuneration : Rs.4,00,000/- per month inclusive of perquisites such as House rent allowance, Medical reimbursement, gas, water and electricity, leave encashment, gratuity, Club subscriptions and other usual perquisites.
- 3) Recognition and Award : Nil
- 4) (i) Job Profile : As Managing Director Sri R. Selvarajan is in charge of the management of the affairs of the Company
- (ii) His Suitability : Experience of Sri R. Selvarajan of about three decades as Director of Sambandam Spinning Mills Limited and for the past 16 years as Managing Director of the Company makes him ideally suitable for the said position
- 5) Remuneration Proposed : Rs.3,00,000/- per month inclusive of perquisites and other allowances as mentioned supra for Sri R. Selvarajan.
- 6) Comparative remuneration : Information not available
Profile with respect to industry
- 7) Pecuniary Relationship : Sri R. Selvarajan holds 7,78,730 equity
with the Company shares of Rs. 10 each in the Company

(III) Other Information:**Reasons for inadequate profits, steps taken for improvement and expected increase in productivity:**

The Company's performance was affected mainly due to adverse market behaviour coupled with abnormal increase in cotton prices and lower yarn prices. The continued losses over the past two years and heavy repayment of Bank term loans resulted in severe financial crisis and to overcome the situation, with the approval of the Shareholders, Company has undertaken sale of some of its assets and major portion of sale proceeds were utilised towards repayment of Principal and Interest Payments to Company's Bankers.

During this year Company is proposed to sell some part of its assets and proportionately repay the Bank's Working Capital limits. With enormous reduction in the interest cost, functioning at full capacity with production of special yarns and cost reduction measures like private power purchase etc, Company will be able to perform satisfactorily in the financial year 2018-19.

The proposed remuneration of Sri R. Selvarajan, Managing Director is subject to the approval of the shareholders by way of special resolution at the ensuing Annual General Meeting of the Company and subject to the approval of the Company's Bankers.



None of the Directors and Key Managerial Personnel except Sri R. Selvarajan, Managing Director as an appointee and Sri S. Vijay Shankar, Chief Financial Officer and Director & Dr. A. Sarayu as relative may be deemed to be concerned or interested in the Resolution.

The Notice together with this Statement may be regarded as a disclosure under the provisions of Companies Act, 2013 and SEBI (LODR) Regulations.

Item No.5 – Acceptance of Fixed Deposits from Members

Section 73(2) of the Companies Act, 2013 prescribes that approval of the members by passing a resolution at the General Meeting is required for the Board of Directors to accept deposits from the shareholders of the Company. The Board do not contemplate to accept deposits as at present. However, the rules prescribed under the Act prescribe certain procedures to be followed by the Company before accepting deposits from the members. After securing the approval of members at the AGM, board will decide about the timing for accepting deposits from the members after complying with the prescribed procedure in this regard. Board of directors recommends the resolution for members' approval. None of the directors/Key Managerial Personnel or their relatives is interested or concerned in the resolution.

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

Though the turnover of the Company for the financial years 2016-17 & 2017-18 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 2018-19. 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 2018-19 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**

J. Asifa
Company Secretary

Place : Salem
Date : May 27, 2018



Details of Director seeking Re-appointment

Name of the Director	Sri R. Selvarajan	Dr. (Mrs.) A. Sarayu
DIN	00001703	06953362
Date of birth	01-10-1944	10-03-1976
Date of Appointment	23-10-2002	28-09-2014
Qualification	Matriculate	M.B.B.S., M.S., (O & G)
Expertise in Specific Functional areas	He became the Chairman and Managing Director of the Company on 23 rd October, 2002 and has the distinction of leading the company since then. He has been on the Board of various companies and has more than four decades of experience in the field of textile industry. At present he is Managing Director in SPMM Health Care Services Private Limited and in several companies. He is the Chairperson of Finance & Share Transfer Committee of our Company.	She is a Medical Practitioner
Directorship in other Companies	<u>Directorship :</u> 1. SPMM Health Care Services Private Limited, Salem (SPMM) 2. Sambandam Siva Textiles Private Limited, Salem (SSTPL) 3. Sambandam Investment Leasing Limited, Salem (SILL) 4. Sambandam Fabrics Private Ltd, Salem (SFPL) 5. Sambandam Textiles Private Ltd, Salem (STPL)	Nil
Committee Membership in other Companies	<u>Committee Membership : Nil</u>	<u>Committee Membership : Nil</u>
No. of shares in the Company	7,78,730	53,090
Inter-se relationship with any other directors	He is related to Chief Financial Officer & Director Sri S. Vijay Shankar and Director Dr. A. Sarayu	She is related to Managing Director Sri. R. Selvarajan and Chief Financial Officer & Director Sri S. Vijay Shankar
Number of Board meetings attended during the year	06	05



KANDAGIRI SPINNING MILLS LIMITED

DIRECTORS' REPORT

Your directors have pleasure in submitting their 42nd Annual Report together with the audited accounts for the year ended March 31, 2018 (the year).

Performance Highlights

	2017 - 18	2016 - 17
	(Rupees in Lakhs)	
Export - Direct	-	803
- Merchandise	-	519
Domestic	5136	6379
Other Operating income	302	101
Total Turnover	5438	7803
Gross profit/(Loss) (i.e., Profit before interest and depreciation)	(437)	(650)
Cash profit/(Loss) (i.e., Profit / before depreciation)	(1242)	(1898)
Profit/(Loss) before exceptional Item and tax	(1613)	(2610)
Exceptional Item – Profit on sale of Windmill	(85)	1545
Profit/(Loss) after exceptional Item (before tax) - PBT	(1698)	(1065)
Profit/(Loss) after exceptional Item and tax – PAT	(1161)	(1065)
Earnings per share - basic and diluted Rs.	(30.17)	(27.67)

Dividend

In view of the loss incurred during the year, no dividend is recommended by your Board of Directors for the financial year 2017-18.

Retained Earnings

The current year loss of Rs. 1161 lakhs and other comprehensive income of (Rs. 88 lakhs) had been deducted from the retained earnings surplus at the beginning of the year of Rs 550 lakhs and at the end of the year, the retained earnings works out to negative of Rs. 699 lakhs.

Financial Performance with respect to Operational Performance:

During the financial year 2017-18 due to adverse market behaviour coupled with abnormal increase in cotton prices and lower yarn prices, Company in order to minimize the losses cautiously reduced its production and was able to achieve a turnover of Rs. 5438 lakhs only as against the turnover of Rs. 7803 lakhs of the previous year 2016-17. Consequently, Company is able to reduce its loss (as of previous year) from Rs.2,610 lakhs to Rs.1,613 lakhs.

Company could have reduced its losses further, but because of non-absorption of fixed costs ended up in incurring loss of Rs.1,613 lakhs during the FY 2017-18.

The continued losses over the past two years and heavy repayment of Bank term loans resulted in severe financial crisis and to overcome the situation, with the approval of the Shareholders, Company has undertaken sale of some of its assets. During the year, sale of one of the Unit - Unit III was executed at a sale consideration of Rs.2,100.00 lakhs and major portion of sale proceeds were utilised towards repayment of Principal and Interest Payments to Company's Bankers.

The loss on sale of Unit-III of Rs.85 lakhs added to the incurred loss of Rs.1,613 lakhs and the loss (before tax) for the financial year 2017-18 is Rs.1,698 lakhs. By deduction of income tax expense of Rs.24 lakhs and taking deferred tax credit of Rs.561 lakhs, the net loss (after tax) arrives to Rs.1,161 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 urbanisation of labour.
- f) Previous year economic challenges such as GST impact and tail end effect of demonetisation.

(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

With gradual improvement in the market behaviour, from the fourth quarter of FY 2017-18, Company increased its Capacity utilisation to its fullest capacity with 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.

Also cost reduction measures viz., private power purchase, manpower reduction was implemented. Through Private power, there is a substantial saving in the power cost. During the year, Company has sold one of its unit- Unit III, some of the non-core assets and shares of Sambandam Spinning Mills Limited and the sale proceeds were utilised towards payment of Bank dues.

After repaying substantial portion of Bank dues from the sale proceeds of Unit-III, still the Company has to service the interest costs for the remaining Bank debts. As a revival Plan Company is proposes to sell part of its assets and proportionately repay the Bank's Working Capital limits.

With enormous reduction in the interest cost and functioning at full capacity with production of special yarns, Company will be able to perform satisfactorily in the financial year 2018-19.

(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.

Your company is certified ISO 9001: 2008 for Quality Management System Standards (Manufacture and supply of yarn) and ISO 14001: 2004 for Environmental Management System Standards (the systems). Further, your company's laboratory is also certified by NABL.



(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 is no CSR Obligation for the FY 2017-18. However, Company has spent Rs. 0.54 lakhs towards Unspent CSR obligation of FY 2015-16 and the details has been given in the annexure to this report. The CSR policy has been hosted on the website of the Company www.kandagirimills.com.

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 website 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.

Secretarial Audit Report

Company 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 2017-18. The report of the Secretarial Audit for the financial year 2017-18 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 and non-remittance of Professional Tax deductions with the appropriate authorities. 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 non-remittance of Professional Tax deductions, it will be paid in due course.

With respect to 'Emphasis of matter' 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-rptp.pdf>

Board Evaluation

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

The same was discussed and noted by the Board at the 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.

None of the Independent directors are due for reappointment.



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, 2017: Rs. 64.55 lakhs
- ii. Deposits Accepted from shareholders during the year (2017 - 18): Rs. 5.00 lakhs
- iii. Deposits repaid during the year (2017-18): Rs. 5.55 lakhs
- iv. Deposits outstanding at the end of the financial year on 31st April, 2018: Rs. 64.00 lakhs
- v. Remained unpaid or unclaimed as at the end of the year : NIL
- vi. Any default in repayment of deposits or payment of interest thereon during the year: NIL

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

Cost Audit Report

Cost Audit Report for the FY 2016-17 in XBRL format was filed with MCA on 19.08.2017 vide SRN G50826718. CMA K.M. Krishnamurthy, Cost Accountants were appointed as Cost Auditors of the Company for the FY 2017-18 and the Cost Audit report for the year 2017-18 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 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 2018-19. Accordingly, on the recommendation of the Audit Committee Board has appointed CMA K.M. Krishnamurthy, Cost Accountants as Cost Auditor for the FY 2018-19. Board places before the members the resolution for ratification of remuneration payable to the Cost Auditor for the FY 2018-19.

Directors

During the year Chairman and Managing Director Sri R. Selvarajan, resigned from the position of Chairman of the Company and continues as Managing Director with effect from 01.06.2017. Board of Directors at their meeting held on 06.05.2017 has elected Non- Executive Director Sri S. Devarajan as Chairman of the Company with effect from 01.06.2017.

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 43rd AGM of the Company. Further, Additional Directors (Non- Executive, Independent) Dr. V. Sekar, Dr. R. Ramarathnam and Sri D. Balasundaram appointed by the Board were appointed as Non-Executive Independent Directors of the Company (not liable to retire by rotation) by the members at the 41st AGM of the Company held on 12.08.2017 to hold office upto the conclusion of the 45th AGM of the Company.

At the 41st AGM of the Company held on 12.08.2017, Non-Executive Director Sri M. Rajamani got retired and Sri S. Sivakumar was appointed by the members as Non-Executive Director, liable to retire by rotation. Dr. (Mrs.) A. Sarayu, Non-Executive Director retires by rotation this year and being eligible offers herself for reappointment.

The present term of Managing Director Sri R. Selvarajan expires on 30th September, 2018. Nomination and Remuneration Committee at its meeting held on 27.05.2018, has recommended the reappointment of MD for a period of three years. Board of Directors has included the resolution for reappointment of MD in the notice of the ensuing 41st AGM for the approval of the members.

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

Members at the AGM held on 27.09.2015 approved the revision in the remuneration package of Managing Director Sri R. Selvarajan and Chief Financial Officer and Non – Executive director Sri S. Vijay Shankar. Sri S. Vijay Shankar receives remuneration only in his capacity as Chief Financial Officer and do not receive any sitting fees etc., in his capacity as non-executive director. In view of the unsatisfactory financial performance of the Company, MD and CFO had forgone their increase in salary as a gesture. Further, CMD and CFO had waived their salary during the major part of this financial year.

Auditors

The auditors, M/s R. Sundararajan & Associates, Chartered Accountants, retire at the ensuing annual general meeting and have confirmed their eligibility and willingness to accept office, if reappointed. On the recommendation of the Audit Committee, your Company's Board is placing the resolution u/s 139(2) of the Company's Act, 2013 for reappointing them as statutory Auditors of the Company from the financial year 2018-2019 to 2021-2022.

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 2017-18, 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.437.73 lakhs during the year 2017-18 as against Rs.374.39 lakhs in the previous year and profit after tax of Rs.20.88 lakhs during the year 2017-18 as against Rs.17.97 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.

Salem
May 27, 2018

For and on behalf of the Board
S. Devarajan
Chairman

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 2017-18, 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

2017-18

2016-17

1. Electricity

(i) Purchased units*	'000 KWH	15343	7646
Total cost	Rs. Lakhs	1264	631
Cost/unit	Rs.	8.24	8.25

*net of units generated through wind energy converters

(ii) Own generation

1) Through diesel generator			
Generated units	'000 KWH	4	6
Units per litre of diesel	KWH	2.92	2.91
Cost/unit	Rs.	19.26	18.85
2) Through steam turbine/generator		—	—
3) Through Wind energy converters	'000 KWH	201	9815
Generated units (fed to TNEB Grid)			
Cost/unit	Rs.	4.26	4.38

*Cost includes maintenance charges, interest and depreciation

2. Coal

—

—

3. Furnace oil

—

—

4. Others

—

—

b) Consumption per unit of production

Production (Yarn)	Kgs. Lakhs	25.88	32.90
Consumption of electricity	'000 KWH	15548	17467
Consumption Per kg. of Yarn	KWH	6.01	5.31

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

—

1325.97

(b) Total Foreign exchange used and earned

1) CIF value of Imports			
Spares for Capital goods*	Rs. Lakhs	—	—
Raw materials (cotton)*	Rs. Lakhs	—	217.90

*exclusive of net exchange difference

2) Other expenditure in foreign Currency

Interest	Rs. Lakhs	—	—
Other matters	Rs. Lakhs	—	—

3) Foreign exchange earned

Yarn export	Rs. Lakhs	—	803.45
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**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	31-03-2018	31-03-2017
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. 200.00 lakhs 50%	20,00,000 Rs. 200.00 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. 114.10 lakhs	Rs. 103.67 lakhs
6.	Profit for the year	Rs. 20.88 lakhs	Rs. 17.97 lakhs
7.	Profit attributable to the Shareholding	Rs. 10.44 lakhs	Rs. 8.99 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 27, 2018	S. Devarajan Chairman DIN : 0001910	R. Selvarajan Managing Director DIN : 00001703	S. Vijay Shankar Chief Financial Officer	J. Asifa Company Secretary
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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 2017-18 which were in conflict with the interest of the Company. Hence the related party transactions of the Company for the financial year 2017-18 not fall under the purview of disclosure under Form AOC – 2. Suitable disclosures as required under AS-18 have been made in Note 37 of the Notes to the financial statements.

Salem
May 27, 2018

S. Devarajan
Chairman



FORM NO. MGT - 9

EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31.03.2018

[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 (01.04.2017)				No. of Shares held at the end of the year (31.03.2018)				% 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	2550503	0	2550503	66.26	2512528	0	2512528	65.27	0.99
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):-	2550503	0	2550503	66.26	2512528	0	2512528	65.27	0.99
(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)	2550503	0	2550503	66.26	2512528	0	2512528	65.27	0.99
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 (01.04.2017)				No. of Shares held at the end of the year (31.03.2018)				% 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	57823	91900	149723	3.89	56156	91700	147856	3.84	-0.05
ii. Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i. Individual shareholders holding nominal share capital upto Rs. 1 lakh	422329	133480	555809	14.44	456990	99590	556580	14.44	+0.02
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	521615	0	521615	13.55	523615	0	523615	13.60	+0.05
c) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
d) Any other									
Clearing Members	519	0	519	0.01	3624	0	519	0.09	+0.08
Hindu Undivided Families	69781	0	69781	1.81	71044	0	69781	1.85	+0.04
IEPF	0	0	0	0	32626	0	32626	0.85	+0.85
Non resident Indians	1300	0	1300	0.03	1377	0	1377	0.04	0.00
Sub - Total (B) (2):-	1073367	225380	1298747	33.74	1145432	191290	1336722	34.73	0.99
Total Shareholding (B) = (B) (1) + (B) (2)	1073367	225380	1298747	33.74	1145432	191290	1336722	34.73	0.99
C) Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Total (A) + (B) + (C)	3623870	225380	3849250	100.00	3657960	191290	3849250	100.00	0



ii). Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (01.04.2017)			Shareholding at the end of the year (31.03.2018)			% 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*	159163	4.13	– Nil –	278033	7.22	– Nil –	+3.09
4	S SIVAKUMAR & S SWETHA*	118870	3.09	– Nil –	0	0.00	– Nil –	-3.09
5	S DINAKARAN	1164666	3.03	– Nil –	116466	3.03	– Nil –	–
6	S NIRMALA	113040	2.94	– Nil –	113040	2.94	– Nil –	–
7	S JEGARAJAN	112057	2.91	– Nil –	112057	2.91	– Nil –	–
8	S DEVARAJAN	92227	2.40	– Nil –	92227	2.40	– Nil –	–
9	M RAJAMANI	85550	2.22	– Nil –	122067	3.17	– Nil –	+0.95
10	S SWETHA & S SIVAKUMAR*	83200	2.16	– Nil –	0	0.00	– Nil –	-2.16
11	R SAKUNTHALA	79600	2.07	– Nil –	53340	1.38	– Nil –	-0.69
12	R SELVARAJAN	65520	1.70	– Nil –	65520	1.70	– Nil –	–
13	R MALARSELVI	39159	1.02	– Nil –	35159	0.91	– Nil –	-0.10
14	KALAVATHI S	45297	1.18	– Nil –	37930	0.99	– Nil –	-0.19
15	A SARAYU	53090	1.38	– Nil –	53090	1.38	– Nil –	–
16	M RAJAMANI & R SAKUNTHALA*	36517	0.95	– Nil –	0	0.00	– Nil –	-0.95
17	S BALAMANI	30000	0.78	– Nil –	30000	0.78	– Nil –	–
18	D SARADHAMANI	25270	0.66	– Nil –	25270	0.66	– Nil –	–
19	S DEVARAJAN	17870	0.46	– Nil –	17870	0.46	– Nil –	–
20	D SENTHILNATHAN	17220	0.45	– Nil –	17220	0.45	– Nil –	–
21	PARAMESWARI JEGARAJAN	15300	0.40	– Nil –	15300	0.40	– Nil –	–
22	M VANAJA	348	0.01	– Nil –	0	0.00	– Nil –	-0.01
23	R JAYANTHI	10000	0.26	– Nil –	10000	0.26	– Nil –	–
24	D MANJULA	7650	0.20	– Nil –	7650	0.20	– Nil –	–
25	S P SAMBANDAM	3770	0.10	– Nil –	3770	0.10	– Nil –	–
26	V ABHINAV	2800	0.07	– Nil –	2800	0.07	– Nil –	–
27	D SUDHARSAN	2000	0.05	– Nil –	2000	0.05	– Nil –	–
28	J SAKTHIVEL	2000	0.05	– Nil –	2000	0.05	– Nil –	–
29	S DINAKARAN	1250	0.03	– Nil –	1250	0.03	– Nil –	–
30	S JEGARAJAN	1250	0.03	– Nil –	1250	0.03	– Nil –	–
31	J RAMYA	1170	0.03	– Nil –	1170	0.03	– Nil –	–
32	D ANUPAMA	1170	0.03	– Nil –	1170	0.03	– Nil –	–
33	D MINUSAKTHIPRIYA	1000	0.03	– Nil –	1000	0.03	– Nil –	–
34	D NIRANJANKUMAR	1000	0.03	– Nil –	1000	0.03	– Nil –	–
35	RATHIPRIYA D	1000	0.03	– Nil –	1000	0.03	– Nil –	–
36	V VALARNILA	1000	0.03	– Nil –	1000	0.03	– Nil –	–
37	S SWETHA	19367	0.50	– Nil –	102567	2.66	– Nil –	+2.16
TOTAL		2550503	66.26	–	2512528	65.27	–	-0.99

* Beneficiary shares holding same PAN are clubbed and reported this year by RTA in accordance with statutory requirement. Hence changes reflected in their respective share holdings.


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

Sl. No.		Shareholding at the beginning of the year 01.04.2017		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 01-04-2017	2550503	66.26	2550503	66.26
	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.,)				
	09.05.2017 (Sale) R. Malarselvi	(-) 4000	(-) 0.10	2546503	66.16
	16.05.2017 (Sale) M. Vanaja	(-) 348	(-) 0.01	2630558	66.15
	03.04.2017 (Sale) S. Kalavathi	(-) 117	(-) 0.00	2546503	66.14
	06.04.2017 (Sale) S. Kalavathi	(-) 3586	(-) 0.09	2546155	66.05
	07.04.2017 (Sale) S. Kalavathi	(-) 1364	(-) 0.04	2546038	66.02
	09.05.2017 (Sale) S. Kalavathi	(-) 1000	(-) 0.03	2542452	65.99
	10.05.2017 (Sale) S. Kalavathi	(-) 1300	(-) 0.03	2541088	65.96
	16.05.2017 (Sale) R. Sakunthala	(-) 10	(-) 0.00	2540088	65.96
	17.05.2017 (Sale) R. Sakunthala	(-) 1295	(-) 0.03	2538788	65.92
	18.05.2017 (Sale) R. Sakunthala	(-) 10	(-) 0.00	2538778	65.92
	22.05.2017 (Sale) R. Sakunthala	(-) 1062	(-) 0.03	2537483	65.89
	23.05.2017 (Sale) R. Sakunthala	(-) 5	(-) 0.00	2537473	65.89
	24.05.2017 (Sale) R. Sakunthala	(-) 500	(-) 0.01	2536411	65.88
	26.05.2017 (Sale) R. Sakunthala	(-) 1078	(-) 0.03	2536406	65.85
	29.05.2017 (Sale) R. Sakunthala	(-) 700	(-) 0.02	2535906	65.83
	30.05.2017 (Sale) R. Sakunthala	(-) 330	(-) 0.01	2534828	65.83
	05.06.2017 (Sale) R. Sakunthala	(-) 125	(-) 0.00	2534128	65.82
	06.06.2017 (Sale) R. Sakunthala	(-) 16	(-) 0.00	2533798	65.82
	07.06.2017 (Sale) R. Sakunthala	(-) 114	(-) 0.00	2533673	65.82
	08.06.2017 (Sale) R. Sakunthala	(-) 100	(-) 0.00	2533657	65.82
	09.06.2017 (Sale) R. Sakunthala	(-) 1010	(-) 0.03	2533543	65.79
	12.06.2017 (Sale) R. Sakunthala	(-) 46	(-) 0.00	2533443	65.79
	13.06.2017 (Sale) R. Sakunthala	(-) 293	(-) 0.01	2532433	65.78
	16.06.2017 (Sale) R. Sakunthala	(-) 522	(-) 0.01	2532387	65.77
	20.06.2017 (Sale) R. Sakunthala	(-) 20	(-) 0.00	2532094	65.77
	21.06.2017 (Sale) R. Sakunthala	(-) 16	(-) 0.00	2531572	65.77
	23.06.2017 (Sale) R. Sakunthala	(-) 10	(-) 0.00	2531552	65.77
	27.06.2017 (Sale) R. Sakunthala	(-) 10	(-) 0.00	2531536	65.77
	28.06.2017 (Sale) R. Sakunthala	(-) 5	(-) 0.00	2531526	65.77
	29.06.2017 (Sale) R. Sakunthala	(-) 21	(-) 0.00	2531516	65.77
	30.06.2017 (Sale) R. Sakunthala	(-) 5	(-) 0.00	2531511	65.77
	03.07.2017 (Sale) R. Sakunthala	(-) 10	(-) 0.00	2531490	65.77
	11.07.2017 (Sale) R. Sakunthala	(-) 5154	(-) 0.13	2531485	65.63
	12.07.2017 (Sale) R. Sakunthala	(-) 543	(-) 0.01	2531475	65.62
	13.07.2017 (Sale) R. Sakunthala	(-) 1044	(-) 0.03	2526321	65.59

Kandagiri Spinning Mills Limited



Sl. No.	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.,)			Shareholding at the beginning of the year 01.04.2017		Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	[Contd.....]					2526321	65.59
	14.07.2017	(Sale)	R. Sakunthala	(-) 5	(-) 0.00	25242729	65.59
	21.07.2017	(Sale)	R. Sakunthala	(-) 54	(-) 0.00	2524675	65.59
	24.07.2017	(Sale)	R. Sakunthala	(-) 205	(-) 0.01	2524470	65.58
	25.07.2017	(Sale)	R. Sakunthala	(-) 3005	(-) 0.08	2521465	65.51
	26.07.2017	(Sale)	R. Sakunthala	(-) 1535	(-) 0.04	2519930	65.47
	27.07.2017	(Sale)	R. Sakunthala	(-) 1000	(-) 0.03	2518930	65.44
	16.08.2017	(Sale)	R. Sakunthala	(-) 20	(-) 0.00	2518910	65.44
	21.08.2017	(Sale)	R. Sakunthala	(-) 15	(-) 0.00	2518895	65.44
	28.08.2017	(Sale)	R. Sakunthala	(-) 4	(-) 0.00	2518891	65.44
	01.09.2017	(Sale)	R. Sakunthala	(-) 119	(-) 0.00	2518772	65.44
	04.09.2017	(Sale)	R. Sakunthala	(-) 10	(-) 0.00	2518762	65.44
	22.09.2017	(Sale)	R. Sakunthala	(-) 2	(-) 0.00	2518760	65.44
	28.11.2017	(Sale)	R. Sakunthala	(-) 297	(-) 0.01	2518463	65.43
	29.11.2017	(Sale)	R. Sakunthala	(-) 255	(-) 0.01	2518208	65.42
	30.11.2017	(Sale)	R. Sakunthala	(-) 50	(-) 0.00	2518158	65.42
	19.12.2017	(Sale)	R. Sakunthala	(-) 200	(-) 0.01	2517958	65.41
	21.12.2017	(Sale)	R. Sakunthala	(-) 10	(-) 0.00	2517948	65.41
	26.12.2017	(Sale)	R. Sakunthala	(-) 309	(-) 0.01	2517639	65.41
	03.01.2018	(Sale)	R. Sakunthala	(-) 1000	(-) 0.03	2516639	65.38
	04.01.2018	(Sale)	R. Sakunthala	(-) 245	(-) 0.01	2516394	65.37
	05.01.2018	(Sale)	R. Sakunthala	(-) 10	(-) 0.00	2516384	65.37
	09.01.2018	(Sale)	R. Sakunthala	(-) 565	(-) 0.01	2515819	65.36
	10.01.2018	(Sale)	R. Sakunthala	(-) 150	(-) 0.00	2515669	65.36
	17.01.2018	(Sale)	R. Sakunthala	(-) 1159	(-) 0.03	2514510	65.32
	18.01.2018	(Sale)	R. Sakunthala	(-) 258	(-) 0.01	2514252	65.32
	23.01.2018	(Sale)	R. Sakunthala	(-) 437	(-) 0.01	2513815	65.31
	23.02.2018	(Sale)	R. Sakunthala	(-) 277	(-) 0.01	253538	65.30
	28.02.2018	(Sale)	R. Sakunthala	(-) 1000	(-) 0.03	2512538	65.27
	09.03.2018	(Sale)	R. Sakunthala	(-) 10	(-) 0.00	2512528	65.27
	At the end of the year 31.03.2018					2512528	65.27



(iv) Shareholders 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 01-04-2017		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2018	
			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	2.01	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	—	53978	1.40	53978	1.40	53978	1.40
6	DAKSHA SANJEEV PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	—	46258	1.20	46258	1.20	46258	1.20
7	PUSHPA MANSUKHLAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	—	36909	0.96	36909	0.96	36909	0.96
8	CHANDRIKA VINODCHANDRA PAREKH JT.1 : VINODCHANDRA MANSUKHLAL PAREKH	—	33064	0.86	33064	0.86	33064	0.86
9	JITENDRA MANSUKHLAL PAREKH JT.1 : SANJEEV VINODCHANDRA PAREKH	—	29615	0.77	29615	0.77	29615	0.77
10	GAGANDEEP CREDIT CAPITAL PVT LTD	—	27870	0.72	27870	0.72	27870	0.72
11	INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY MINISTRY OF CORPORATE AFFAIRS	—	—	—	—	—	—	—
	(Transfer of 32626 shares to IEPF beneficiary A/c as per the statutory requirements)	14-03-2018 & 15-03-2018	—	—	32626	0.85	32626	0.85



V). Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year 01-04-2017		Cumulative Shareholding during the year		Shareholding at the end of the year 31-03-2018	
		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) (Change in designation w.e.f. 01.06.2017)	92227	2.40	92227	2.40	92227	2.40
2	Sri R SELVARAJAN (Managing Director) (Change in designation w.e.f. 01.06.2017)	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 M. RAJAMANI (Non- Executive Director) (Retired at the 41 st AGM held on 12.08.2017)	122067	3.17	122067	3.17	122067	3.17
6	Sri S. SIVAKUMAR (Non- Executive Director) (Appointed w.e.f. 12.08.2017)	278033	7.22	278033	7.22	278033	7.22
7	Dr. V. GOPALAN (Non- Executive Independent Director) [Resigned w.e.f 06.05.2017]	0	0.00	0	0.00	0	0.00
8	Sri. N. ASOKA (Non- Executive Independent Director) [Resigned w.e.f 06.05.2017]	0	0.00	0	0.00	0	0.00
9	Sri S. GNANASEKHARAN (Non- Executive Independent Director)	0	0.00	0	0.00	0	0.00
10	Sri KAMESHWAR M. BHAT (Non- Executive Independent Director)	0	0.00	0	0.00	0	0.00
11	Dr. V. SEKAR (Non-Executive Independent Director)	0	0.00	0	0.00	0	0.00
12	Dr. R. RAMARATHNAM (Non-Executive Independent Director)	0	0.00	0	0.00	0	0.00
13	Sri. D. BALASUNDARAM (Non-Executive Independent Director)	0	0.00	0	0.00	0	0.00
14	MS. J. ASIFA (Company Secretary)	0	0.00	0	0.00	0	0.00
	Total	1733729	45.04	1733729	45.04	1733729	45.04

**V. INDEBTEDNESS**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	4936.10	1701.23	64.55	6701.88
ii) Interest due but not paid	46.82	—	—	46.82
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	4982.92	1701.23	64.55	6748.70
Change in Indebtedness during the financial year				
· Addition	—	185.00	5.00	190.00
· Reduction	888.56	23.00	5.55	917.11
Net Change	(-) 888.56	162.00	(-) 0.55	(-) 727.11
Indebtedness at the end 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

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 Rs.
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2.62	2.62
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	1.75	1.75
	(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)	4.37	4.37
	Ceiling as per the Act (As per Schedule V of the Act)	42.00	42.00

*- Of the total remuneration for the year of Rs.36.00 lakhs [Salary – Rs.21.60 lakhs and perquisites – Rs.14.40 lakhs], MD Sri R. Selvarajan has received only Rs.4.37 lakhs and waived the remaining salary in view of unsatisfactory financial performance of the Company.

Kandagiri Spinning Mills Limited



B. Remuneration to other directors:

Amount in Rs. Lakhs

Sl. No.	Particulars of Remuneration	Name of Directors							Total Amount
	3. Independent Directors	Dr. V.Gopalan**	Sri. N.Asoka**	Sri. S.Gnana sekharan	Sri.Kameshwar M Bhat	Dr. V.Sekar	Dr. R.Rama rathnam	Sri D. Bala sundaram	
	Fee for attending Audit committee meting	0.25	0.25	1.50	1.50	1.50	1.25	1.25	7.50
	Fee for attending Nomination and Remuneration committee meeting	0.15	0.15	–	0.15	–	–	–	0.45
	Fee for attending Separate Independent Director Meeting	–	–	0.25	0.25	0.25	0.25	0.25	1.25
	Fee for attending Board Meeting:	0.15	0.15	0.90	0.90	0.90	0.90	0.90	4.80
	Commission	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Others	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (1)	0.55	0.55	2.65	2.80	2.65	2.40	2.40	14.00
	4. Other Non-Executive Directors		Sri. S. Devarajan *	Dr. A. Sarayu *	Sri. M. Rajamani	Sri. S. Sivakumar *	Sri. S. Vijay Shankar #	Total Amount	
	Fee for attending Audit Committee meeting		0.50	–	–	–	–		0.50
	Fee for attending Board meeting		0.30	0.30	0.15	0.15	Nil		0.90
	Commission		Nil	Nil	Nil	Nil	Nil		Nil
	Others		Nil	Nil	Nil	Nil	Nil		Nil
	Total (2)		0.80	0.30	0.15	0.15	Nil		1.40
	Total (B) = (1+2)		–	–	–	–	–		15.40
	Total Managerial Remuneration		Nil	Nil	Nil	Nil	Nil		@ 4.30
	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 Director for attending Audit Committee and Board Meetings with effect from 27.09.2017.

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.

@ Exclusive of sitting fees

** Resigned w.e.f. 06.05.2017.



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	4.99	4.20	9.19
	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	3.32	Nil	3.32
	(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	8.31	4.20	12.51

* Of the total remuneration for the year of Rs.30.00 lakhs [Salary – Rs.18.00 lakhs and perquisites – Rs.12.00 lakhs] , CFO Sri S. Vijay Shankar has received only Rs.8.31 lakhs and waived the remaining remuneration in view of unsatisfactory financial performance 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					
Punishment			-----None-----		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			-----None-----		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			-----None-----		
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 2018

[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 2018 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 2018, 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 generally 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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (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

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

Place : Trichy
Date : 14-05-2018

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 2018
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 : 14-05-2018



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 : Loss of Rs. (1189.19) 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 (2017-18) :

During the financial year 2017-18, Company made CSR expenditure towards unspent CSR obligation of FY 2015-16 of Rs. 9.06 lakhs in the manner detailed below:

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 #
1.	Promoting education for the differently abled	Item No. 2 of Schedule VII of Companies Act, 2013	Salem District, Tamil Nadu	Rs. 0.54 lakhs	Rs. 0.54 lakhs	Rs. 0.54 lakhs	Rs. 0.54 lakhs

Payment made to Tamilnadu Association for the Blind.

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

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

Salem
May 27, 2018

R. Selvarajan
Chairman – CSR Committee



Annexure - 8

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. Sivakumar	—
Dr .A. Sarayu	—
Sri M. Rajamani	—
Sri P. S. Ananthanarayanan	—
Dr. V. Gopalan	—
Sri N. Asoka	—
Sri. S. Gnanasekharan	—
Sri Kameshwar M Bhat	—
Sri S. Vijay Shankar #	—
EXECUTIVE DIRECTOR SRI R. SELVARAJAN, MD*	30.24

* - The above ratio has been derived by comparing the remuneration of Managing Director (MD) of Rs. 3.00 lakhs per month with the median remuneration of the employees. However, of the total remuneration for the year of Rs.36.00 lakhs, MD Sri R. Selvarajan has received only Rs.4.37 lakhs and waived the remaining remuneration in view of unsatisfactory financial performance of the Company.

(b) percentage increase in remuneration of each director, CMD, CFO and Company Secretary

NON EXECUTIVE DIRECTORS *	% Increase in Remuneration
Sri S. Devarajan	—
Sri S. Sivakumar	—
Dr .A. Sarayu	—
Sri M. Rajamani	—
Sri Kameshwar M Bhat	—
Sri. S. Gnanasekharan	—
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	Nil

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

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

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

(d) the number of permanent employees on the rolls of the company : 373



- (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**

In view of the unsatisfactory financial performance of the Company, MD and CFO had forgone their increased salary which was approved by the members at the last AGM held on 27.09.2015 and only received only the previous salary. Hence there is no increase in managerial remuneration during the year 2017-18. Further, MD and CFO had waived their salary during the major part of this financial year 2017-18.

- (f) **Affirmation that the remuneration is as per the remuneration major 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
May 27, 2018

R. Selvarajan
Managing Director

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

(a) Changes in Board of Directors

During the year independent Directors Dr. V. Gopalan (w.e.f. 06.05.2017) and Sri N. Asoka (w.e.f. 06.05.2017) were resigned from the Board due to their pre-occupations and other commitments.

During the year Chairman and Managing Director Sri R. Selvarajan, resigned from the position of Chairman of the Company and continues as Managing Director with effect from 01.06.2017. Board of Directors at their meeting held on 06.05.2017 has elected Non- Executive Director Sri S. Devarajan as Chairman of the Company with effect from 01.06.2017.

The Board has appointed Dr. V. Sekar (on 25.03.2017), Dr. R. Ramarathnam (on 06.05.2017) and Sri D. Balasundaram (on 06.05.2017) as Additional Directors (Non-Executive, Independent) and their appointments as Non-executive Independent Directors (Not liable to retire by rotation) were approved by the members at the 41st Annual General Meeting of the Company (AGM) held on 12.08.2017.

Non-executive Director Sri M. Rajamani got retired at the 41st AGM of the Company held on 12.08.2017. Sri. S. Sivakumar was appointed as Non-executive Director (liable to retire by rotation) by the members of the Company at the 41st AGM of the Company held on 12.08.2017.

(b) Composition of the Board

Your Company's Board comprises of 10 Directors (out of which 50% of the Directors are Independent Directors). 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 composition of the Board of Directors with their attendance at the Board Meetings held during the year and other relevant details as required under Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows :

Kandagiri Spinning Mills Limited



Name of the Director	Categories of Director	No. of Board meetings attended	Whether attended last AGM	No. of directorship	No. of Membership of other board and committees(*)	Relationship with other directors	No. of equity shares held (*)
Sri S. Devarajan	Chairman Non - Executive (Promoter)	6	Yes	7	–	Nil	92,227
Sri R.Selvarajan	Executive (Promoter)	6	Yes	5	–	Relative of Sri S.Vijay Shankar and Dr. A.Sarayu	7,78,730
Sri S.Vijay Shankar	Non - Executive (Promoter)	5	Yes	1	–	Relative of Sri R.Selvarajan and Dr. A.Sarayu	4,09,582
Dr. A.Sarayu	Non - Executive (Promoter)	5	Yes	–	–	Relative of Sri R.Selvarajan and S.Vijay Shankar	53,090
Sri M. Rajamani (up to 06.05.2017)	Non - Executive (Promoter)	1	Yes	1	–	Nil	1,22,067
Sri S.Sivakumar (from 12.08.2017)	Non - Executive (Promoter)	3	Yes	2	–	Nil	2,78,033
Dr. V.Gopalan *** (up to 06.05.2017)	Non - Executive (Independent)	1	No	2	1	Nil	Nil
Sri N.Asoka *** (up to 06.05.2017)	Non - Executive (Independent)	1	No	2	2	Nil	Nil
Sri S.Gnanasekharan	Non - Executive (Independent)	6	Yes	1	1	Nil	Nil
Sri Kameshwar M. Bhat	Non - Executive (Independent)	6	Yes	1	1	Nil	Nil
Dr. V. Sekar	Non - Executive (Independent)	6	Yes	1	1	Nil	Nil
Dr. R.Ramanathan	Non - Executive (Independent)	6	Yes	6	1	Nil	Nil
Sri D.Balasundaram	Non - Executive (Independent)	6	Yes	1	1	Nil	Nil

Note : * Only membership of Audit Committee and Stakeholders Relationship Committee as per reg. 26(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 considered

** There are no convertible instruments in our Company

*** Independent Directors resigned from the Board on the respective dates as specified in Changes in Board of Directors



During the year under review, none of the Directors of the Company was member of more than 10 specified Committees or Chairman of more than 5 such Committees in companies in which he/she is a Director. Your Company's Directors promptly notify any change(s) in the committee positions as and when they take place.

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.

(c) Board Meetings

The Board of Directors met six times during the year and the time gap between any two meetings did not exceed 120 days. Board meetings were held on May 6, 2017, August 12, 2017, September 27, 2017, November 13, 2017, December 11, 2017 and February 8, 2018.

(d) Independent Directors

Your Company appointed Independent Directors who are renowned people having expertise/experience in their respective field/profession. 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.

During the year the following changes took place :

- a. Independent Directors Dr. V. Gopalan and Sri N. Asoka were resigned from the Board w.e.f 06.05.2017.
- b. Dr. V. Sekar (on 25.03.2017), Dr. R. Ramarathnam (on 06.05.2017) and Sri D. Balasundaram (on 06.05.2017) were appointed by the Board as Additional Directors (Non-Executive, Independent). Their appointments as Non-executive Independent Directors (Not liable to retire by rotation) were approved by the members at the 41st Annual General Meeting of the Company (AGM) held on 12.08.2017 and they shall hold office up to the conclusion of the 45th Annual General Meeting of the Company.

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 06.02.2018. 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.

(e) Board Evaluations

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.

3. 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, 2018 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 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 six times during the year and the time gap between any two meetings did not exceed more than 120 days. Audit Committee meetings were held on May 5, 2017, August 11, 2017, September 27, 2017, November 12, 2017 and February 7, 2018. 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	6 of 6
Sri Kameshwar M. Bhat	Member	6 of 6
Dr. V. Sekar	Member	6 of 6
Dr. R. Ramarathnam *	Member	6 of 6
Sri D. Balasundaram *	Member	6 of 6
Sri S. Devarajan	Member	6 of 6
Dr. V. Gopalan **	Member	1 of 6
Sri N. Asoka **	Member	1 of 6

* Dr. R.Ramarathnam and Sri D.Balasundaram were inducted as Audit Committee member w.e.f. 06.05.2017

** Dr.V.Gopalan and Sri N.Asoka were resigned from the Board/Audit Committee w.e.f. 06.05.2017

4. 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, 2018 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 one Nomination and Remuneration Committee Meeting was held on 05.05.2017. 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	1 of 1
Sri S. Gnanasekharan *	Member	Nil
Dr. V. Sekar *	Member	Nil
Dr. V. Gopalan **	Member	1 of 1
Sri N. Asoka **	Member	1 of 1

* Sri. S.Ganasekharan and Dr. V.Sekar were inducted as Nomination and Remuneration Committee member w.e.f. 06.05.2017

** Directors resigned from the Board and Nomination and Remuneration Committee w.e.f 06.05.2017.

**(c) 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
- i. Contribution
- j. Integrity
- k. Independence
- l. Independent views and Judgment

5. 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 2017-18. However, in discharge of Unspent CSR obligation of FY 2015-16, Company has spent Rs. 0.54 lakhs towards CSR activities during the FY 2017-18.

(b) Composition

The CSR Committee as on March 31, 2018 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 05.05.2017. 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 R. Selvarajan	Chairman	1 of 1
Sri S. Devarajan	Member	1 of 1
Sri S. Vijay Shankar	Member	1 of 1
Dr.V.Gopalan **	Member	1 of 1
Sri S. Gnanasekharan *	Member	Nil

** Resigned from the Board and CSR Committee w.e.f 06.05.2017.

* Inducted as CSR Committee member w.e.f. 06.05.2017

6. REMUNERATION OF DIRECTORS

(a) There was no pecuniary relationship or transaction between the Non-Executive Directors and the company during the financial year 2017-2018.

(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 2017-18 are as follows.

Name of the Director	Sitting fees (#) Rs. Lakhs
Sri R. Selvarajan	–
Sri S. Vijay Shankar	–
Sri S. Devarajan *	0.80
Dr. A. Sarayu *	0.15
Sri M. Rajamani	0.30
Sri S. Sivakumar *	0.15
Dr. V. Gopalan	0.55
Sri N. Asoka	0.55
Sri S. Gnanasekharan	2.65
Sri Kameshwar M Bhat	2.80
Dr. V. Sekar	2.65
Dr. R. Ramarathnam	2.40
Sri D. Balasundaram	2.40

* **Non-Executive Promoter directors had waived their sitting fees for attending Board and Committee meetings w.e.f. 27.09.2017**

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 with effect from 01.10.2015 on an increased remuneration structure as follows:

Salary : Rs. 2.40 lakhs p.m.

Allowances & perquisites: Rs. 1.60 lakhs p.m.

Total remuneration – Rs. 4.00 lakhs p.m.

Due to financial constraints, Sri. R. Selvarajan, Managing Director has forgone his increased salary and has only received the previous remuneration of Rs.3.00 lakhs p.m. Further, of the total remuneration of Rs.36.00 lakhs for the FY 2017-18, MD Sri R. Selvarajan, has received only Rs.4.30 lakhs and waived the remaining remuneration in view of unsatisfactory financial performance of the Company. Details of remuneration received by the Managing Director during the financial year 2017-18 is as follows:

Name of the Director	Salary	Perquisites	Total (Rs. in lakhs)
Sri R. Selvarajan	2.62	1.75	4.37

Stock Options

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

7. STAKEHOLDERS' RELATIONSHIP COMMITTEE**(a) Composition**

Stakeholders' Relationship Committee as on March 31, 2018 comprises of three members viz., Sri S. Gnanasekaran, Independent Director as Chairman, Sri R. Selvarajan, Managing Director and Sri S. Vijay Shankar, Chief Financial Officer and Director as Members.

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

(b) Compliance Officer

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

**(c) Investors' requests**

During the year, 51 request letters were received from investors on routine matters and all these were dealt with satisfactorily.

(d) Complaints

No complaints were received and no complaint was pending as on March 31, 2018.

(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.

8. GENERAL BODY MEETINGS**(a) Details of location and time of last three Annual General Meetings held**

Year	Location	Date & Time
41 st AGM - 2017	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	August 12, 2017 at 11.30 a.m.
40 th AGM - 2016	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	August 6, 2016 at 11.30 a.m.
39 th AGM - 2015	Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem-636014.	September 27, 2015 at 11.45 a.m.

- (b)** One special resolution was passed at the 39th Annual General Meeting (AGM) of the Company held on 27.09.2015 for reappointment and payment of remuneration to the Chairman and Managing Director, Sri R. Selvarajan. There was no special resolution passed at the AGM held during the years 2016 and 2017.

The Company proposes to pass one special resolution during this year at the 42nd Annual general Meeting of the Company for reappointment and payment of remuneration to the Managing Director, Sri R. Selvarajan.

No resolution was passed through postal ballot during the year under review. No resolution is proposed to be conducted through postal ballot this year.

9. 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.

10. GENERAL SHARE HOLDER INFORMATION**(a) Details of 42nd Annual General Meeting to be held**

Day : Saturday
 Date : 11th August, 2018
 Time : 11:30 a.m.
 Venue : Mill Premises of Sambandam Spinning Mills Limited, Kamaraj Nagar Colony, Salem 636014

- (b) Financial Year** : 1st April, 2017 to 31st March, 2018.

- (c) Dividend Payment Date** : Not Applicable since no dividend has been declared by the Company for the financial year 2017-18

**(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 have been 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 - 2017	43.35	38.00	30,184.22	29241.48
May - 2017	59.00	39.25	31,255.28	29804.12
Jun - 2017	45.00	37.50	31,522.87	30680.66
Jul - 2017	44.85	38.20	32,672.66	31017.11
Aug - 2017	45.00	36.85	32,686.48	31128.02
Sep - 2017	44.00	37.05	32,524.11	31081.83
Oct - 2017	44.00	36.05	33,340.17	31440.48
Nov - 2017	43.95	35.00	33,865.95	32683.59
Dec - 2017	43.75	33.90	34,137.97	32565.16
Jan - 2018	43.00	35.70	36,443.98	33703.37
Feb - 2018	43.20	33.75	36,256.83	33482.81
Mar - 2018	38.00	29.05	34,278.63	32483.84

(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, 2018, no share transfers/transmission was pending.

(j) Distribution of Shareholding as on 31st March, 2018

No. of Shares	Shareholders		No. of shares	
	Number	%	Number	%
10 – 5000	2535	91.68	256277	6.65
5001 – 10000	75	2.71	57652	1.49
10001 – 20000	48	1.74	70211	1.82
20001 – 30000	24	0.86	58529	1.52
30001 – 40000	18	0.65	63948	1.66
40001 – 50000	4	0.14	18485	0.48
50001 – 100000	19	0.69	144139	3.74
100001 and above	42	1.52	3180009	82.61
Total	2765	100.00	3849250	100.00

**Shareholding pattern as on March 31, 2018**

Sl. No.	Category	No. of Holders	No. of Shares	% to Paid up Capital
1.	Promoters	37	25,12,528	65.27
2.	Residents (Individuals / Clearing Members)	2,678	11,51,239	29.91
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	5	1,377	0.04
6.	Corporate Bodies / Limited Liability Partnership	39	1,47,856	3.84
7.	IEPF	1	32,626	0.85
8.	Mutual Funds	0	0	0
9.	Trusts	0	0	0
10.	Banks	0	0	0
11.	Clearing Members	5	3,624	0.09
	Total	2,765	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, 2018:

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	25,12,528	65.27%	25,12,528	65.27%
Others	1,91,290	4.97%	11,45,432	29.76%	13,36,722	34.73%
TOTAL	1,91,290	4.97%	36,57,960	95.03%	38,49,250	100.00%

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.

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

(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

Wind energy converter

Gudimangalam Village, Udumalpet Taluk, Coimbatore District, 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 – investor@cameoindia.com
For any other general matters or in case of any difficulties/		Secretarial Department Kandagiri Spinning Mills Limited Mill Premises, Kamaraj Nagar Colony, Salem 636 014 Phone : 0427 -2244400 Fax : 0427 – 2244422 e-mail: sales@kandagirimills.com
Website Address		www.kandagirimills.com
Email ID of Investor Grievances		ksmcs@kandagirimills.com
Name of the Compliance Officer		Ms. J. Asifa, Company Secretary

11. DISCLOSURES

- (a) During the financial year ended 31st March, 2018 there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- (b) The company has formulated a Policy for dealing with Related Party Transactions. The necessary disclosures regarding the transactions with related parties are given in the Notes to the financial statements. During the year under review, Your Company had not entered into any material transaction with any of its related parties. The Policy on Related Party Transactions is hosted on the website of the Company under the web link : <http://www.kandagirimills.com/investors/ksml2014-rptp.pdf>
- (c) Neither was any penalties imposed nor were any strictures passed by Stock Exchange or SEBI or any Statutory authority on any capital market related matters during the last three years.
- (d) The Company has established a Vigil Mechanism/Whistle Blower Policy to enable stakeholders (including Directors and employees) to report unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. The Policy provides adequate safeguards against victimization of Director(s)/employee(s) and direct access to the Chairman of the Audit Committee in exceptional cases. The Protected Disclosures, if any reported under this Policy will be appropriately and expeditiously investigated by the Chairman. Your Company hereby affirms that no Director / employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. The Whistle Blower Policy has been disclosed on the Company's website.
- (e) The Company has complied with the mandatory requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has adopted various non-mandatory requirements as well as discussed under relevant headings.
- (f) The Company has no subsidiary.
- (g) The Company has followed Indian Accounting Standards ("Ind AS") in the preparation of the financial statements for accounting periods beginning on or after 01.04.2016 as per the MCA directions. 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, 2018. 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 Chairman and 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 Chairman and Managing Director and Chief Financial Officer is published in Annual Report.
 - (l) 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.
- 12. There has been no instance of non-compliance of any requirement of Corporate Governance Report.**
- 13. 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 financial year 2017-18.
 - (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 their findings of the internal audit to the Audit Committee Members.
- 14. 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, 2018.

Salem
May 27, 2018

R. Selvarajan
Managing Director
DIN : 00001703

Independent Auditor's Certificate on Corporate Governance

To the Members of Kandagiri Spinning Mills Limited

1. We have examined the compliance of conditions of corporate governance by Kandagiri Spinning Mills Limited ("the Company") for the year ended on 31 March 2018, as required by the provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the listing regulations") ("Applicable criteria") with respect to Corporate Governance for the year ended March 31, 2018. This report is required by the Company for the annual submission to the Stock Exchanges and to be sent to the shareholders of the Company.

Management's Responsibility

2. The compliance of the conditions of corporate governance is the responsibility of management. This responsibility includes the designing, implementing and maintaining operating effectiveness of internal control to ensure compliance with the conditions of corporate governance as stipulated in the Listing Regulations.

Auditor's Responsibility

3. Pursuant to the requirements of the Listing Regulations, our responsibility is to express a reasonable assurance in the form of an opinion as to whether the Company has complied with the conditions of corporate governance as stated in paragraph 1 above. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the relevant records of the Company in accordance with the applicable Generally Accepted Auditing Standards in India, the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India ('ICAI'), and Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
5. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

6. Based on the procedures performed by us and to the best of our information and according to the explanations provided to us, in our opinion, the Company has complied, in all material respects, with the conditions of corporate governance as stipulated in the Listing Regulations during the year ended 31 March 2018.

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

Restriction on use

7. This certificate is issued solely for the purpose of complying with the aforesaid regulations and may not be suitable for any other purpose.

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

Salem
May 27, 2018

S. Krishnan - Partner
Membership no.26452



INDEPENDENT AUDITOR'S REPORT

To the Members of Kandagiri Spinning Mills Limited

Report on the standalone Ind AS Financial Statements

1. 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, 2018, 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 a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Statement of Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 (Standalone Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
4. We conducted our audit of the Standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Standalone Ind AS financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS financial statements.
6. 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.

Opinion

7. 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 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 (financial position) of the Company as at March 31, 2018, its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.



Emphasis of Matter

8. The Company has generated negative operating cash flows and has incurred substantial operating losses during the current period and earlier. One of the Units of the Company has been sold during the year and the sale consideration used to repay loan creditors. In order to continue operations for a reasonable period of time, 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.

However, the promoters have undertaken to provide such financial and other support as is required to enable the Company to settle its obligation as and when they fall due and we have accordingly considered the disclosure made in note 45 by the management adequate in addressing the issue of 'Going Concern'. Our opinion is not modified in respect of this matters.

Other Matters

9. The comparative financial information of the Company for the year ended March 31, 2017 and the transition opening balance sheet as at April 1, 2016 included in these standalone Ind AS financial statements, are based on the previously issued financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose reports for the year ended March 31, 2017 and March 31, 2016 dated May 6, 2017 and May 21, 2016 respectively expressed an unmodified opinion. The Comparative financial information for the year ended March 31, 2017 and the opening Balance Sheet as at April 1, 2016 have been adjusted for the differences in the accounting principles / policies (refer note 31) adopted by the Company on transition to the Ind AS, which have been audited by us.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143 (3) of the Companies Act, 2013, we report that:
- 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.
 - 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.
 - 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 is in agreement with the books of account.
 - In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
 - On the basis of the written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Companies Act, 2013.
 - With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure "A".
 - With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - The Company has disclosed the impact of pending litigations on financial position vide note 38.
 - The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
11. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

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

S. Krishnan - Partner
Membership No. 26452

Salem
May 27, 2018



ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 10(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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, 2018 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, 2018, 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

Salem
May 27, 2018

S. Krishnan - Partner
Membership No. 26452

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 11 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date on the Standalone Ind AS financial statements of Kandagiri Spinning Mills Limited ("the Company") for the year ended March 31, 2018).

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. The Company has not granted any loans, secured or unsecured, nor made investments, furnished guarantees or provided security to any party covered by provisions of sections 185 and 186 of the Companies Act, 2013. Hence reporting on whether there is a compliance with the said provisions does not arise.
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 cost records with a view to determine whether they are accurate or complete.

7. According to the information and explanations given to us and the books of account examined by us, in respect of statutory dues:

(a) The company has generally been regular in depositing material amount of undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax / GST, service tax, Customs duty, Excise duty, value added tax, cess and any other statutory dues as applicable to the appropriate authorities during the year. It has not been regular in depositing undisputed statutory dues pertaining to professional tax with the appropriate authorities. The arrears of such dues outstanding as at the end of the financial year for a period of more than six months from the date they became payable aggregated to Rs 8.60 lakhs.

(b) There are no dues of Income tax, Service tax, Customs Duty, Excise duty or Value added tax that have not been deposited on account of any dispute. Details of dues of Sales tax, which have not been deposited as at March 31, 2018 on account of any dispute is as stated below:

(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:

(Rs. in Lakhs)

Bank	Principal			
	Due Amount	Due Date	Paid Amount	Paid on
State Bank of India Working Capital Term Loan-780 lakhs Sep - 17	41.90	30-09-2017	31.90 10.00	28-08-2017 30-10-2017
Corporate Loan 1000 lakhs Aug - 17	15.00	31-08-2017	6.50 8.50	11-05-2017 30-10-2017
Sep - 17	15.00	30-09-2017	15.00	30-10-2017
Oct - 17	15.00	31-10-2017	15.00	13-11-2017
Karnataka Bank Working Capital Term Loan-780 lakhs Apr - 17	41.90	18-04-2017	2.89 39.01	30-01-2017 24-04-2017
May - 17	41.90	18-05-2017	14.58 27.32	27-06-2017 10-08-2017
Jun - 17	41.90	18-06-2017	41.90	14-09-2017
Jul - 17	41.90	18-07-2017	41.90	13-10-2017
Aug - 17	41.90	18-08-2017	41.90	31-10-2017
Sep - 17	41.90	18-09-2017	41.90	31-10-2017
DPN Loan 2000 lakhs Apr - 17	70.00	28-04-2017	56.00 14.00	25-04-2017 07-07-2017
May - 17	100.00	28-05-2017	100.00	24-08-2017

Kandagiri Spinning Mills Limited



(Rs. in Lakhs)

Bank	Principal			
	Due Amount	Due Date	Paid Amount	Paid on
Corporate Loan 500 lakhs				
Apr - 17	5.00	20-04-2017	5.00	24-04-2017
May - 17	5.00	20-05-2017	5.00	11-08-2017
Jun - 17	5.00	20-06-2017	5.00	14-09-2017
Jul - 17	15.00	20-07-2017	15.00	13-10-2017
Aug - 17	15.00	20-08-2017	15.00	31-10-2017
Sep - 17	15.00	20-09-2017	15.00	31-10-2017
Oct - 17	15.00	20-10-2017	15.00	31-10-2017
Nov - 17	15.00	20-11-2017	15.00	12-12-2017
Dec - 17	15.00	20-12-2017	11.40	29-01-2017
			3.60	01-02-2018
Jan - 18	15.00	20-01-2018	15.00	28-03-2018
Feb - 18	15.00	20-02-2018	15.00	11-04-2018
Mar - 18	15.00	21-03-2018	15.00	23-04-2018

Details of Term Loan interest repayment during the year 2017-18

Bank	Interest			
	Due Amount	Due Date	Paid Amount	Paid on
State Bank of India				
Working Capital Term Loan-780 lakhs				
Apr - 17	1.48	30-04-2017	1.48	07-07-2017
May - 17	0.58	31-05-2017	0.58	01-08-2017
June - 17	0.57	30-06-2017	0.57	28-08-2017
July - 17	0.58	31-07-2017	0.58	28-08-2017
Aug - 17	0.52	31-08-2017	0.52	30-10-2017
Sep - 17	0.14	30-09-2017	0.14	30-10-2017
Oct - 17	0.13	31-10-2017	0.13	30-10-2017
Corporate Loan 1000 lakhs				
Apr - 17	11.23	30-04-2017	11.23	07-07-2017
May - 17	12.05	31-05-2017	12.05	01-08-2017
June - 17	11.79	30-06-2017	11.79	05-10-2017
July - 17	12.22	31-07-2017	12.22	13-11-2017
Aug - 17	12.19	31-08-2017	12.19	13-11-2017
Sep - 17	11.96	30-09-2017	11.96	13-11-2017
Oct - 17	12.51	31-10-2017	12.51	13-11-2017
Nov - 17	10.00	30-11-2017	10.00	11-12-2017
Dec - 17	9.45	31-12-2017	9.45	28-02-2018
Jan - 18	9.51	31-01-2018	9.51	31-03-2018
Feb - 18	8.70	28-02-2018	8.70	31-03-2018
Mar - 18	9.60	31-03-2018	9.60	20-04-2018
Karnataka Bank Ltd.,				
Working Capital Term Loan-780 lakhs				
Apr - 17	2.62	30-04-2017	2.62	14-06-2017
May - 17	2.44	31-05-2017	2.44	27-06-2017
June - 17	2.44	30-06-2017	2.44	14-09-2017
July - 17	2.45	31-07-2017	2.45	26-10-2017
Aug - 17	2.32	31-08-2017	2.32	31-10-2017
Sep - 17	1.94	30-09-2017	1.94	31-10-2017
Oct - 17	1.43	31-10-2017	1.43	31-10-2017



(Rs. in Lakhs)

Bank	Interest			
	Due Amount	Due Date	Paid Amount	Paid on
DPN Loan 2000 lakhs				
Apr - 17	1.78	30-04-2017	1.78	07-07-2017
May - 17	1.37	31-05-2017	1.37	24-08-2017
June - 17	1.56	30-06-2017	1.56	24-08-2017
Corporate Loan 500 lakhs				
Apr - 17	5.43	30-04-2017	5.43	14-07-2017
May - 17	5.60	31-05-2017	5.60	11-08-2017
June - 17	5.52	30-06-2017	0.66	14-09-2017
			4.86	26-09-2017
July - 17	5.77	31-07-2017	5.77	25-10-2017
Aug - 17	5.74	31-08-2017	5.74	31-10-2017
Sep - 17	5.56	30-09-2017	5.56	31-10-2017
Oct - 17	5.65	31-10-2017	5.65	31-10-2017
Nov - 17	4.92	30-11-2017	4.92	12-12-2017
Dec - 17	5.04	31-12-2017	5.04	19-02-2018
Jan - 18	5.04	31-01-2018	5.04	28-03-2018
Feb - 18	4.52	28-02-2018	4.52	11-04-2018
Mar - 18	5.04	31-03-2018	5.04	23-04-2018
Axis Bank Ltd., Corporate Loan - 240 lakhs				
Apr - 17	0.12	30-04-2017	0.12	02-05-2017

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. (Refer Note 37).
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 27, 2018

S. Krishnan - Partner
Membership No. 26452

Kandagiri Spinning Mills Limited



Standalone Balance Sheet as at March 31, 2018

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
ASSETS				
Non current assets				
Property, plant and equipment	1	5,289.86	7,410.13	9,295.23
Financial assets				
Investments	2	154.71	246.70	215.85
Other financial asset	3	260.15	309.67	261.88
Advance tax assets(net)	4	14.96	28.27	27.68
Other non-current assets	5	354.13	354.63	350.63
Deferred tax asset (net)	16	157.98	—	—
		<u>6,231.79</u>	<u>8,349.40</u>	<u>10,151.27</u>
Current assets				
Inventories	6	2,672.38	2,197.21	3,599.78
Financial assets				
Investments	7	58.81	—	—
Trade receivables	8	282.67	527.92	1804.20
Cash and cash equivalents	9a	8.52	2.19	4.29
Other Bank balances	9b	9.33	14.07	65.20
Others	10	120.42	202.42	64.28
Other current assets	11	86.86	84.66	109.65
		<u>3,238.99</u>	<u>3,028.47</u>	<u>5,647.40</u>
Total assets		<u>9,470.78</u>	<u>11,377.87</u>	<u>15,798.67</u>
EQUITY AND LIABILITIES				
Equity				
Equity share capital	12	385.74	385.74	385.74
Other equity	13	2,077.85	3,327.72	4,258.58
		<u>2,463.59</u>	<u>3,713.46</u>	<u>4,644.32</u>
Non-current liabilities				
Financial liabilities				
Borrowings	14	2,293.87	2,855.95	3,608.89
Provisions	15	154.03	151.80	148.88
Deferred tax liabilities (Net)	16	—	403.16	403.16
		<u>2,447.90</u>	<u>3,410.91</u>	<u>4,160.93</u>
Current liabilities				
Financial liabilities				
Borrowings	17	2,855.03	3,001.81	3,508.72
Trade payables	18	450.89	218.49	1,182.76
Provisions	19	4.99	2.24	2.55
Other financial liabilities	20	1,195.39	1,012.85	2,282.28
Other current liabilities	21	52.99	18.11	17.11
		<u>4,559.29</u>	<u>4,253.50</u>	<u>6,993.42</u>
Total equity and liabilities		<u>9,470.78</u>	<u>11,377.87</u>	<u>15,798.67</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 27, 2018

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

**Standalone Statement of Profit and Loss for the year ended March 31, 2018**

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
Income			
Revenue from operations	22	5,438.14	7,802.77
Other income	23	69.09	54.71
Total income		5,507.23	7,857.48
Expenses			
Cost of materials consumed	24	3,102.21	4,604.38
Changes in inventories of finished goods and work-in- progress	25	489.49	1,115.19
Employee benefits expense	26	779.38	1,223.32
Finance cost	27	804.72	1,248.60
Depreciation and amortization expense	28	371.21	711.58
Other expenses	29	1,572.95	1,564.26
Total Expenses		7,119.96	10,467.33
Profit/(loss) before exceptional items and tax		(1,612.73)	(2,609.85)
Exceptional item	30	(85.02)	1,544.62
Profit/(loss) before tax		(1,697.75)	(1,065.23)
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		(1,161.44)	(1,065.23)
Other comprehensive income			
Other comprehensive income not to reclassified to profit or loss in subsequent periods		—	—
Re-measurement gains/(losses) on defined benefit plans		(88.43)	134.37
Income tax effect		—	—
Other comprehensive income		(88.43)	134.37
Total comprehensive income for the year		(1,249.87)	(930.86)
Earning per share (Face value Rs.10 per share)			
-Basic and diluted (Rs.) (Refer note 34)		(30.17)	(27.67)

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 27, 2018

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



Statement of cash flows for the year ended March 31,2018

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
Cash Flows from Operating Activities			
Loss before tax and exceptional items		(1,612.73)	(2,609.85)
Adjustments for :			
Depreciation		371.20	711.58
Interest Expense		804.72	1,248.60
Interest Income		(15.11)	(21.46)
Dividend income		(3.60)	(1.80)
Net gain or loss arising on financial asset mandatorily measured at FVTPL		(19.25)	(31.46)
Operating profit before working capital changes		(474.76)	(704.38)
Adjustments for changes in :			
Inventories		(475.16)	1,402.57
Trade receivables		245.25	1,276.28
Non current and current financial assets		23.19	(138.14)
Other non current and current assets		3.03	72.12
Trade payables		223.38	(964.27)
Non current and current financial liabilities		283.16	(135.37)
Other non current and current liabilities		(53.56)	135.37
Other non current and current provisions		4.99	2.61
Other financial Assets		49.53	(47.79)
Advance tax assets(net)		13.31	(0.58)
Deferred tax asset (Net)		-	-
		(129.65)	1,602.79
Income Tax paid		(24.83)	-
Net Cash Flow from Operating Activities	(A)	(629.23)	(898.42)
Cash Flows from Investing Activities			
Payments for acquisition of assets		(34.91)	(32.44)
Sale of assets		2,133.32	2,750.56
Interest received		15.11	21.46
Dividend received		3.60	1.80
Proceeds from sale of Long term investments		132.66	0.61
	(B)	2,249.78	2,741.98
Cash Flows from Financing Activities			
Finance cost paid		(804.72)	(1,248.60)
Proceeds from inter corporate loan - related party		50.00	100.00
Repayments of long term borrowings		(712.70)	(1,987.00)
Repayments of short term borrowings		(146.78)	(506.91)
Net Cash Flow from Financing Activities	(C)	(1,614.21)	(3,642.51)
NET CASH INFLOW / (OUTFLOW)	(A+B+C)	(6.34)	2.10
Opening Cash and Cash Equivalents	(D)	2.19	4.29
Closing Cash and Cash Equivalents	(E)	8.52	2.19
NET INCREASE/ (DECREASE) IN CASH	(E-D)	6.34	(2.10)

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 27, 2018

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 at the beginning of April 1,2016	Changes in equity share capital during the year	Balance at the beginning of March 31,2017	Changes in equity share capital during the year	Balance at the beginning of March 31,2018
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 1,2016	548.62	2,229.04	1,480.92	4,258.58
(Loss) for the year	—	—	(1,065.23)	(1,065.23)
Other Comprehensive income	—	—	134.37	134.37
Total Comprehensive income for the year	—	—	(930.86)	(930.86)
Balance at the end of March 31,2017	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

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 27, 2018

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



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

1. PROPERTY, PLANT AND EQUIPMENT (PPE)

2017 - 2018	Gross Carrying Amount (Cost/deemed cost)				Accumulated depreciation		Rs. in Lakhs	
	01.04.2017	Additions	Deletions	31.03.2018	01.04.2017	Charge for the year	Disposal	Net Carrying Amount
Description								31.03.2018
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	1,646.99
Plant and Equipment	3,702.16	34.91	1,049.24	2,687.82	421.08	277.56	168.65	2,157.83
Wind Energy Converters	4.85	-	-	4.85	-	-	-	4.85
Furniture and Fixtures	7.06	-	0.55	6.51	2.13	0.22	0.09	4.25
Vehicles	85.30	-	8.24	77.05	19.64	13.07	6.95	51.30
Office equipment	0.61	-	-	0.61	0.30	0.10	-	0.21
Total	7,969.95	34.91	1,991.46	6,013.39	559.81	371.20	207.49	5,289.86

2016 - 2017	Gross Carrying Amount (Cost/deemed cost)				Accumulated depreciation		Rs. in Lakhs	
	01.04.2016 #	Additions	Deletions	31.03.2017	01.04.2016 #	Charge for the year	Disposal	Net Carrying Amount
Description								31.03.2017
Land - Freehold land	1,614.57	-	-	1,614.57	-	-	-	1,614.57
Buildings	2,591.88	-	36.48	2,555.40	-	116.67	-	2,438.73
Plant and Equipment	3,722.60	16.15	36.59	3,702.16	-	421.08	-	3,281.08
Wind Energy Converters	1,285.53	-	1,280.68	4.85	-	151.77	-	4.85
Furniture and Fixtures	7.06	-	-	7.06	-	2.13	-	4.93
Vehicles	72.98	16.30	3.98	85.30	-	19.64	-	65.66
Office equipment	0.61	-	-	0.61	-	0.30	-	0.31
Total	9,295.23	32.44	1,357.72	7,969.95	-	711.58	151.77	7,410.13

Note :

- For details of assets given as security against borrowings, refer note 36
- The company has elected the previous GAAP carrying amounts of property, plant and equipment as at April 1, 2016 (transition date) as deemed cost and has accordingly disclosed the same as above
- Amount of contractual commitments for acquisition of property, plant and equipment, refer note 38
- Certain immovable properties intended for sale during the year ended March 31, 2017/March 31, 2018 have not been classified as held for sale in terms of Ind AS 105. Non current assets held for sale and discontinued operations since approvals from Banks/other authorities etc., required for such sale was not obtained. Therefore classification and measurement of such immovable properties continue as PPE for the respective periods.

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
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2. Non current financial asset - Investments				
Unquoted				
Investments in Equity instruments				
Associates				
19,90,000 (2016 & 2017: 19,90,000) Equity shares of Rs.10 each in SPMM Health Care Services Private Limited	154.71	154.71	154.71	
Others				
39,000 (2016 & 2017:90,000) Equity shares of Rs.10 each in Sambandam Spinning Mills Limited #	—	91.31	59.85	
Nil (2017:Nil 2016 :220) Equity shares of Rs.10 each in ARS Energy Private Limited	—	—	0.61	
Nil (2016 & 2017:500) Equity shares of Rs.10 each in Suryadev Alloys and Power Private Limited.	—	0.68	0.68	
	<u>154.71</u>	<u>246.70</u>	<u>215.85</u>	
a. # represents quoted investments				
Aggregate value of quoted investments (at fair value)	—	91.31	59.85	
Aggregate market value of quoted investments	—	91.31	59.85	
Aggregate value of unquoted investments	154.71	155.39	156.00	
Aggregate value of impairment in value of investments	—	—	—	
b. Aggregate value of investments as on April 1, 2016				
Particulars	Carrying amount as per previous GAAP	Fair value adjustments	Carrying amount as per Ind As	
i) in equity instruments of associates (at previous GAAP value as deemed cost)	156.00	—	156.00	
ii) in others at fair value through profit or loss	45.00	14.85	59.85	
c. Investments are fully paid-up unless otherwise stated				
3. Non current - Other financial asset				
Security deposit	259.75	308.51	260.23	
Employee advances	0.40	1.16	1.65	
	<u>260.15</u>	<u>309.67</u>	<u>261.88</u>	
Note - These are carried at amortised cost				
4. Non current - Advance tax assets (net)				
Advance income tax (net)	14.96	28.27	27.68	
	<u>14.96</u>	<u>28.27</u>	<u>27.68</u>	
5. Other non current assets				
(Unsecured, considered good)				
Capital advances	53.39	53.89	53.89	
Balances with Government authorities (paid under protest)	300.74	300.74	296.74	
	<u>354.13</u>	<u>354.63</u>	<u>350.63</u>	
6. Inventories				
Raw materials	1,747.18	782.99	1,038.12	
Work-in-progress	511.32	1,024.59	1,457.87	
Finished goods	403.33	379.54	1,061.45	
Stores and spares	10.55	10.09	42.34	
	<u>2,672.38</u>	<u>2,197.21</u>	<u>3,599.78</u>	

3. For details of assets given as securities for borrowings, refer note no. 36



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
7. Current financial asset - Investments			
Investments in Equity instruments			
39,000 Equity shares of Rs.10 each in Sambandam Spinning Mills Limited	58.81	—	—
	<u>58.81</u>	<u>—</u>	<u>—</u>
8. Trade receivables			
Unsecured, considered good			
Trade receivables			
- Others	282.67	527.92	1,804.20
	<u>282.67</u>	<u>527.92</u>	<u>1,804.20</u>
Note - These are carried at amortised cost			
9a. Cash and cash equivalents			
Cash on hand	8.19	1.07	3.57
Balances with banks-current accounts	0.33	1.12	0.72
	<u>8.52</u>	<u>2.19</u>	<u>4.29</u>
9b. Bank balances other than above			
Unclaimed dividend accounts (earmarked)	1.34	3.02	3.02
Liquid assets deposits #	7.65	5.50	—
Deposits with Banks held as margin money #	0.34	5.55	62.18
	<u>9.33</u>	<u>14.07</u>	<u>65.20</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	118.16	—
Interest accrued on deposits	0.99	1.10	2.59
Interest subsidy receivable	2.91	31.72	31.72
Employee advances	—	3.81	4.66
Other receivable	33.96	47.63	25.31
	<u>120.42</u>	<u>202.42</u>	<u>64.28</u>
Note - These are carried at amortised cost			
11. Other current assets			
Unsecured considered good			
Prepaid expenses	4.55	27.20	80.36
Supplier advances	47.75	55.01	23.03
Balance with government authorities	34.56	2.45	6.26
	<u>86.86</u>	<u>84.66</u>	<u>109.65</u>
Note - These are carried at amortised cost			
12. Equity			
Authorised share capital			
50,00,000 equity shares (March 31, 2017 : 50,00,000, April 1, 2016 : 50,00,000) of Rs. 10 each with voting rights	500.00	500.00	500.00
Issued share capital			
38,65,650 equity shares (March 31, 2017 : 38,65,650, April 1, 2016 : 38,65,650) of Rs. 10 each with voting rights	386.57	386.57	386.57
Subscribed and paid up share capital			
38,49,250 equity shares (March 31, 2017 : 38,49,250, April 1, 2016 : 38,49,250) of Rs. 10 each with voting rights	384.92	384.92	384.92
Add Forfeited shares (amount originally paid in respect of 16,400 equity shares)	0.82	0.82	0.82
	<u>385.74</u>	<u>385.74</u>	<u>385.74</u>



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
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	38,49,250
2. Terms/rights and restrictions in respect of equity shares			
The company has one class of equity shares having a par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.			
3. Shareholders holding more than 5% of the total share capital:			
<u>Name of the shareholder</u>	<u>No. of shares</u>		
	2018	%	2017
R. Selvarajan	7,78,730	20.23	7,78,730
S. Vijay Shankar	4,09,582	10.64	4,09,582
			%
			20.23
			10.64
4. Share issue in preceeding five years			
Aggregate number and class of shares allotted for consideration other than cash, bonus, etc.in the five years immediately preceeding the Balance Sheet date as on March 31, 2018 is Rs. Nil (2017 and 2016: Nil).			
13. Other equity			
Securities premium - Note A	548.62	548.62	548.62
General reserve - Note B	2,229.04	2,229.04	2,229.04
Retained earnings - Note C	(699.81)	550.06	1,480.92
	<u>2,077.85</u>	<u>3,327.72</u>	<u>4,258.58</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.2,083.49 lakhs transferred to Retained earnings on the transition date may not be available for distribution.			
14. Non current - Financial liabilities - Borrowings			
Secured Borrowings			
Term loan from banks	907.82	1,162.26	2,115.62
Unsecured			
Fixed deposits	836.05	1,193.69	1,093.27
Intercompany loan	550.00	500.00	400.00
	<u>2,293.87</u>	<u>2,855.95</u>	<u>3,608.89</u>
Note :			
1. These are carried at amortised cost			
2. Refer note 23 for current maturities of non current borrowings			
3. Refer note 36 for security and terms of borrowings			
4. Refer note 37 for fixed deposits and Intercompany loan from related parties			
15. Non current liabilities - Provisions			
Provision for employee benefits			
Compensated absences	154.03	151.80	148.88
	<u>154.03</u>	<u>151.80</u>	<u>148.88</u>



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Movement in provision for compensated absences is as follows	Opening	Additions (Net of utilisation)	Closing
31.03.2018	154.03	4.99	159.02
31.03.2017	151.43	2.61	154.03
Note - These are carried at amortised cost			
16. Deferred tax asset/liability (net)			
Deferred tax liability	666.88	1,264.19	1,232.64
Deferred tax assets	192.79	199.25	167.70
Deferred tax liability-net	474.09	1,064.94	1,064.94
Unused tax credits (MAT credit entitlement)	632.07	661.78	661.78
Net deferred tax/liability	(157.98)	403.16	403.16
Note : refer note 32 for details of deferred tax liability and asset			
17. Current financial liabilities - borrowings			
Secured borrowings - from banks			
Cash credit facilities	2,855.03	3,001.81	3,508.72
	2,855.03	3,001.81	3,508.72
Note : These are carried at amortised cost			
18. Current financial liabilities - trade payables			
Total outstanding dues of creditors (Refer note 39)	450.89	218.49	1,182.76
	450.89	218.49	1,182.76
Note : These are carried at amortised cost			
19. Current provisions			
Leave encashment	4.99	2.24	2.55
	4.99	2.24	2.55
Note : These are carried at amortised cost			
20. Other Current financial liabilities			
Current maturities of long-term debts	743.50	844.13	1,978.18
Interest accrued and not due on borrowings	25.70	-	2.24
Interest accrued and due on borrowings	38.90	46.82	95.22
Unclaimed Dividends	1.34	3.02	3.02
Contribution to Gratuity Fund	148.99	43.21	94.18
Accrued expenses/liabilities	180.66	75.10	103.55
Employee payable	56.30	0.57	5.89
	1,195.39	1,012.85	2,282.28
Note : 1. These are carried at amortised cost			
2. Refer note 36 for security and terms of borrowings			
21. Other Current liabilities			
Advance from customers	33.31	0.29	7.06
Statutory liabilities	17.68	17.82	10.05
	52.99	18.11	17.11



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
22. Revenue from operations		
Sale of products		
Yarn	5,059.93	7,351.59
Fabric sales	—	226.17
Process waste	76.35	123.88
	<u>5,136.28</u>	<u>7,701.64</u>
Revenue from services		
Yarn conversion charges	301.35	68.34
Other operating revenues		
Scrap sales	0.40	0.80
Hank yarn obligation charges received	0.11	7.59
Export incentives	—	24.40
	<u>5,438.14</u>	<u>7,802.77</u>
23. Other income		
Interest income from		
Security deposits and bank deposits	15.11	21.46
Dividend income from Non-current investments	3.60	1.80
Net gain or loss arising on financial asset mandatorily measured at FVTPL	19.24	31.45
Profit on sale of assets	31.14	—
	<u>69.09</u>	<u>54.71</u>
24. Cost of materials consumed		
Cotton, viscose, modaal	3,086.38	4,447.73
Others	15.83	156.65
	<u>3,102.21</u>	<u>4,604.38</u>
25. Changes in Inventories of finished goods and work-in-progress		
Closing stock		
Finished goods	403.33	379.54
Work-in-progress	511.31	1,024.59
	<u>914.64</u>	<u>1,404.13</u>
Opening stock		
Finished goods	379.54	1,061.45
Work-in-progress	1,024.59	1,457.87
	<u>1,404.13</u>	<u>2,519.32</u>
Net change in inventories	<u>489.49</u>	<u>1,115.19</u>
26. Employee benefits expense		
Salaries, wages and bonus	690.38	1,049.99
Contribution to provident, gratuity and other funds	69.10	142.16
Welfare expenses	19.90	31.17
	<u>779.38</u>	<u>1,223.32</u>
27. Finance costs		
Interest expense on borrowings	804.72	1,248.60
	<u>804.72</u>	<u>1,248.60</u>



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
28. Depreciation and amortisation expense		
Property, Plant and Equipment		
Buildings	80.25	116.67
Plant and machinery	277.56	421.08
Wind energy converters	–	151.77
Furniture and fittings	0.23	2.12
Office equipments	0.10	0.30
Vehicles	13.07	19.64
Total depreciation on property, plant and equipment	371.21	711.58
29. Other expenses		
Conversion charges	46.04	107.86
Consumption of stores and spares	51.65	84.22
Power and fuel-net	1,252.71	735.55
Repairs and maintenance - Buildings	1.60	6.67
- Plant and machinery	30.27	199.48
Insurance	6.68	11.30
Rates and taxes	11.65	15.54
Packing and forwarding chages	31.62	94.20
Printing and stationery	0.98	4.98
Brokerage and commission on sales	6.86	84.71
Travel and vehicle upkeep expenses	55.33	78.77
Donation and charity	–	0.10
Expenditure on corporate social responsibility	0.54	1.23
Loss on sale of assets	–	1.00
Bank and other financial charges	48.25	61.73
Miscellaneous expenses	28.77	76.91
	1,572.95	1,564.26
30. Exceptional item		
Profit on sale of windmills	–	1,544.62
Profit on sale of shares	21.43	–
Loss on sale of industrial undertaking	(106.45)	–
	(85.02)	1,544.62



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018

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. 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"), as applicable. Up to the year ended 31st March, 2017, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS Financial statements. The date of transition to Ind AS is April 1, 2016.

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.

First time adoption :

In accordance with Ind AS 101 on First time adoption of Ind AS, the Company has prepared its first Ind AS financial statements which include:

- (i) Three Balance sheets namely, the opening Balance sheet as at April 1, 2016 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising assets or liabilities which are not permitted by Ind AS, by reclassifying assets and liabilities from previous GAAP as required by Ind AS, and applying Ind AS in measurement of recognised assets and liabilities; and Balance sheets as at March 31, 2018 and 2017.
- (ii) Two statements each of profit and loss; cash flows and changes in equity for the years ended March 31, 2018 and 2017 together with related notes.

The same accounting policies have been applied for all the periods presented except when the Company has made use of certain exceptions and/ or exemptions.

The financial statements have been prepared on 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 are presented in Indian Rupees (Rs).

The Ind AS Financial Statements were approved for issue by the Board of Directors on 27th May 2018.



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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 Goods and service tax, as applicable and 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.

Income from energy generated

Revenue from energy generated through windmills is recognized based on the contractual rates with the customers and the credit granted by the regulatory authorities to the said customers for units generated.

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, Interest 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:



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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

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

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

**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.

Deemed cost on transition to Ind AS:

The Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2016 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

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
Wind energy convertors	Over its useful life of 17 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



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

8. Intangible Assets

The Company has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2016 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

Intangible assets with finite useful lives that are acquired separately, where the cost exceeds Rs.10,000 and the estimated useful life is two years or more, is capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition of intangible assets:

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Estimated useful life of Intangible assets – (i) Computer software - over a period of 5 years; (ii) Trade name – Over a period of 5 years.

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, and without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board.
- (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 Standalone Ind AS Financial Statements for the year ended March 31, 2018 (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 utilised

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 Standalone Ind AS Financial Statements for the year ended March 31, 2018 (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".

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.



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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, 2018 (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, 2018 (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. Recent accounting pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration : On March 28, 2018, the Ministry of Corporate Affairs ('the MCA') notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115, Revenue from Contract with Customers : On March 28, 2018, the MCA notified the Ind AS 115. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits two possible methods of transition:

Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial period beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly, comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is not reasonably estimatable.



Statement on Significant Accounting Policies forming part of the Standalone Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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 judgements 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 judgements 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 judgements around estimating the ultimate outcome of such past events and measurement of the obligation amount. Due to the judgements 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

31. Ind AS Reconciliation
31.1 Balance Sheet

31. Ind AS Reconciliation 31.1 Balance Sheet							Rs. in Lakhs
Particulars	Refer Note	Previous GAAP As at March 31, 2017	Transition Effect As at March 31, 2017	Ind As As at March 31, 2017	Previous GAAP As at April 1, 2016	Transition Effect As at April 1, 2016	Ind As As at April 1, 2016
ASSETS							
Non current assets							
Property, plant and equipment	A	7,412.40	2.27	7,410.13	9,297.50	2.27	9,295.23
Financial assets							
Investments	B	200.39	(46.31)	246.70	201.00	(14.85)	215.85
Other financial asset		309.67	—	309.67	261.88	—	261.88
Advance tax assets(net)		28.27	—	28.27	27.69	—	27.68
Other non-current assets		354.63	—	354.63	350.63	—	350.63
		<u>8,305.36</u>	<u>(44.04)</u>	<u>8,349.40</u>	<u>10,138.69</u>	<u>(12.58)</u>	<u>10,151.27</u>
Current assets							
Inventories		2,197.21	—	2,197.21	3,599.78	—	3,599.78
Financial assets							
Trade receivables		527.92	—	527.92	1,804.19	—	1,804.20
Cash and cash equivalents		2.19	—	2.19	4.29	—	4.29
Other Bank balances		14.07	—	14.07	65.20	—	65.20
Others		202.42	—	202.42	64.28	—	64.28
Other current assets	C	84.66	—	84.66	112.09	2.44	109.65
		<u>3,028.47</u>	<u>—</u>	<u>3,028.47</u>	<u>5,649.84</u>	<u>2.44</u>	<u>5,647.40</u>
Total assets		11,333.83	(44.04)	11,377.87	15,788.53	(10.14)	15,798.67
EQUITY AND LIABILITIES							
Equity							
Equity share capital		385.74	—	385.74	385.74	—	385.74
Other equity	A-D	2,513.65	(814.07)	3,327.72	3,629.54	(629.04)	4,258.58
		<u>2,899.40</u>	<u>(814.07)</u>	<u>3,713.46</u>	<u>4,015.29</u>	<u>(629.04)</u>	<u>4,644.32</u>
Non-current liabilities							
Financial liabilities							
Borrowings		2,855.95	—	2,855.95	3,608.89	—	3,608.89
Provisions		151.79	—	151.79	148.88	—	148.88
Deferred tax liabilities (Net)	D	1,022.06	618.90	403.16	1,022.06	618.90	403.16
		<u>4,029.80</u>	<u>618.90</u>	<u>3,410.91</u>	<u>4,779.83</u>	<u>618.90</u>	<u>4,160.93</u>
Current liabilities							
Financial liabilities							
Borrowings		3,001.81	—	3,001.81	3,508.72	—	3,508.72
Trade payables		296.82	78.33	218.49	1,272.70	89.94	1,182.76
Provisions		2.24	—	2.24	2.55	—	2.55
Other financial liabilities	E	1,085.66	72.81	1,012.85	2,192.34	(89.94)	2,282.28
Other current liabilities		18.11	—	18.11	17.11	—	17.11
		<u>4,404.63</u>	<u>151.14</u>	<u>4,253.50</u>	<u>6,993.41</u>	<u>—</u>	<u>6,993.42</u>
Total equity and liabilities		11,333.83	(44.04)	11,377.87	15,788.53	(10.14)	15,798.67



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

31. Ind AS Reconciliation continued..

31.2 Statement of Profit and Loss

Rs. in Lakhs

Particulars	Refer Note	Previous GAAP Year ended March 31,2017	Transition Effect Year ended March 31,2017	Ind As Year ended March 31,2017
Income				
Revenue from operations		7,802.77	—	7,802.77
Other income	B	23.26	(31.45)	54.71
Total income		7,826.03	(31.45)	7,857.48
Expenses				
Cost of materials consumed		4,604.38	—	4,604.38
Changes in inventories of finished goods and work-in- progress		1,115.19	—	1,115.19
Employee benefits expense	E	1,240.09	16.77	1,223.32
Finance cost	C	1,251.04	2.44	1,248.60
Depreciation and amortization expense		711.58	—	711.58
Other expenses		1,564.25	—	1,564.26
Total Expenses		10,486.53	19.21	10,467.33
Profit/(loss) before exceptional items and tax		(2,660.51)	(50.66)	(2,609.85)
Exceptional item		1,544.62	—	1,544.62
Profit/(loss) before tax		(1,115.89)	(50.66)	(1,065.23)
Tax expense :				
Current tax		—	—	—
Deferred tax		—	—	—
Income tax expense		—	—	—
Profit/(loss) for the period from continuing operations		(1,115.89)	(50.66)	(1,065.23)
Other comprehensive income				
Other comprehensive income not to reclassified to profit or loss in subsequent periods		—	—	—
Re-measurement gains/(losses) on defined benefit plans	E-F	—	(134.37)	134.37
Income tax effect		—	—	—
Other comprehensive income		—	(134.37)	134.37
Total comprehensive income for the year, net of tax		(1,115.89)	(185.03)	(930.86)

31.3 Reconciliation of net profit and Equity as reported under previous GAAP and Ind AS

Particulars	Refer Note	Net Profit reconciliation	Equity Reconciliation	
		Year ended March 31,2017	As at March 31, 2017	As at April 01, 2016
Net profit/(loss)/Equity as per previous GAAP		(1,115.89)	2,899.40	4,015.29
Adjustments:				
Impact on fair valuation of investments	B	31.45	46.30	14.85
Reclassification of actuarial (gains) /losses arising in respect of employee benefit schemes	E	(134.37)	—	—
Tax Adjustments	D	—	618.90	618.90
Others	A,C,E	153.58	148.87	(4.72)
Net profit/(loss)/Equity under Ind AS		(1,065.23)	—	—
Other Comprehensive Income (net of tax)		134.37	—	—
Total Comprehensive Income/Equity under Ind AS		(930.86)	3,713.47	4,644.32



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

31. Ind AS Reconciliation continued..

The company has adopted Ind AS from April 1, 2017 and accordingly, the transition date is April 1, 2016. The impact of transition is accounted for in the opening retained earnings as on the transition date. Further, such Ind AS impacts have also been adjusted accordingly in the statement of cash flows for the year ended March 31, 2017

- A. Under previous GAAP, 'Livestock' was included in Fixed Assets. Under Ind AS, the term 'Property, Plant and Equipment' does not include the same and hence they have been adjusted against 'Retained earnings' as on April 1, 2016 (the transition date).
- B. Under previous GAAP, long term investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, non current investments (other than investment in equity instruments of subsidiaries, associates and joint ventures) are measured at fair value through profit and loss. Consequently, the differences, as at the transition date and as at the end of the year 2016-17, respectively, between carrying value as per previous GAAP and fair value, are reflected in total equity and profit and loss.
- C. Under Ind AS, borrowings are reckoned as separate financial liabilities and are measured at amortised cost (using effective interest method) and at fair value respectively. The effect of these (carrying values and finance costs) is reflected in total equity and profit or loss.
- D. Under previous GAAP, deferred tax was computed under the income approach. Under Ind AS, deferred taxes are measured using balance sheet approach and accordingly recognised. Further the effect of these are reflected in total equity and profit or loss.

Under previous GAAP, minimum alternate tax entitlements were classified under other non-current assets. Under Ind AS, it is classified as unused tax credits under deferred tax.
- E. Under previous GAAP, actuarial gains and losses on employees defined benefit obligations were recognised in profit or loss. Under Ind AS, the actuarial gains and losses on re-measurement of net defined benefit obligations are recognised in other comprehensive income. This resulted in a reclassification between profit or loss and other comprehensive income.
- F. Under previous GAAP, there was no separate record in the financial statements for Other Comprehensive Income (OCI). Under Ind AS, specified items of income, expense, gains and losses are presented under OCI.

32. Income taxes relating to continuing operations

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
a) Income tax recognised in Statement of profit and loss		
Current tax		
In respect of the current year *	24.83	—
	<u>24.83</u>	<u>—</u>
* prior year tax		
Deferred tax		
In respect of the current year	(561.14)	—
Deferred tax reclassified from equity to profit or loss	—	—
	<u>(561.14)</u>	<u>—</u>
Total income tax expense recognised in the current year relating to continuing operations	<u>(536.31)</u>	<u>—</u>
b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	<u>(1,697.75)</u>	<u>(1,065.23)</u>
Effect of prior year taxes	24.83	—
Effect of exceptional items	<u>(561.14)</u>	<u>—</u>
Income tax expense recognised in profit or loss (relating to continuing operations)	<u>(536.31)</u>	<u>—</u>

The tax rate used for the reconciliations above is the corporate tax rate of 33.063% (for FY 2017-18 and FY 2016-17) payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.



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

32. Income taxes relating to continuing operations

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
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 2017-18 (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	(1,264.19)	597.31	(666.88)
Provision for compensated absences	199.25	(6.46)	192.79
Unused tax credit (MAT credit entitlement) *	661.78	(29.71)	632.07
	(403.16)	561.14	157.98

Movement of deferred tax expense during the year ended March 2016-17 (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	(1,232.64)	(31.55)	(1,264.19)
Provision for compensated absences	167.70	31.55	199.25
Unused tax credit (MAT credit entitlement)	661.78	—	661.78
	(403.16)	—	(403.16)

Unrecognised deductible temporary differences, unused tax losses and unused tax credits	31-03-2018	31-03-2017	01-04-2016
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:			
- Unused tax losses (capital)	(3,439.35)	(2,189.48)	(1,258.62)



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 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 profit or loss of Rs.51.76 lakhs (for the year ended March 31, 2017: Rs.58.75 lakhs) out of which Rs.4.26 lakhs (for the year ended March 31, 2017 : Rs.3.17 lakhs) represents payable by the Company.		
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 to 30 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)	7.43%	7.33%
Expected rate(s) of salary increase	3.50%	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	14.00	23.69
Net interest expense	3.34	10.51
Components of defined benefit costs recognised in Statement of profit and loss	17.34	34.20
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses arising from changes in demographic assumptions	(3.23)	—
Actuarial (gains)/losses arising from changes in financial assumptions	(7.68)	5.90
Actuarial (gains)/losses arising from experience adjustments	106.36	(140.27)
Return on plan assets (excluding amounts included in net interest expense)	(7.01)	(0.00)
Components of defined benefit costs recognised in other comprehensive income	88.44	(134.37)
Total	105.78	(100.17)

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	31.03.2018 Rs. in Lakhs	31.03.2017 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	214.25	111.53
Fair value of plan assets	65.26	68.32
Net liability arising from defined benefit obligation - Funded	148.99	43.21
The above provisions are reflected under 'Current Financial Liabilities - Others (Refer notes 20) 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	111.53	243.77
Current service cost	14.00	23.69
Interest cost	8.05	16.47
Actuarial (gains)/losses arising from changes in demographic assumptions	(3.23)	—
Actuarial (gains)/losses arising from changes in financial assumptions	(7.68)	5.90
Actuarial (gains)/losses arising from experience adjustments	106.36	(140.27)
Benefits paid	14.78	38.03
Closing defined benefit obligation	214.25	111.53
Movements in the fair value of the plan assets in the current year were as follows:		
Opening fair value of plan assets	68.32	100.38
Interest Income	4.71	5.96
Return on plan assets (excluding amounts included in net interest expense)	—	—
Contributions	—	—
Benefits paid	14.78	38.03
Actuarial (gains)/losses	7.01	—
Closing fair value of plan assets	65.26	68.32

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. 11.72 lakhs (2016-17: Rs.5.97 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	234.33	127.35
Increase by	196.88	98.21
If the expected salary is 100 basis points higher/ lower, the defined benefit obligation would		
Decrease by	196.67	97.66
Increase by	234.31	127.81
If the attrition rate is 100 basis points higher/ lower, the defined benefit obligation would		
Decrease by	206.87	105.60
Increase by	220.96	116.85

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, 2017: Rs. Nil and March 2016: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2018 is 27.30 years (as at March 31, 2017: 26.30 years).



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

33. Retirement benefit plans continued..

Particulars	As at March 31, 2018 Rs. in Lakhs	As at March 31, 2017 Rs. in Lakhs
Compensated Balances		
The principal assumptions used for the purposes of the actuarial valuations were as follows :		
Discount rate(s)	7.71%	7.20%
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	0.92	1.03
Net interest expense	11.29	12.06
Actuarial (gains)/losses arising during the period	(12.27)	(5.19)
Components of defined benefit costs recognised in profit or loss	(0.06)	7.90

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	235.07	229.27
Fair value of plan assets	—	—
Net liability arising from defined benefit obligation - Unfunded	235.07	229.27

The above provisions are reflected under 'Current Financial Liabilities - Others [Refer note 15].

Movements in the present value of the defined benefit obligation in the current year were as follows:

Opening defined benefit obligation	156.78	148.88
Current service cost	0.92	1.03
Interest cost	11.29	12.06
Actuarial (gains)/losses arising during the period	(12.27)	(5.19)
Benefits paid	—	—
Closing defined benefit obligation	156.72	156.78

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, 2018 Rs. in Lakhs	Year ended March 31, 2017 Rs. in Lakhs
34. Earnings per share		
Basic and Diluted earnings per share		
From continuing operations	(30.17)	(27.67)
From discontinued operations	—	—
Total basic earnings per share	(30.17)	(27.67)
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	(1,161.44)	(1,065.23)
Earnings used in the calculation of basic earnings per share	(1,161.44)	(1,065.23)
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	(1,161.44)	(1,065.23)
Weighted average number of ordinary shares for the purposes of basic earnings per share	38,49,250	38,49,250

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 20 offset by cash and bank balances) and total equity of the Company. The Company monitors the capital structure on the basis of total debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Gearing Ratio :			
Debt	5,148.90	5,857.76	7,117.61
Less : Cash and bank balances	17.86	16.26	69.49
Net debt	5,131.04	5,841.50	7,048.12
Total equity	2,463.59	3,713.47	4,644.32
Net debt to total equity ratio	2.08	1.57	1.52
Categories of Financial Instruments:			
a. Measured at amortised cost:			
Cash and bank balances	17.86	16.26	69.49
Trade Receivables	282.67	527.92	1,804.19
Others	380.56	512.09	326.16
b. Mandatorily measured at fair value through profit or loss (FVTPL):			
Investments	213.52	246.70	215.85
Derivative instruments	—	—	—



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Financial liabilities			
a. Measured at amortised cost:			
Borrowings	5,148.90	5,857.76	7,117.61
Trade Payables	450.89	218.49	1,182.76
Others	1,195.39	1,012.85	2,282.28
b. Mandatorily measured at fair value through profit or loss (FVTPL):			
Derivative instruments	—	—	—

Financial risk management objectives

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

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

Market risk

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended March 31, 2018 would decrease/increase by Rs. 13.41 lakhs (March 31, 2017: decrease/increase by Rs. 19.98 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, 2018 was Rs. Nil (March 31, 2017: Rs. 91.31 lakhs and April 1, 2016: Rs. 59.85 lakhs). A 5% change in prices of equity instruments held as at March 31, 2018 would result in an impact of Rs. nil on equity (March 31, 2017: Rs. 4.57 lakhs and April 1, 2016 Rs. 2.99 lakhs).

Offsetting related disclosures:

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



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
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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, 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>
March 31, 2017				
Trade payables	218.49	—	—	218.49
Other financial liabilities	1,012.85	—	—	1,012.85
Borrowings (including interest accrued thereon upto the reporting date)	<u>3,001.81</u>	<u>2,855.95</u>	<u>—</u>	<u>5,857.76</u>
	<u>4,233.14</u>	<u>2,855.95</u>	<u>—</u>	<u>7,089.10</u>
April 1, 2016				
Trade payables	1,182.76	—	—	1,182.76
Other financial liabilities	2,282.28	—	—	2,282.28
Borrowings (including interest accrued thereon upto the reporting date)	<u>3,508.72</u>	<u>3,608.89</u>	<u>—</u>	<u>7,117.61</u>
	<u>6,973.75</u>	<u>3,608.89</u>	<u>—</u>	<u>10,582.65</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	Rs. in Lakhs	
					Total	rate of interest
a. Secured Borrowings						
i. Term loans from banks						
State Bank of India TL 4	3 monthly instalment of Rs.41.9 lakhs each	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 251.40	— 135.23 348.00	— 135.23 599.40	— 15.10 13.05
State Bank of India TL 5	45 monthly instalment of Rs.15 lakhs each and 11 monthly instalments of 20 lakhs each (2018-19 Rs.180 lakhs, 2019-20 Rs.180 lakhs, 2020-21 Rs.180 lakhs and 2021-22 Rs.220 lakhs)	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	579.65 759.76 940.00	112.51 120.00 60.00	692.16 879.76 1,000.00	15.50 13.95 13.35
Karnataka Bank TL 4	6 monthly instalments of Rs. 41.90 lakhs	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 251.40	— 248.52 365.20	— 248.52 616.60	— 13.25 13.25
Axis Bank	2 monthly instalment of Rs.5 lakhs each and 1 monthly instalment of Rs. 2.25 lakhs	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 30.00	— 12.25 64.79	— 12.25 94.79	— 13.25 13.50
Karnataka Bank TL 5	1 monthly instalment of Rs.70 lakhs each and 1 monthly instalment of Rs.100 lakhs each	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 170.00	— 170.00 930.00	— 170.00 1,100.00	— 13.25 13.25
Karnataka Bank TL 6	48 monthly instalment of Rs.7.5 lakhs each, 11 monthly instalment of Rs.10 lakhs each and (2018-19 Rs.90 lakhs, 2019-20 Rs.90 lakhs, 2020-21 Rs.90 lakhs and 2021-22 Rs.132.5 lakhs)	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	328.17 402.50 470.00	89.33 82.50 30.00	417.50 485.00 500.00	13.65 13.50 13.50
Subtotal		As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	907.82 1,162.26 2,112.80	201.84 768.50 1,797.99	1,109.66 1,930.76 3,910.79	— — —
HDFC Bank bus loan	36 monthly instalment	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 2.82	0.48 3.54 7.94	0.48 3.54 10.76	10.01 10.01 10.01
Total Secured Borrowings		As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	907.82 1,162.26 2,115.62	202.32 772.03 1,805.93	1,110.14 1,934.30 3,921.56	— — —



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

Rs. in Lakhs				rate of interest	
Particulars	Particulars of repayment	Year	Non current	Current Maturities	Total
b. Unsecured Borrowings					
Fixed deposits	Repayable in 2018-19	As at March 31, 2018	836.05	541.18	1,377.23
	Rs.857.18 lakhs and 2019-20	As at March 31, 2017	1,193.69	72.09	1,265.78
	Rs.336.51 lakhs	As at March 31, 2016	1,093.27	172.25	1,265.52
Intercompany Loan	Repayable in May 2019	As at March 31, 2018	550.00	-	550.00
		As at March 31, 2017	500.00	-	500.00
		As at March 31, 2016	400.00	-	400.00
		As at March 31, 2018	1,386.05	541.18	1,927.23
		As at March 31, 2017	1,693.69	72.09	1,765.78
		As at March 31, 2016	1,493.27	172.25	1,665.52
Note : 1. Term loans aggregating to Rs. 1,109.66 lakhs (2017: Rs. 1,930.76 lakhs, 2016: Rs. 3,910.79 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.0.48 lakhs (2017: Rs. 3.54 lakhs, 2016: Rs. 7.94 lakhs) is secured by hypothecation of car. 3. All the above loans are guaranteed by the directors.					
Rs. in Lakhs				rate of interest	
Particulars	Particulars of repayment	Year	Non current	Current Maturities	Total
a. Secured Borrowings					
i. Cash credit facilities from banks					
State Bank of India	on demand	As at March 31, 2018	-	1,285.33	1,285.33
		As at March 31, 2017	-	1,485.45	1,485.45
		As at March 31, 2016	-	1,487.68	1,487.68
State Bank of India -SLC	on demand	As at March 31, 2018	-	-	-
		As at March 31, 2017	-	-	-
		As at March 31, 2016	-	241.58	241.58
Karnataka Bank	on demand	As at March 31, 2018	-	1,321.57	1,321.57
		As at March 31, 2017	-	1,253.64	1,253.64
		As at March 31, 2016	-	1,517.16	1,517.16
Axis Bank	on demand	As at March 31, 2018	-	248.12	248.12
		As at March 31, 2017	-	262.72	262.72
		As at March 31, 2016	-	262.30	262.30
		As at March 31, 2018	-	2,855.02	2,855.02
		As at March 31, 2017	-	3,001.81	3,001.81
		As at March 31, 2016	-	3,508.72	3,508.72
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 the 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 & functions of independent director 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.

c) Details of Transactions with Related Parties :

Name of Related Party	Nature of Transaction	2017 - 18	2016 - 17
Sambandam Spinning Mills Limited	Intercompany loan received	50.00	100.00
	Interest paid on the above loan	71.36	65.20
	Interest accrued on the above loan	25.70	-
	purchase of waste cotton	45.11	-
	yarn testing charges paid	-	2.77
	Trade payable	22.12	-
	Balance outstanding at the end of the year	597.82	500.00
Sambandam Siva Textiles Private Limited	yarn conversion charges received	85.34	50.15
	Purchase of raw material	0.51	-
	Trade receivable	3.95	-
	Trade payable	0.51	-
S. Palaniandi Mudaliar Charitable Trust	Employee welfare services expenses	-	3.36
Kandagiri Spinning Mills Gratuity Trust	Contribution paid	-	16.51
R.Selvarajan Managing Director	Interest Payment	-	38.72
	Remuneration	4.37	36.00
	Fixed deposits received	-	190.60
	Fixed deposits repaid	-	62.00
	Balances outstanding - Fixed deposits	578.54	578.54
S.Vijay Shankar Chief Financial Officer	Interest Payment	0.14	41.76
	Remuneration	8.31	30.00
	Fixed deposits received	-	18.50
	Fixed deposits repaid	21.00	-
	Balances outstanding - Fixed deposits	457.69	475.69
J.Asifa - Company Secretary	Remuneration	4.20	4.20
Sarayu. A	Interest Payment	20.87	24.69
	Fixed deposits received	-	5.00
	Balances outstanding - Fixed deposits	277.00	277.00
Abhinav. V	Interest Payment	0.61	0.61
	Balances outstanding - Fixed deposits	5.50	5.50



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
38. Contingent liabilities and Capital Commitments			
Contingent liabilities			
(i) Self Generation /Electricity Tax (TANGEDCO)	408.42	408.42	408.42
(ii) Sales Tax	0.36	0.36	0.36
(iii) Others	12.87	12.87	12.87
	421.65	421.65	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	508.17
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The outflow in respect of the above is not practicable to ascertain in view of the uncertainties involved.

39. The Company has not received any intimation from its suppliers regarding the status under the Micro, Small and Medium Enterprise Development Act, 2006 and disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable, as required under the said Act, have not been furnished.

40. Auditor's Remuneration :**(Rs. in Lakhs)**

Particulars	2018	2017
1. Statutory audit	3.70	3.70
2. Taxation matters	—	1.45
3. Other services	—	1.59

41. Net Debt Reconciliation**(Rs. in Lakhs)**

Particulars	As at March 31, 2018	As at March 31, 2017
1. Cash and Cash equivalents	8.52	2.19
2. Liquid investments	7.65	5.50
3. Current Borrowings	(2,855.02)	(3,001.81)
4. Non current borrowings	(2,293.87)	(2,855.95)
Net Debt	(5,132.72)	(5,850.07)

(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, 2017						(5,850.07)
Cash Flows	6.34	2.15	—	562.08	146.78	717.35
Interest expense	(804.72)	—	—	—	—	(804.72)
Interest paid	804.72	—	—	—	—	804.72
Net debt as at March 31, 2018	6.34	2.15	—	562.08	146.78	(5,132.72)


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

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, 2018	As at March 31, 2017	Purpose
i. Loans	—	—	
ii. Investments (Refer note 2)	154.71	246.70	
iii. Guarantees	—	—	

44. Loss on the sale of undertaking in note 30 comprises of loss on sale of PPE and other assets (net) forming part of the undertakings sold

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

For and on behalf of the board

Salem
May 27, 2018

S. Devarajan
Chairman
DIN : 00001910

R. Selvarajan
Managing Director
DIN : 00001703

S. Vijay Shankar
Chief Financial Officer

J. Asifa
Company Secretary



INDEPENDENT AUDITOR'S REPORT

To the Members of Kandagiri Spinning Mills Limited

Report on the Consolidated Ind AS Financial Statements

1. We have audited the Consolidated Ind AS financial statements of Kandagiri Spinning Mills Limited and its associate (herein after referred to as "Investee Company" / Company) , which comprise the Consolidated Balance Sheet as at March 31, 2018, 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 a summary of the significant accounting policies and other explanatory information (herein after referred to as "Consolidated Ind AS financial statements")

Management's Responsibility for the of Consolidated Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Consolidated Ind AS Financial Statements that give a true and fair view of the consolidated state of affairs (financial position), consolidated profit or loss (financial performance including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 Consolidated Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Company, as aforesaid.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these Consolidated Ind AS Financial Statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
4. We conducted our audit of the Consolidated Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Ind AS Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Consolidated Ind AS Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Consolidated Ind AS Financial Statements.
6. 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.



Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS financial statements give the information required by 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 (financial position) of the Company as at March 31, 2018, its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

8. The Company has generated negative operating cash flows and has incurred substantial operating losses during the current period and earlier. One of the Units of the Company has been sold during the year and the sale consideration used to repay loan creditors. In order to continue operations for a reasonable period of time, 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.

However, the promoters have undertaken to provide such financial and other support as is required to enable the Company to settle its obligation as and when they fall due and we have accordingly considered the disclosure made in note 47 by the management adequate in addressing the issue of 'Going Concern'. Our opinion is not modified in respect of this matters.

Other Matters

9. The comparative financial information of the Company for the year ended March 31, 2017 and the transition opening balance sheet as at April 1, 2016 included in these consolidated Ind AS financial statements, are based on the previously issued financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose reports for the year ended March 31, 2017 and March 31, 2016 dated May 6, 2017 and May 21, 2016 respectively expressed an unmodified opinion. The Comparative financial information for the year ended March 31, 2017 and the opening Balance Sheet as at April 1, 2016 have been adjusted for the differences in the accounting principles / policies (refer note 32) adopted by the Company on transition to the Ind AS, which have been audited by us.
10. We did not audit the Ind AS financial statements of an associate whose financial statements reflect total assets (net) as at March 31, 2018 is Rs.1,244.99 lakhs revenues of Rs.437.73 lakhs and cash flows amounting to Rs.60.76 lakhs for the year ended on that date are reflected in the Consolidated Ind AS Financial Statements. Our opinion, insofar as it relates to the amounts included in respect of the said associates is based solely on the report of the other auditor.
11. Our opinion on the consolidated financial statements, and Other Legal and Regulatory Requirements below is not modified in respect of the above matters stated in paragraph 8 and 9 above with respect to our reliance on the work done and the report of the other auditor and the financial statements.

Report on Other Legal and Regulatory Requirements

12. 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report is in agreement with the books of account.
 - (d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure "A".



13. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated positions of the Company and its associate.
 - ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

Salem
May 27, 2018

S. Krishnan - Partner
Membership No. 26452

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 12(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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. In conjunction with our audit of the consolidated Ind AS financial statements of Kandagiri Spinning Mills Limited ("Investee Company/the Company") as of March 31, 2018, we have audited the internal financial controls over financial reporting the Company and its associates companies as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Company's and its associate are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 and its associate 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 judgment, 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 and the audit evidence obtained by the other auditors of the associate company is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

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 unauthorized 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 control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018 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

9. Our aforesaid report; under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it related to associate company is based on the corresponding report of the auditor of such company.

Our opinion is not modified in respect of the above matter.

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

S. Krishnan - Partner
Membership No. 26452

Salem
May 27, 2018

Kandagiri Spinning Mills Limited



Consolidated Balance Sheet as at March 31, 2018

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
ASSETS				
Non current assets				
Property, plant and equipment	1	5,289.86	7,410.13	9,295.23
Financial assets				
Investments	2	114.10	195.65	155.81
Other financial asset	3	260.15	309.67	261.88
Advance tax assets(net)	4	14.96	28.27	27.68
Other non-current assets	5	354.13	354.63	350.63
Deferred tax asset (net)	16	157.98	—	—
		<u>6,191.18</u>	<u>8,298.35</u>	<u>10,091.23</u>
Current assets				
Inventories	6	2,672.38	2,197.21	3,599.78
Financial assets				
Investments	7	58.81	—	—
Trade receivables	8	282.67	527.92	1,804.20
Cash and cash equivalents	9a	8.52	2.19	4.29
Other Bank balances	9b	9.33	14.07	65.20
Other	10	120.42	202.42	64.28
Other current assets	11	86.86	84.66	109.65
		<u>3,238.99</u>	<u>3,028.47</u>	<u>5,647.40</u>
Total assets		<u>9,430.17</u>	<u>11,326.82</u>	<u>15,738.63</u>
EQUITY AND LIABILITIES				
Equity				
Equity share capital	12	385.74	385.74	385.74
Other equity	13	2,037.23	3,276.66	4,198.54
		<u>2,422.97</u>	<u>3,662.40</u>	<u>4,584.28</u>
Non-current liabilities				
Financial liabilities				
Borrowings	14	2,293.87	2,855.95	3,608.89
Provisions	15	154.03	151.80	148.88
Deferred tax liabilities (Net)	16	—	403.16	403.16
		<u>2,447.90</u>	<u>3,410.91</u>	<u>4,160.93</u>
Current liabilities				
Financial liabilities				
Borrowings	17	2,855.03	3,001.81	3,508.72
Trade payables	18	450.89	218.49	1,182.76
Provisions	19	4.99	2.24	2.55
Other financial liabilities	20	1,195.39	1,012.85	2,282.28
Other current liabilities	21	53.00	18.12	17.11
		<u>4,559.30</u>	<u>4,253.51</u>	<u>6,993.42</u>
Total equity and liabilities		<u>9,430.17</u>	<u>11,326.82</u>	<u>15,738.63</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 27, 2018

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 Profit and Loss for the year ended March 31, 2018

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
Income			
Revenue from operations	22	5,438.14	7,802.77
Other income	23	69.09	54.71
Total income		5,507.23	7,857.48
Expenses			
Cost of materials consumed	24	3,102.21	4,604.38
Changes in inventories of finished goods and work-in- progress	25	489.49	1,115.19
Employee benefits expense	26	779.38	1,223.32
Finance cost	27	804.72	1,248.60
Depreciation and amortization expense	28	371.21	711.58
Other expenses	29	1,572.95	1,564.26
Total Expenses		7,119.95	10,467.33
Profit before share of profit / (loss) of associates / exceptional items and tax		(1,612.73)	(2,609.85)
Share of profit/(loss) of associate		10.44	8.99
Profit/(loss) before exceptional items and tax		(1,602.29)	(2,600.86)
Exceptional item	30	(85.02)	1,544.61
Profit/(loss) before tax		(1,687.31)	(1,056.25)
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		(1,151.00)	(1,056.25)
Other comprehensive income			
Other comprehensive income not to reclassified to profit or loss in subsequent periods		-	-
Re-measurement gains/(losses) on defined benefit plans		(88.43)	134.37
Income tax effect		-	-
Other comprehensive income		(88.43)	134.37
Total comprehensive income for the year		(1,239.43)	(921.88)
Earning per share (Face value Rs.10 per share)			
-Basic and diluted (Rs.) (Refer note 35)		(29.90)	(27.44)

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 27, 2018

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



Statement of cash flows for the year ended March 31, 2018

Particulars	Note No.	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
Cash Flows from Operating Activities			
Loss before tax and exceptional item		(1,602.29)	(2,600.86)
Adjustments for :			
Associate share of profit		(10.44)	(8.99)
Depreciation		371.20	711.58
Interest Expense		804.72	1,248.60
Interest Income		(15.11)	(21.46)
Dividend income		(3.60)	(1.80)
Net gain or loss arising on financial asset mandatorily measured at FVTPL		(19.25)	(31.46)
Operating profit before working capital changes		(474.76)	(704.38)
Adjustments for changes in :			
Inventories		(475.16)	1,402.57
Trade receivables		245.25	1,276.28
Non current and current financial assets		23.19	(138.14)
Other non current and current assets		3.03	72.12
Trade payables		(223.38)	(964.27)
Non current and current financial liabilities		283.16	(135.37)
Other non current and current liabilities		(53.56)	135.37
Other non current and current provisions		4.99	2.61
Other financial Assets		49.53	(47.79)
Advance tax assets(net)		13.31	(0.58)
Deferred tax asset (Net)		-	-
		(129.65)	1,602.79
Income Tax paid		(24.83)	-
Net Cash Flow from Operating Activities	(A)	(629.23)	898.42
Cash Flows from Investing Activities			
Payments for acquisition of assets		(34.91)	(32.44)
Sale of assets		2,133.32	2,750.56
Interest received		15.11	21.46
Dividend received		3.60	1.80
Proceeds from sale of Long term investments		132.66	0.61
	(B)	2,249.78	2,741.98
Cash Flows from Financing Activities			
Finance cost paid		(804.72)	(1,248.60)
Proceeds from inter corporate loan - related party		50.00	100.00
Repayments of long term borrowings		(712.70)	(1,987.00)
Repayments of short term borrowings		(146.78)	(506.91)
Net Cash Flow from Financing Activities	(C)	(1,614.21)	(3,642.51)
NET CASH INFLOW / (OUTFLOW)	(A+B+C)	(6.34)	2.10
Opening Cash and Cash Equivalents	(D)	2.19	4.29
Closing Cash and Cash Equivalents	(E)	8.52	2.19
NET INCREASE/ (DECREASE) IN CASH	(E-D)	6.34	(2.10)

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 27, 2018

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 at the beginning of April 1,2016	Changes in equity share capital during the year	Balance at the beginning of March 31,2017	Changes in equity share capital during the year	Balance at the beginning of March 31,2018
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, 2016	548.62	2,229.04	1,420.88	4,198.54
(Loss) for the year	—	—	(1,056.25)	(1,056.25)
Other Comprehensive income	—	—	134.37	134.37
Total Comprehensive income for the year	—	—	(921.88)	(921.88)
Balance at the end of March 31, 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

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 27, 2018

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



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

1. PROPERTY, PLANT AND EQUIPMENT (PPE)

2017 - 2018	Gross Carrying Amount (Cost/deemed cost)				Accumulated depreciation			Rs. in Lakhs Net Carrying Amount
	01.04.2017	Additions	(Deletions)	31.03.2018	01.04.2017	Charge for the year	Disposal	
Description								
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	1,646.99
Plant and Equipment	3,702.16	34.91	1,049.24	2,687.82	421.08	277.56	168.65	2,157.83
Wind Energy Converters	4.85	-	-	4.85	-	-	-	4.85
Furniture and Fixtures	7.06	-	0.55	6.51	2.13	0.22	0.09	4.25
Vehicles	85.30	-	8.24	77.05	19.64	13.07	6.95	51.30
Office equipment	0.61	-	-	0.61	0.30	0.10	-	0.21
Total	7,969.95	34.91	1,991.46	6,013.39	559.81	371.20	207.49	5,289.86

2016 - 2017	Gross Carrying Amount (Cost/deemed cost)				Accumulated depreciation			Rs. in Lakhs Net Carrying Amount
	01.04.2016 #	Additions	(Deletions)	31.03.2017	01.04.2016 #	Charge for the year	Disposal	
Description								
Land - Freehold land	1,614.57	-	-	1,614.57	-	-	-	1,614.57
Buildings	2,591.88	-	36.48	2,555.40	-	116.67	-	2,438.73
Plant and Equipment	3,722.60	16.15	36.59	3,702.16	-	421.08	-	3,281.08
Wind Energy Converters	1,285.53	-	1,280.68	4.85	-	151.77	-	4.85
Furniture and Fixtures	7.06	-	-	7.06	-	2.13	-	4.93
Vehicles	72.98	16.30	3.99	85.30	-	19.64	-	65.66
Office equipment	0.61	-	-	0.61	-	0.30	-	0.31
Total	9,295.23	32.44	1,357.72	7,969.95	-	711.58	151.77	7,410.13

Note :

- For details of assets given as security against borrowings, refer note 37
- The company has elected the previous GAAP carrying amounts of property, plant and equipment as at April 1, 2016 (transition date) as deemed cost and has accordingly disclosed the same as above
- Amount of contractual commitments for acquisition of property, plant and equipment, refer note 40
- Certain immovable properties intended for sale during the year ended March 31, 2017/March 31, 2018 have not been classified as held for sale in terms of Ind AS 105. Non current assets held for sale and discontinued operations since approvals from Banks/other authorities etc., required for such sale was not obtained. Therefore classification and measurement of such immovable properties continue as PPE for the respective periods.

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
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Particulars	Carrying amount as per previous GAAP	Fair value adjustments	Carrying amount as per Ind As
i) in equity instruments of associates (at previous GAAP value as deemed cost)	95.96	—	95.96
ii) in others at fair value through profit or loss	45.00	14.85	59.85
c. Investments are fully paid-up unless otherwise stated			

Note :			
1. Goods in transit included above are as follows			
Raw materials	68.35	—	—
2. Cost of materials consumed during the year, refer note no.27			
3. For details of assets given as securities for borrowings, refer note no. 37			



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
7. Current financial asset - Investments			
Investments in Equity instruments			
39,000 Equity shares of Rs.10 each in Sambandam Spinning Mills Limited	58.81	—	—
	<u>58.81</u>	<u>—</u>	<u>—</u>
8. Trade receivables			
Unsecured, considered good			
Trade receivables			
- Others	282.67	527.92	1,804.20
	<u>282.67</u>	<u>527.92</u>	<u>1,804.20</u>
Note - These are carried at amortised cost			
9a. Cash and cash equivalents			
Cash on hand	8.19	1.07	3.57
Balances with banks-current accounts	0.33	1.12	0.72
	<u>8.52</u>	<u>2.19</u>	<u>4.29</u>
9b. Bank balances other than above			
Unclaimed dividend accounts (earmarked)	1.34	3.02	3.02
Liquid assets deposits #	7.65	5.50	—
Deposits with Banks held as margin money #	0.34	5.55	62.18
	<u>9.33</u>	<u>14.07</u>	<u>65.20</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	118.16	—
Interest accrued on deposits	0.99	1.10	2.59
Interest subsidy receivable	2.91	31.72	31.72
Employee advances	—	3.81	4.66
Other receivable	33.96	47.63	25.31
	<u>120.42</u>	<u>202.42</u>	<u>64.28</u>
Note - These are carried at amortised cost			
11. Other current assets			
Unsecured considered good			
Prepaid expenses	4.55	27.20	80.36
Supplier advances	47.75	55.01	23.03
Balance with government authorities	34.56	2.45	6.26
	<u>86.86</u>	<u>84.66</u>	<u>109.65</u>
Note - These are carried at amortised cost			
12. Equity			
Authorised share capital			
50,00,000 equity shares (March 31, 2017 : 50,00,000, April 1, 2016 : 50,00,000) of Rs. 10 each with voting rights	500.00	500.00	500.00
Issued share capital			
38,65,650 equity shares (March 31, 2017 : 38,65,650, April 1, 2016 : 38,65,650) of Rs. 10 each with voting rights	386.57	386.57	386.57
Subscribed and paid up share capital			
38,49,250 equity shares (March 31, 2017 : 38,49,250, April 1, 2016 : 38,49,250) of Rs. 10 each with voting rights	384.92	384.92	384.92
Add Forfeited shares (amount originally paid in respect of 16,400 equity shares)	0.82	0.82	0.82
	<u>385.74</u>	<u>385.74</u>	<u>385.74</u>



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs	
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	38,49,250	
2. Terms/rights and restrictions in respect of equity shares				
The company has one class of equity shares having a par value of Rs.10 each. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amount. The distribution will be in proportion to number of equity shares held by the shareholders.				
3. Shareholders holding more than 5% of the total share capital:				
Name of the shareholder	No. of shares			
	2018	%	2017	%
Equity shares with voting rights				
R. Selvarajan	7,78,730	20.23	7,78,730	20.23
S. Vijay Shankar	4,09,582	10.64	4,09,582	10.64
4. Share issue in preceeding five years				
Aggregate number and class of shares allotted for consideration other than cash, bonus, etc.in the five years immediately preceeding the Balance Sheet date as on March 31, 2018 is Rs. Nil (2017 and 2016: Nil).				
13. Other equity				
Securities premium - Note A	548.62	548.62	548.62	
General reserve - Note B	2,229.04	2,229.04	2,229.04	
Retained earnings - Note C	(740.43)	499.00	1,420.88	
	<u>2,037.23</u>	<u>3,276.66</u>	<u>4,198.54</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.2,083.49 lakhs transferred to Retained earnings on the transition date may not be available for distribution.				
14. Non current - Financial liabilities - Borrowings				
Secured Borrowings				
Term loan from banks	907.82	1,162.26	2,115.62	
Unsecured				
Fixed deposits	836.05	1,193.69	1,093.27	
Intercompany loan	550.00	500.00	400.00	
	<u>2,293.87</u>	<u>2,855.95</u>	<u>3,608.89</u>	
Note :				
1. These are carried at amortised cost				
2. Refer note 23 for current maturities of non current borrowings				
3. Refer note 37 for security and terms of borrowings				
4. Refer note 38 for fixed deposits and Intercompany loan from related parties				
15. Non current liabilities - Provisions				
Provision for employee benefits				
Compensated absences	154.03	151.80	148.88	
	<u>154.03</u>	<u>151.80</u>	<u>148.88</u>	



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Movement in provision for compensated absences is as follows	Opening	Additions (Net of utilisation)	Closing
31.03.2018	154.03	4.99	159.02
31.03.2017	151.43	2.61	154.03
Note - These are carried at amortised cost			
16. Deferred tax asset/liability (net)			
Deferred tax liability	666.88	1,264.19	1,232.64
Deferred tax assets	192.79	199.25	167.70
Deferred tax liability-net	474.09	1,064.94	1,064.94
Unused tax credits (MAT credit entitlement)	632.07	661.78	661.78
Net deferred tax/liability	(157.98)	403.16	403.16
Note : refer note 33 for details of deferred tax liability and asset			
17. Current financial liabilities - borrowings			
Secured borrowings - from banks			
Cash credit facilities	2,855.03	3,001.81	3,508.72
	2,855.03	3,001.81	3,508.72
Note : These are carried at amortised cost			
18. Current financial liabilities - trade payables			
Total outstanding dues of creditors (Refer note 41)	450.89	218.49	1,182.76
	450.89	218.49	1,182.76
Note - These are carried at amortised cost			
19. Current provisions			
Leave encashment	4.99	2.24	2.55
	4.99	2.24	2.55
Note - These are carried at amortised cost			
20. Other Current financial liabilities			
Current maturities of long-term debts	743.50	844.13	1,978.18
Interest accrued and not due on borrowings	25.70	-	2.24
Interest accrued and due on borrowings	38.90	46.82	95.22
Unclaimed Dividends	1.34	3.02	3.02
Contribution to Gratuity Fund	148.99	43.21	94.18
Accrued expenses/liabilities	180.66	75.10	103.55
Employee payable	56.30	0.57	5.89
	1,195.39	1,012.85	2,282.28
Note : 1. These are carried at amortised cost			
2. Refer note 37 for security and terms of borrowings			
21. Other Current liabilities			
Advance from customers	35.32	0.30	7.06
Statutory liabilities	17.68	17.82	10.05
	53.00	18.12	17.11



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
22. Revenue from operations		
Sale of products		
Yarn	5,059.93	7,351.60
Fabric sales	—	226.17
Process waste	76.35	123.88
	<u>5,136.28</u>	<u>7,701.64</u>
Revenue from services		
Yarn conversion charges	301.35	68.34
Other operating revenues		
Scrap sales	0.40	0.80
Hank yarn obligation charges received	0.11	7.59
Export incentives	—	24.40
	<u>5,438.14</u>	<u>7,802.77</u>
23. Other income		
Interest income from		
Security deposits and bank deposits	15.11	21.46
Dividend income from Non-current investments	3.60	1.80
Net gain or loss arising on financial asset mandatorily measured at FVTPL	19.24	31.45
Profit on sale of assets	31.14	—
	<u>69.09</u>	<u>54.71</u>
24. Cost of materials consumed		
Cotton, viscose, modaal	3,086.38	4,447.73
Others	15.83	156.65
	<u>3,102.21</u>	<u>4,604.38</u>
25. Changes in Inventories of finished goods and work-in-progress		
Closing stock		
Finished goods	403.33	379.54
Work-in-progress	511.31	1,024.59
	<u>914.64</u>	<u>1,404.13</u>
Opening stock		
Finished goods	379.54	1,061.45
Work-in-progress	1,024.59	1,457.87
	<u>1,404.13</u>	<u>2,519.32</u>
Net change in inventories	<u>489.49</u>	<u>1,115.19</u>
26. Employee benefits expense		
Salaries, wages and bonus	690.38	1,049.99
Contribution to provident, gratuity and other funds	69.10	142.16
Welfare expenses	19.90	31.17
	<u>779.38</u>	<u>1,223.32</u>
27. Finance costs		
Interest expense on borrowings	804.72	1,248.60
	<u>804.72</u>	<u>1,248.60</u>



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
28. Depreciation and amortisation expense		
Property, Plant and Equipment		
Buildings	80.25	116.67
Plant and machinery	277.56	421.08
Wind energy converters	–	151.77
Furniture and fittings	0.23	2.12
Office equipments	0.10	0.30
Vehicles	13.07	19.64
Total depreciation on property, plant and equipment	371.21	711.58
29. Other expenses		
Conversion charges	46.04	107.86
Consumption of stores and spares	51.65	84.22
Power and fuel-net	1,252.71	735.55
Repairs and maintenance - Buildings	1.60	6.67
- Plant and machinery	30.27	199.48
Insurance	6.68	11.30
Rates and taxes	11.65	15.54
Packing and forwarding chages	31.62	94.20
Printing and stationery	0.98	4.98
Brokerage and commission on sales	6.86	84.71
Travel and vehicle upkeep expenses	55.33	78.77
Donation and charity	–	0.10
Expenditure on corporate social responsibility	0.54	1.23
Loss on sale of assets	–	0.10
Bank and other financial charges	48.25	61.73
Miscellaneous expenses	28.77	76.91
	1,572.95	1,564.26
30. Exceptional item		
Profit on sale of windmills	–	1,544.61
Profit on sale of shares	21.43	–
Loss on sale of industrial undertaking	(106.45)	–
	(85.02)	1,544.61



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018

1. Corporate Information

Kandagiri Spinning Mills Limited ("Investee Company/ the Company") is a listed Public Group domiciled in India and is incorporated under the provisions of the Companies Act 2013 as applicable in India. The registered office headquarterd in Salem, India,

The Group 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"), as applicable. Upto the year ended 31st March, 2017, the Company prepared its financial statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS Financial statements. The date of transition to Ind AS is April 1, 2016.

First time adoption:

In accordance with Ind AS 101 on First time adoption of Ind AS, the Company has prepared its first Ind AS financial statements which include:

- (i) Three Balance sheets namely, the opening Balance sheet as at April 1, 2016 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising assets or liabilities which are not permitted by Ind AS, by reclassifying assets and liabilities from previous GAAP as required by Ind AS, and applying Ind AS in measurement of recognised assets and liabilities; and Balance sheets as at March 31, 2018 and 2017.
- (ii) Two statements each of profit and loss; cash flows and changes in equity for the years ended March 31, 2018 and 2017 together with related notes.

The same accounting policies have been applied for all the periods presented except when the Company has made use of certain exceptions and/ or exemptions.

The financial statements have been prepared on 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 are presented in Indian Rupees (Rs).

The Ind AS Financial Statements were approved for issue by the Board of Directors on 27th May 2018.



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (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 exclusive of Goods and service tax, as applicable and 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.

Income from energy generated

Revenue from energy generated through windmills is recognized based on the contractual rates with the customers and the credit granted by the regulatory authorities to the said customers for units generated.

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, Interest 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, 2018 (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, 2018 (Contd.)
Deemed cost on transition to Ind AS:

The Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2016 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

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
Wind energy convertors	Over its useful life of 17 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. Intangible Assets

The Company has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2016 (the transition date) measured as per the previous GAAP and use such carrying value as its deemed cost as of the transition date.

Intangible assets with finite useful lives that are acquired separately, where the cost exceeds Rs.10,000 and the estimated useful life is two years or more, is capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

De-recognition of intangible assets :

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Estimated useful life of Intangible assets – (i) Computer software - over a period of 5 years; (ii) Trade name – Over a period of 5 years.

10. Impairment of assets

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



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

11. Inventories

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

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

Cost of work-in-progress 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 case of raw materials ie., Cotton, which are not ordinarily interchangeable, by using specific identification of their individual costs attributed to identified items of raw materials.
- (ii) in the case of stores and spare parts, the weighted average cost (net of credit, if any),
- (iii) in the case of cotton in process and manufactured yarn, is the cost adopting the absorption costing method, and without deduction of the adjustment made for power generated through Wind energy converters and adjusted against the cost of power purchased from state electricity board.
- (iv) Process waste is valued at net realizable value.

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

12. Government grants

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

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

13. Borrowing costs

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

14. Research and development

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

15. Income Taxes

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

Current Tax :

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

Deferred Tax :

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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 utilised

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

16. Provisions and contingencies

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

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

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

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

17. Financial Instruments

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

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

Financial assets:

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

Classification of financial assets

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

After initial recognition:

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

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



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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".

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".



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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.

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.



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

Fair value hedges

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

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

Cash flow hedges

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

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.

18. Recent accounting pronouncements

Appendix B to Ind AS 21, Foreign currency transactions and advance consideration : On March 28, 2018, the Ministry of Corporate Affairs ('the MCA') notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115, Revenue from Contract with Customers : On March 28, 2018, the MCA notified the Ind AS 115. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits two possible methods of transition:

Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial period beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the cumulative catch-up transition method and accordingly, comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is not reasonably estimatable.



Statement on Significant Accounting Policies forming part of the Consolidated Ind AS Financial Statements for the year ended March 31, 2018 (Contd.)

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 judgements 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 judgements 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 judgements around estimating the ultimate outcome of such past events and measurement of the obligation amount. Due to the judgements 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
31. Basis of Consolidation

31.1 The Consolidated Financial Statements relate to Kandagiri Spinning Mills Limited ("the Investee Company") and its Associate.

31.2 Principles of Consolidation

- a. The Consolidated Financial Statements have been prepared in accordance with Ind AS 28 "Investment in Associates and Joint Ventures" prescribed under Section 133 of the Companies Act, 2013. The Financial Statements of Associates used in the consolidation are drawn upto the same reporting date as of the investee Company i.e., year ended March 31, 2018.
- 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		
				31-03-2018	31-03-2017	01-04-2016
1.	SPMM Health Care Services Private Limited	Health care services	India	50.00%	50.00%	50.00%

31.3 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)	98%	2,463.59	100.91%	(1,161.44)	100%	(88.43)	100.84%	(1,249.87)
2.	SPMM Health Care Services Private Limited	2%	40.61	-0.91%	10.44	-	-	-0.84%	10.44
	Subtotal	100%	2,504.20	100.00%	(1,151.00)	100%	(88.43)	100.00%	(1,239.43)
	Add / (Less) : Effect of intercompany adjustments/ eliminations	-	-	-	-	-	-	-	-
	Total	100%	2,504.20	100.00%	(1,151.00)	100%	(88.43)	100.00%	(1,239.43)



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

32. Ind AS Reconciliation

32.1 Consolidated Balance Sheet

Particulars	Refer Note	Rs. in Lakhs			
		Previous GAAP As at March 31, 2017	Transition Effect As at March 31, 2017	Ind AS As at March 31, 2017	Previous GAAP As at April 1, 2016
ASSETS					
Non current assets					
Property, plant and equipment	A	7,412.40	2.27	7,410.13	9,297.50
Financial assets					
Investments	B	149.34	(46.31)	195.65	140.96
Other financial asset		309.67	—	309.67	261.88
Advance tax assets(net)		28.27	—	28.27	27.69
Other non-current assets		354.63	—	354.63	350.63
		8,254.31	(44.04)	8,298.35	10,078.65
Current assets					
Inventories		2,197.21	—	2,197.21	3,599.78
Financial assets					
Trade receivables		527.92	—	527.92	1,804.19
Cash and cash equivalents		2.19	—	2.19	4.29
Other Bank balances		14.07	—	14.07	65.20
Others		202.42	—	202.42	64.28
Other current assets	C	84.66	—	84.66	112.09
		3,028.47	—	3,028.47	5,649.84
Total assets		11,282.78	(44.04)	11,326.82	15,728.49
EQUITY AND LIABILITIES					
Equity					
Equity share capital		385.74	—	385.74	385.74
Other equity	A-D	2,462.60	(814.07)	3,276.67	3,569.51
		2,848.35	(814.07)	3,662.41	3,955.25
Non-current liabilities					
Financial liabilities					
Borrowings		2,855.95	—	2,855.95	3,608.89
Provisions		151.79	—	151.80	148.88
Deferred tax liabilities (Net)	D	1,022.06	618.90	403.16	403.16
		4,029.80	618.90	3,410.91	4,160.93
Current liabilities					
Financial liabilities					
Borrowings		3,001.81	—	3,001.81	3,508.72
Trade payables		296.82	78.33	218.49	1,182.76
Provisions		2.24	—	2.24	2.55
Other financial liabilities	E	1,085.66	72.81	1,012.85	2,282.28
Other current liabilities		18.11	—	18.11	17.11
		4,404.63	151.14	4,253.50	6,993.42
Total equity and liabilities		11,282.78	(44.04)	11,326.82	15,728.49



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

32. Ind AS Reconciliation continued..

32.2 Consolidated Statement of Profit and Loss

Rs. in Lakhs

Particulars	Refer Note	Previous GAAP Year ended March 31,2017	Transition Effect Year ended March 31,2017	Ind As Year ended March 31,2017
Income				
Revenue from operations		7,802.77	—	7,802.77
Other income	B	23.26	(31.46)	54.71
Total income		7,826.03	(31.46)	7,857.48
Expenses				
Cost of materials consumed		4,604.38	—	4,604.38
Changes in inventories of finished goods and work-in- progress		1,115.19	—	1,115.19
Employee benefits expense	E	1,240.09	16.76	1,223.32
Finance cost	C	1,251.04	2.44	1,248.60
Depreciation and amortization expense		711.58	—	711.58
Other expenses		1,564.25	—	1,564.26
Total Expenses		10,486.53	19.20	10,467.33
Profit before share of profit / (loss) of associates / exceptional items and tax		(2,660.51)	(50.66)	(2,609.85)
Share of profit/(loss) of associate		8.99	—	8.99
Profit/(loss) before exceptional items and tax		(2,660.51)	(50.66)	(2,600.86)
Exceptional item		1,544.61	—	1,544.61
Profit/(loss) before tax		(1,115.89)	(50.66)	(1,056.25)
Tax expense :				
Current tax		—	—	—
Deferred tax		—	—	—
Income tax expense		—	—	—
Profit/(loss) for the period from continuing operations		(1,115.89)	(50.66)	(1,056.25)
Other comprehensive income				
Other comprehensive income not to reclassified to profit or loss in subsequent periods		—	—	—
Re-measurement gains/(losses) on defined benefit plans	E-F	—	(134.38)	134.38
Income tax effect		—	—	—
Other comprehensive income		—	(134.38)	134.38
Total comprehensive income for the year, net of tax		(1,115.89)	(185.04)	(921.87)



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

32.3 Reconciliation of net profit and Equity as reported under previous GAAP and Ind AS
(Rs. in Lakhs)

Particulars	Refer Note	Net Profit reconciliation	Equity Reconciliation	
		Year ended March 31, 2017	As at March 31, 2017	As at April 01, 2016
Net profit/(loss)/Equity as per previous GAAP		(1,106.91)	2,848.35	3,955.25
Adjustments:				
Impact on fair valuation of investments	B	31.45	46.30	14.85
Reclassification of actuarial (gains) /losses arising in respect of employee benefit schemes	E	(134.38)	—	—
Tax Adjustments	D	—	618.90	618.90
Others	A,C,E	153.58	148.87	(4.72)
Net profit/(loss)/Equity under Ind AS		(1,056.25)		
Other Comprehensive Income (net of tax)		134.37	—	—
Total Comprehensive Income/Equity under Ind AS		(921.87)	3,662.42	4,584.29

32. Ind AS Reconciliation continued..

The company has adopted Ind AS from April 1, 2017 and accordingly, the transition date is April 1, 2016. The impact of transition is accounted for in the opening retained earnings as on the transition date. Further, such Ind AS impacts have also been adjusted accordingly in the statement of cash flows for the year ended March 31, 2017.

- A. Under previous GAAP, 'Livestock' was included in Fixed Assets. Under Ind AS, the term 'Property, Plant and Equipment' does not include the same and hence they have been adjusted against 'Retained earnings' as on April 1, 2016 (the transition date).
- B. Under previous GAAP, long term investments were measured at cost less dimunition in value which is other than temporary. Under Ind AS, non current investments (other than investment in equity instruments of subsidiaries, associates and joint ventures) are measured at fair value through profit and loss. Consequently, the differences, as at the transition date and as at the end of the year 2016-17, respectively, between carrying value as per previous GAAP and fair value, are reflected in total equity and profit and loss.
- C. Under Ind AS, borrowings are reckoned as separate financial liabilities and are measured at amortised cost(using effective interest method) and at fair value respectively. The effect of these (carrying valuesand finance costs) is reflected in total equity and profit or loss.
- D. Under pervious GAAP, deferred tax was computed under the income approach. Under Ind AS, deferred taxes are measured using balance sheet approach and accordingly recognised. Further the effect of these are reflected in total equity and profit or loss.

Under previous GAAP, miminum alternate tax entitlements were classified under other non-current assets. Under Ind AS, it is classified as unused tax credits under deferred tax.
- E. Under previous GAAP, actuarial gains and losses on employees defined benefit obligations were recognised in profit or loss. Under Ind AS, the actuarial gains and losses on re-measurement of net defined benefit obligations are recognised in other comprehensive income. This resulted in a reclassification between profit or loss and other comprehensive income.
- F. Under previous GAAP, there was no separate record in the financial statements for Other Comprehensive Income (OCI). Under Ind AS, specified items of income, expense, gains and losses are presented under OCI.



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

33. Income taxes relating to continuing operations

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
a) Income tax recognised in Consolidated Statement of profit and loss		
Current tax		
In respect of the current year *	24.83	—
	<u>24.83</u>	<u>—</u>
* prior year tax		
Deferred tax		
In respect of the current year	(561.14)	—
Deferred tax reclassified from equity to profit or loss	—	—
	<u>(561.14)</u>	<u>—</u>
Total income tax expense recognised in the current year relating to continuing operations	<u>(536.31)</u>	<u>—</u>
b) The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(loss) before tax from continuing operations	<u>(1,687.31)</u>	<u>(1,056.25)</u>
Effect of prior year taxes	24.83	—
Effect of exceptional items	<u>(561.14)</u>	<u>—</u>
Income tax expense recognised in Consolidated Statement of profit and loss (relating to continuing operations)	<u>(536.31)</u>	<u>—</u>

The tax rate used for the reconciliations above is the corporate tax rate of 33.063% (for FY 2017-18 and FY 2016-17) 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	<u>—</u>	<u>—</u>

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 2017-18 (Rs. in Lakhs)

Particulars	Opening balance	Recognised in consolidated statement of profit and loss	Closing balance
Deferred tax (liabilities)/assets in relation to:			
Property, plant, and equipment and Intangible Assets	(1,264.19)	597.31	(666.88)
Provision for compensated absences	199.25	(6.46)	192.79
Unused tax credit (MAT credit entitlement) *	661.78	(29.71)	632.07
	<u>(403.16)</u>	<u>561.14</u>	<u>157.98</u>


Notes annexed to and forming part of the Consolidated Ind AS Financial Statements
33. Income taxes relating to continuing operations continued...
Movement of deferred tax expense during the year ended March 2016-17 (Rs. in Lakhs)

Particulars	Opening balance	Recognised in consolidated statement of profit and loss	Closing balance
Deferred tax (liabilities)/assets in relation to:			
Property, plant, and equipment and Intangible Assets	(1,232.64)	(31.55)	(1,264.19)
Provision for compensated absences	167.70	31.55	199.25
Unused tax credit (MAT credit entitlement)	661.78	—	661.78
	(403.16)	—	(403.16)

Unrecognised deductible temporary differences, unused tax losses and unused tax credits	31-03-2018	31-03-2017	01-04-2016
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:			
- Unused tax losses (capital)	(3,419.93)	(2,180.49)	(1,258.62)

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.51.76 lakhs (for the year ended March 31, 2017: Rs.58.75 lakhs) out of which Rs.4.26 lakhs (for the year ended March 31, 2017 : Rs.3.17 lakhs) represents payable by the Company.

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 to 30 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The Company accounts for the liability for gratuity benefits payable in the future based on an actuarial valuation. The Company makes annual contributions to a funded Company gratuity scheme administered by the SBI Life Insurance Company Limited.

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

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

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the market yields on government bonds denominated in Indian Rupees. If the actual return on plan asset is below this rate, it will create a plan deficit.
Interest risk	A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.



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

34. Retirement benefit plans continued..

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs
Gratuity		
The principal assumptions used for the purposes of the actuarial valuations were as follows.		
Discount rate(s)	7.43%	7.33%
Expected rate(s) of salary increase	3.50%	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	14.00	23.69
Net interest expense	3.34	10.51
Components of defined benefit costs recognised in Consolidated Statement of profit and loss	17.34	34.20
Remeasurement on the net defined benefit liability comprising:		
Actuarial (gains)/losses arising from changes in demographic assumptions	(3.23)	—
Actuarial (gains)/losses arising from changes in financial assumptions	(7.68)	5.90
Actuarial (gains)/losses arising from experience adjustments	106.36	(140.27)
Return on plan assets (excluding amounts included in net interest expense)	(7.01)	—
Components of defined benefit costs recognised in other comprehensive income	88.44	(134.37)
Total	105.78	(100.17)

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Consolidated Statement of profit and 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	214.25	111.53
Fair value of plan assets	65.26	68.32
Net liability arising from defined benefit obligation - Funded	148.99	43.21

The above provisions are reflected under 'Current Financial Liabilities - Others (Refer notes 20) 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	111.53	243.77
Current service cost	14.00	23.69
Interest cost	8.05	16.47
Actuarial (gains)/losses arising from changes in demographic assumptions	(3.23)	—
Actuarial (gains)/losses arising from changes in financial assumptions	(7.68)	5.90
Actuarial (gains)/losses arising from experience adjustments	106.36	(140.27)
Benefits paid	14.78	38.03
Closing defined benefit obligation	214.25	111.53



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

34. Retirement benefit plans continued..

Particulars	As at March 31, 2018 Rs. in Lakhs	As at March 31, 2017 Rs. in Lakhs
Movements in the fair value of the plan assets in the current year were as follows:		
Opening fair value of plan assets	68.32	100.38
Interest Income	4.71	5.96
Return on plan assets (excluding amounts included in net interest expense)	—	—
Contributions	—	—
Benefits paid	14.78	38.03
Actuarial (gains)/losses	7.01	—
Closing fair value of plan assets	65.26	68.32

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. 11.72 lakhs (2016-17: Rs.5.97 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	234.33	127.35
Increase by	196.88	98.21

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

Decrease by	196.67	97.66
Increase by	234.31	127.81

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

Decrease by	206.87	105.60
Increase by	220.96	116.85

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, 2017: Rs. Nil and March 2016: Rs. Nil) to the defined benefit plans during the next financial year.

The average duration of the benefit obligation as at March 31, 2018 is 27.30 years (as at March 31, 2017: 26.30 years).



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

34. Retirement benefit plans continued..

Particulars	As at March 31, 2018 Rs. in Lakhs	As at March 31, 2017 Rs. in Lakhs
Compensated Balances		
The principal assumptions used for the purposes of the actuarial valuations were as follows :		
Discount rate(s)	7.71%	7.20%
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	0.92	1.03
Net interest expense	11.29	12.06
Actuarial (gains)/losses arising during the period	(12.27)	(5.19)
Components of defined benefit costs recognised in profit or loss	(0.06)	7.90

The current service cost and the net interest expense for the year are included in the 'employee benefits expense' in Consolidated Statement of profit and 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	235.07	229.27
Fair value of plan assets	—	—
Net liability arising from defined benefit obligation - Unfunded	235.07	229.27

The above provisions are reflected under 'Current Financial Liabilities - Others [Refer note 15].

Movements in the present value of the defined benefit obligation in the current year were as follows:

Opening defined benefit obligation	156.78	148.88
Current service cost	0.92	1.03
Interest cost	11.29	12.06
Actuarial (gains)/losses arising during the period	(12.27)	(5.19)
Benefits paid	—	—
Closing defined benefit obligation	156.72	156.78

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, 2018 Rs. in Lakhs	Year ended March 31, 2017 Rs. in Lakhs
35. Earnings per share		
Basic and Diluted earnings per share		
From continuing operations	(29.90)	(27.44)
From discontinued operations	—	—
Total basic earnings per share	(29.90)	(27.44)
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	(1,151.00)	(1,056.25)
Earnings used in the calculation of basic earnings per share	(1,151.00)	(1,056.25)
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	(1,151.00)	(1,056.25)
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 20 offset by cash and bank balances) and total equity of the Company. The Company monitors the capital structure on the basis of total debt to equity ratio and maturity profile of the overall debt portfolio of the Company.

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Gearing Ratio :			
Debt	5,148.90	5,857.76	7,117.61
Less : Cash and bank balances	17.86	16.26	69.49
Net debt	5,131.04	5,841.50	7,048.12
Total equity	2,422.98	3,662.42	4,584.29
Net debt to total equity ratio	2.12	1.59	1.54
Categories of Financial Instruments:			
a. Measured at amortised cost:			
Cash and bank balances	17.86	16.26	69.49
Trade Receivables	282.67	527.92	1,804.19
Others	380.56	512.09	326.16
b. Mandatorily measured at fair value through profit or loss (FVTPL):			
Investments	172.91	195.65	155.81
Derivative instruments	—	—	—



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
Financial liabilities			
a. Measured at amortised cost:			
Borrowings	5,148.90	5,857.76	7,117.61
Trade Payables	450.89	218.49	1,182.76
Others	1,195.39	1,012.85	2,282.26
b. Mandatorily measured at fair value through profit or loss (FVTPL):			
Derivative instruments	—	—	—

Financial risk management objectives

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

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

Market risk

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended March 31, 2018 would decrease/increase by Rs. 13.41 lakhs (March 31, 2017: decrease/increase by Rs. 19.98 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, 2018 was Rs. Nil (March 31, 2017: Rs. 91.31 lakhs and April 1, 2016: Rs. 59.85 lakhs). A 5% change in prices of equity instruments held as at March 31, 2018 would result in an impact of Rs. Nil on equity (March 31, 2017: Rs. 4.57 lakhs and April 1, 2016 Rs. 2.99 lakhs).

Offsetting related disclosures:

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



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
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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, 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)	2,855.02	2,293.87	—	5,148.90
	4,501.31	2,293.87	—	6,795.18
March 31, 2017				
Trade payables	218.49	—	—	218.49
Other financial liabilities	1,012.85	—	—	1,012.85
Borrowings (including interest accrued thereon upto the reporting date)	3,001.81	2,855.95	—	5,857.76
	4,233.14	2,855.95	—	7,089.10
April 1, 2016				
Trade payables	1,182.76	—	—	1,182.76
Other financial liabilities	2,282.28	—	—	2,282.28
Borrowings (including interest accrued thereon upto the reporting date)	3,508.72	3,608.89	—	7,117.61
	6,973.75	3,608.89	—	10,582.65



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

Particulars	Particulars of repayment	Year	Rs. in Lakhs			
			Non current	Current Maturities	Total	rate of interest
a. Secured Borrowings						
i. Term loans from banks						
State Bank of India TL 4	3 monthly instalment of Rs.41.9 lakhs each	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 251.40	— 135.23 348.00	— 135.23 599.40	— 15.10 13.05
State Bank of India TL 5	45 monthly instalment of Rs.15 lakhs each and 11 monthly instalments of 20 lakhs each (2018-19 Rs.180 lakhs, 2019-20 Rs.180 lakhs, 2020-21 Rs.180 lakhs and 2021-22 Rs.220 lakhs)	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	579.65 759.76 940.00	112.51 120.00 60.00	692.16 879.76 1,000.00	15.50 13.95 13.35
Karnataka Bank TL 4	6 monthly instalments of Rs. 41.90 lakhs	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 251.40	— 248.52 365.20	— 248.52 616.60	— 13.25 13.25
Axis Bank	2 monthly instalment of Rs.5 lakhs each and 1 monthly instalment of Rs.2.25 lakhs	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 30.00	— 12.25 64.79	— 12.25 94.79	— 13.25 13.50
Karnataka Bank TL 5	1 monthly instalment of Rs.70 lakhs each and 1 monthly instalment of Rs.100 lakhs each	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 170.00	— 170.00 930.00	— 170.00 1,100.00	— 13.25 13.25
Karnataka Bank TL 6	48 monthly instalment of Rs.7.5 lakhs each, 11 monthly instalment of Rs.10 lakhs each and (2018-19 Rs.90 lakhs, 2019-20 Rs.90 lakhs, 2020-21 Rs.90 lakhs and 2021-22 Rs.132.5 lakhs)	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	328.17 402.50 470.00	89.33 82.50 30.00	417.50 485.00 500.00	13.65 13.50 13.50
Subtotal		As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	907.82 1,162.26 2,112.80	201.84 768.50 1,797.99	1,109.66 1,930.76 3,910.79	— — —
HDFC Bank bus loan	36 monthly instalment	As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	— — 2.82	0.48 3.54 7.94	0.48 3.54 10.76	10.01 10.01 10.01
Total Secured Borrowings		As at March 31, 2018 As at March 31, 2017 As at March 31, 2016	907.82 1,162.26 2,115.62	202.32 772.03 1,805.93	1,110.14 1,934.30 3,921.56	— — —



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
b. Unsecured Borrowings							
Fixed deposits	Repayable in 2018-19	As at March 31, 2018	836.05	541.18	1,377.23		11to12
	Rs.857.18 lakhs and 2019-20	As at March 31, 2017	1,193.69	72.09	1,265.78		11to12
	Rs 336.51 lakhs	As at March 31, 2016	1,093.27	172.25	1,265.52		11to12
Intercompany Loan	Repayable in May 2019	As at March 31, 2018	550.00	-	550.00		13.95
		As at March 31, 2017	500.00	-	500.00		13.95
		As at March 31, 2016	400.00	-	400.00		13.95
		As at March 31, 2018	1,386.05	541.18	1,927.23		-
		As at March 31, 2017	1,693.69	72.09	1,765.78		-
		As at March 31, 2016	1,493.27	172.25	1,665.52		-
Notes : 1. Term loans aggregating to Rs.1,109.66 lakhs (2017: Rs.1,930.76 lakhs, 2016: Rs.3,910.79 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.0.48 lakhs (2017: Rs.3.54 lakhs, 2016: Rs.7.94 lakhs) is secured by hypothecation of car.							
3. All the above loans are guaranteed by the directors.							
Details of current borrowings							
a. Secured Borrowings							
i. Cash credit facilities from banks							
State Bank of India	on demand	As at March 31, 2018	-	1,285.33	1,285.33		15.05 / 14.45
		As at March 31, 2017	-	1,485.45	1,485.45		15/14.5
		As at March 31, 2016	-	1,487.68	1,487.68		13.2/13.05
State Bank of India -SLC	on demand	As at March 31, 2018	-	-	-		-
		As at March 31, 2017	-	-	-		-
		As at March 31, 2016	-	241.58	241.58		14.20
Karnataka Bank	on demand	As at March 31, 2018	-	1,321.57	1,321.57		14.95
		As at March 31, 2017	-	1,253.64	1,253.64		13.25
		As at March 31, 2016	-	1,517.16	1,517.16		13.25
Axis Bank	on demand	As at March 31, 2018	-	248.12	248.12		12.35
		As at March 31, 2017	-	262.72	262.72		12.35
		As at March 31, 2016	-	262.30	262.30		12.50
		As at March 31, 2018	-	2,855.02	2,855.02		-
		As at March 31, 2017	-	3,001.81	3,001.81		-
		As at March 31, 2016	-	3,508.72	3,508.72		-
Notes : 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 the directors.							



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

38. Related party disclosure

Rs. in Lakhs

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 & functions of independent director 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.

c) Details of Transactions with Related Parties :

Name of Related Party	Nature of Transaction	2017 - 18	2016 - 17
Sambandam Spinning Mills Limited	Intercompany loan received	50.00	100.00
	Interest paid on the above loan	71.36	65.20
	Interest accrued on the above loan	25.70	-
	purchase of waste cotton	45.11	-
	yarn testing charges paid	-	2.77
	Trade payable	22.12	-
	Balance outstanding at the end of the year	597.82	500.00
Sambandam Siva Textiles Private Limited	yarn conversion charges received	85.34	50.15
	Purchase of raw material	0.51	-
	Trade receivable	3.95	-
	Trade payable	0.51	-
S. Palaniandi Mudaliar Charitable Trust	Employee welfare services expenses	-	3.36
Kandagiri Spinning Mills Gratuity Trust	Contribution paid	-	16.51
R.Selvarajan Managing Director	Interest Payment	-	38.72
	Remuneration	4.37	36.00
	Fixed deposits received	-	190.60
	Fixed deposits repaid	-	62.00
	Balances outstanding - Fixed deposits	578.54	578.54
S.Vijay Shankar Chief Financial Officer	Interest Payment	0.14	41.76
	Remuneration	8.31	30.00
	Fixed deposits received	-	18.50
	Fixed deposits repaid	21.00	-
	Balances outstanding - Fixed deposits	457.69	475.69
J.Asifa - Company Secretary	Remuneration	4.20	4.20
Sarayu. A	Interest Payment	20.87	24.69
	Fixed deposits received	-	5.00
	Balances outstanding - Fixed deposits	277.00	277.00
Abhinav. V	Interest Payment	0.61	0.61
	Balances outstanding - Fixed deposits	5.50	5.50



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

Particulars	31.03.2018 Rs. in Lakhs	31.03.2017 Rs. in Lakhs	01.04.2016 Rs. in Lakhs
39. Associate			
Details of associate			
Aggregate information of associate			
The Group's share of profit (loss) from continuing operations	10.44	8.99	
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	10.44	8.99	
Aggregate carrying amount of the Group's interests in these associate	114.10	103.66	
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)	408.42	408.42	408.42
(ii) Sales Tax	0.36	0.36	0.36
(iii) Others	12.87	12.87	12.87
	421.65	421.65	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 508.17 508.17 508.17

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

41. The Company has not received any intimation from its suppliers regarding the status under the Micro, Small and Medium Enterprise Development Act, 2006 and disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable, as required under the said Act, have not been furnished.

42. Auditor's Remuneration :**(Rs. in Lakhs)**

Particulars	2018	2017
1. Statutory audit	3.70	3.70
2. Taxation matters	—	1.45
3. Other services	—	1.59

43. Net Debt Reconciliation**(Rs. in Lakhs)**

Particulars	March 31, 2018	March 31, 2017
1. Cash and Cash equivalents	8.52	2.19
2. Liquid investments	7.65	5.50
3. Current Borrowings	(2,855.02)	(3,001.81)
4. Non current borrowings	(2,293.87)	(2,855.95)
Net Debt	(5,132.72)	(5,850.07)


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, 2017						(5,850.07)
Cash Flows	6.34	2.15	—	562.08	146.78	717.35
Foreign exchange adjustments						
Interest expense	(804.72)	—	—	—	—	(804.72)
Interest paid	804.72	—	—	—	—	804.72
Net debt as at March 31, 2018	6.34	2.15	—	562.08	146.78	(5,132.72)

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, 2018	As at March 31, 2017	Purpose
i. Loans	—	—	
ii. Investments (Refer note 2)	114.10	195.65	
iii. Guarantees	—	—	

46. Loss on the sale of undertaking in note 30 comprises of loss on sale of PPE and other assets (net) forming part of the undertakings sold
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 one 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 consolidated financial statements have been prepared on a going concern basis.
48. Previous year figures have been regrouped/reclassified/amended wherever necessary to conform to current year classification.

For and on behalf of the board

S. Devarajan
Chairman
DIN : 00001910

R. Selvarajan
Managing Director
DIN : 00001703

Salem
May 27, 2018

S. Vijay Shankar
Chief Financial Officer

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 second Annual General Meeting of the Company held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony. Salem – 636 014 on Saturday, the 11th August 2018 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 second Annual General Meeting of the Company held at the Mill Premises of Sambandam Spinning Mills Limited at Kamaraj Nagar Colony. Salem – 636 014 on Saturday, the 11th August 2018 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.	APPOINTMENT OF DR. A.SARAYU NON EXECUTIVE DIRECTOR	ORDINARY			
3.	APPOINTMENT OF STATUTORY AUDITORS	ORDINARY			
SPECIAL BUSINESS:					
4.	RE-APPOINTMENT OF SRI R. SELVARAJAN, AS MANAGING DIRECTOR	SPECIAL			
5.	ACCEPTANCE OF FIXED DEPOSITS FROM MEMBERS OF THE COMPANY	ORDINARY			
6.	RATIFICATION OF REMUNERATION PAYABLE TO THE COST AUDITOR	ORDINARY			

Place :

Date :

(Signature of Member)

Signed this day of August 2018

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 am on 09-08-2018.

Note [Proxy]:

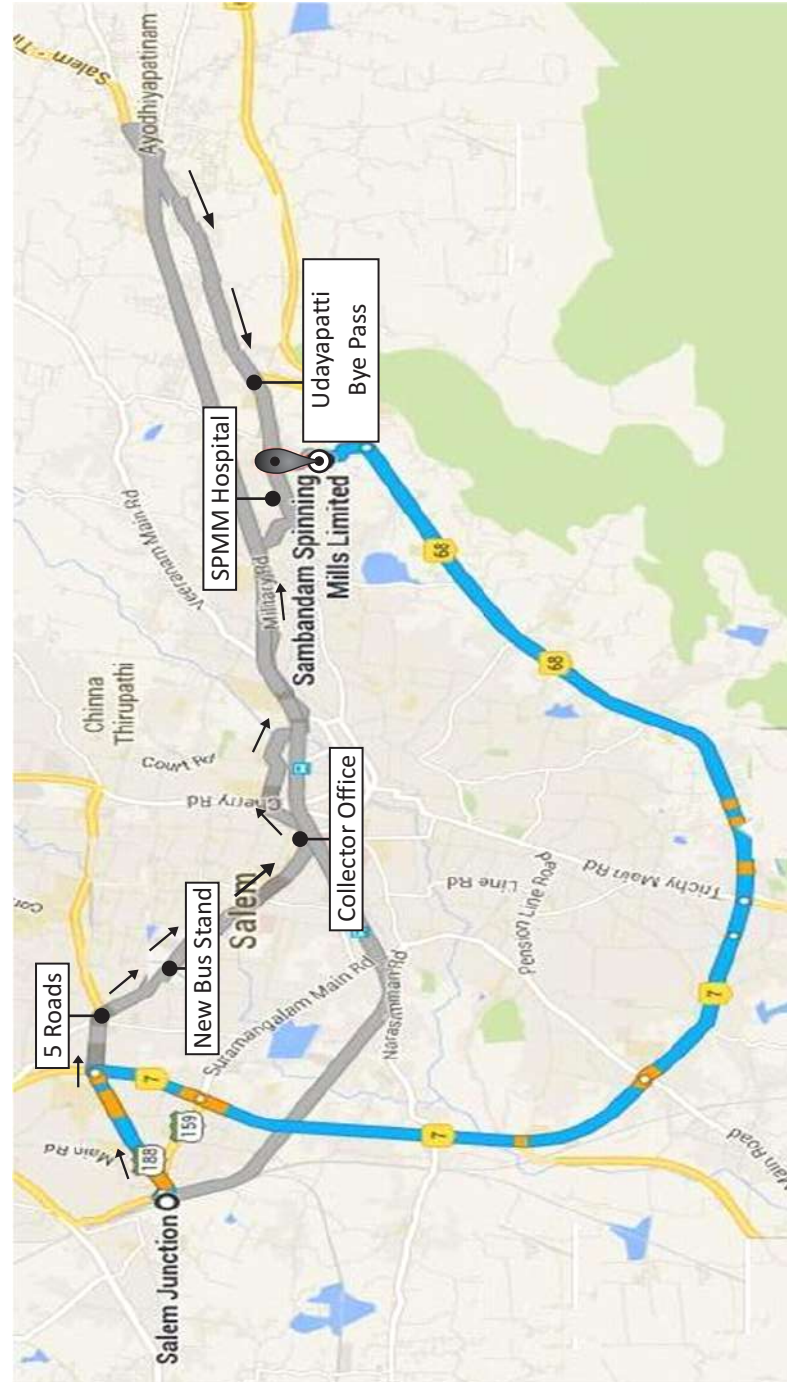
- 1) This Form in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting, i.e. before 11.30 a.m on 09-08-2018.
- 2) Proxies submitted on behalf of Limited Companies, Societies, etc., must be supported 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.



42nd Annual Report



Kandagiri Spinning Mills Limited

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